PORT of vancouver

FINANCIAL REPORT 2015

We plan and invest to support sustainable development of the port for future generations while ensuring that our financial targets are met today.

The Port of Vancouver is Canada's largest port and North America's most diversified, trading $200 billion in goods with more than 170 trading economies. The Vancouver Fraser Port Authority is committed to leading the continued growth of Canada's Pacific Gateway. Our stable financial position and forward-looking business strategy allow us to seize opportunities as they arise and reinvest in port facilities, infrastructure and services for our customers and communities.

OUR APPROACH TO REPORTING

The Vancouver Fraser Port Authority is responsible for managing federal real property and related port activities in the Burrard Inlet, the lower Fraser River, and at Roberts Bank, all located in the Metro Vancouver area of British Columbia.

The analysis throughout this report uses Canadian dollars and was prepared in accordance with International Financial Reporting Standards. The Management Discussion and Analysis (MD&A) was performed on a consolidated basis; therefore, financial information presented is for both the Vancouver Fraser Port Authority and subsidiaries.

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

YEAR IN REVIEW

2015 FINANCIAL HIGHLIGHTS

↑7%

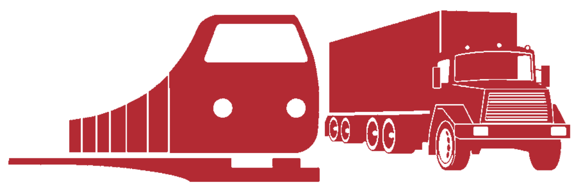
Total consolidated revenues increased seven per cent to $239 million from $223 million in 2014

↑13%

Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased 13 per cent to $146 million from $129 million in 2014

↑11%

Consolidated net income increased 11 per cent to $107 million from $97 million in 2014



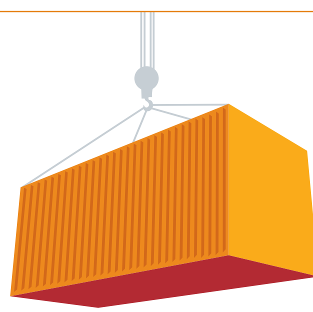
2015 OPERATIONAL HIGHLIGHTS

↓1%

Overall volume remained steady as the port handled 138 million tonnes of cargo in 2015, a one per cent decrease from 2014, despite a challenging year for the Canadian economy

↑5%

Container volumes continued to grow, hitting a record of 3.1 million twenty-foot equivalent units (TEUs) in 2015, a five per cent increase from 2014



↑8%

Grain and agricultural-product exports increased by eight per cent over 2014 to 25.1 million metric tonnes, including a 15.6 per cent increase in potash exports to 8.7 million metric tonnes, and a 20 per cent increase in bulk specialty crops to 3.5 million metric tonnes

$70
million

Capital expenditures totaled $70 million for 2015, which included the $22 million purchase of a parcel of industrial land in Richmond by a subsidiary

Strategic capital projects

The Vancouver Fraser Port Authority continued to lead several strategic capital projects in 2015, meeting future demands for increased port capacity and improving existing infrastructure:

- officially completed the Low Level Road project in the North Shore Trade Area
- progressed the Deltaport Terminal Road and Rail Improvement Project
- filed the Environmental Impact Statement for the proposed Roberts Bank Terminal 2 project

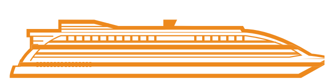
↑9%

Auto volumes were up nine per cent to 384,500 units in 2015, driven by a record year for Canadian auto sales

Announced several major sustainability initiatives in the year, including shore power for container vessels and the Enhancing Cetacean Habitat and Observation (ECHO) Program, an initiative aimed at better understanding and managing the impact of shipping activities on at-risk whales in B.C.

$10
million

Completed secondary channel dredging in Delta and Richmond, a $10 million collaboration between the port authority and federal, provincial and municipal governments to ensure safe access to local navigation channels



Received the Institute for Sustainable Infrastructure (ISI) Envision Sustainable Infrastructure Platinum award for the Low Level Road Project

Cruise passenger numbers remained strong, as the port welcomed 805,400 passengers from 228 vessel visits

MESSAGE FROM THE CHAIR,
BOARD OF DIRECTORS

"We are proud of our role supporting Canada's largest port."

The Port of Vancouver is a vital gateway for Canada's growing trade. Port businesses enable the delivery of Canadian resources, products and goods to economies around the world as well as the receipt of goods from other markets. This global exchange supports the nation's quality of life.

As the Vancouver Fraser Port Authority, we are proud of our role supporting Canada's largest port. The port authority is federally mandated by the *Canada Marine Act* to provide the marine infrastructure the country needs, while also considering local communities and protecting the environment. This mandate must be accomplished while maintaining financial self-sufficiency.

I am pleased to present the Vancouver Fraser Port Authority's Financial Report for 2015, which combines our Management Discussion and Analysis and our audited financial results. This report, along with our reaffirmed Standard and Poor's AA credit rating, demonstrates our continued financial and operational stability.

Much of the port's financial strength is due to our diversity of trading partners and cargo sectors, as well as our balance between imports and exports. Overall volumes remained steady in 2015, despite a more challenging year for the Canadian economy, with the Port of Vancouver handling 138 million tonnes of cargo. Revenues increased seven per cent over the previous year to $239 million, while net income increased 11 per cent to $107 million, allowing for the continued reinvestment in infrastructure improvements.

I would like to thank the members of our board of directors for their energy and leadership. I would also like to extend my thanks to the executive team, led by Robin Silvester, and the dedicated staff of the port authority. Collectively, through long-term planning, these people ensure that the Port of Vancouver is being thoughtfully developed for generations to come.

Craig Neeser
Chair, Board of Directors

MESSAGE FROM THE PRESIDENT
AND CHIEF EXECUTIVE OFFICER

Canada's trade is growing; at the Port of Vancouver this growth is set against constrained resources – including available industrial land – and important discussions about the environment and impacts on the local community. As the Vancouver Fraser Port Authority, we are focused on balancing environmental, social and economic perspectives to support our nation's trade and manage growth in a sustainable way.

I am pleased to present the Vancouver Fraser Port Authority's 2015 financial results, which demonstrate our enduring commitment and capability to support Canada's growing trade. Following another strong year in 2015, we continued to reinvest in the port and play a leadership role on major capital projects, in order to meet the demands for increased port capacity and to improve existing infrastructure.

One major accomplishment for the year was the submission of an Environmental Impact Statement for the proposed Roberts Bank Terminal 2 project, the culmination of 35,000 hours of extensive field work to study environmental impacts, and develop mitigation options. This is a significant milestone in progressing the project, which is now subject to a federal environmental assessment.

I am also proud of the Low Level Road Project, which, in 2015, received the Institute for Sustainable Infrastructure's Envision Sustainable Infrastructure Platinum Award. Despite a challenging start to the project, port business and communities came together, achieving a better result through consultation and collaboration. The project is an excellent example of the complex nature of our work and how through meaningful dialogue we are building a better port.

I would like to thank our customers and stakeholders for their continued support. I also want to thank the Vancouver Fraser Port Authority's board, executive team and staff for all their hard work and commitment to our organization. I look forward to continuing our work – building upon successes and collectively working toward a sustainable future.

Robin Silvester
President and Chief Executive Officer

"We are focused on balancing environmental, social and economic perspectives to support our nation's trade and manage growth in a sustainable way."

ABOUT US


WESTFAL-LARSEN SHIPPING
GPU-7421
SWL 65 M/T
WEIGHT 65T
PYE-813
12
64
MAX

The Port of Vancouver handled 138 million tonnes of cargo in 2015, supporting trade with more than 170 economies. The port accommodates the most diversified range of cargo of any port in North America, which produces consistent and solid results, despite economic downturns in some sectors.

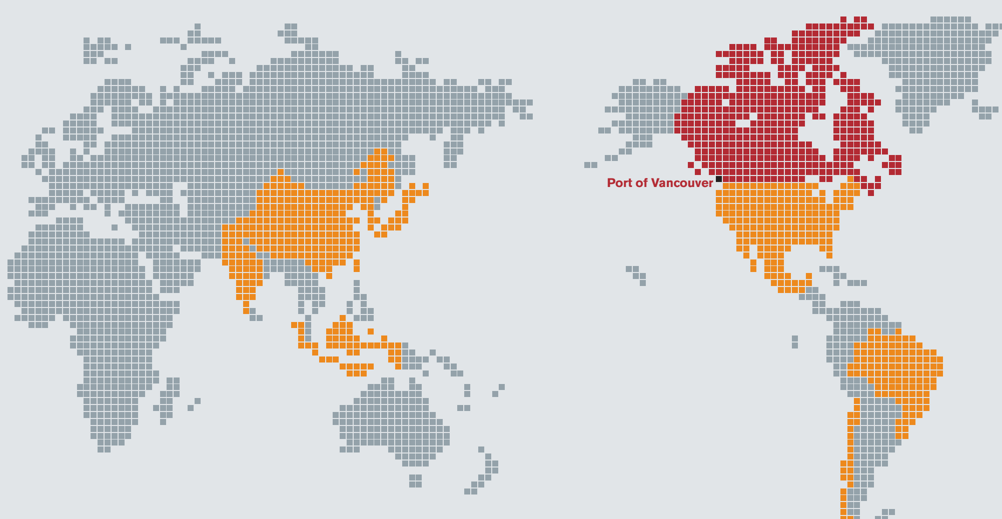
The Port of Vancouver includes 27 terminals to service deep-sea vessels, most of which are privately owned and operated on land and/or water lots leased from the Vancouver Fraser Port Authority, as well as a number of smaller facilities capable of handling domestic and regional cargo. Major customer groups include marine carriers, major shippers, terminal operators and tenants.

The port competes with other major ports on the west coast, each of which caters to similar sectors and markets, to varying degrees. East coast ports, including Montreal and Halifax, also compete with the Port of Vancouver, but to a lesser extent. To the north, the Port of Prince Rupert competes with the Port of Vancouver primarily in the coal, grain and container sectors, although for bulk products, the hinterland catchment areas of each port are somewhat different.

Offering a number of important advantages that reinforce its competitive position, the Port of Vancouver provides significant land and water assets, well-established facilities, and a full range of marine services, including shipyards, chandlers, freight-forwarders, and shipping agents. The port benefits from its deep harbours, supporting infrastructure, and a strategic location close to markets in Asia. It is also the closest homeport serving the Alaska cruise market.

19%

of Canada's total trade in goods by value are handled by the Port of Vancouver



PRINCIPAL TRADING ECONOMIES (million metric tonnes of cargo)

China 30.1 **Japan** 15.3 **South Korea** 13.1 **United States** 6.2 **India** 5.3 **Chile** 3.6 **Brazil** 3.5 **Indonesia** 2.8 **Taiwan** 2.8 **Mexico** 1.8

ECONOMIC IMPACT

Trade through the Port of Vancouver is growing as demand for Canadian exports and Asian imports increases. Trade infrastructure improves the quality of life for Canadians by creating jobs, access to food and goods, diversity and better economic prospects. The port, which generates $9.7 billion in direct gross domestic product, drives economic activity responsible for creating more than 57,000 direct and indirect jobs in the Lower Mainland and an estimated 100,000 jobs across Canada.

SECTOR OVERVIEW AND RESULTS

Overall cargo volume remained steady at 138 million tonnes of cargo as sectors experiencing declines were offset by others that hit new records. This is the port's third consecutive year of strong cargo volumes, with new records set in the container, potash, and grain and agricultural-product sectors.

Cargo shipped in containers continued to show substantial growth due to increased trade with Asia, with a five per cent jump in units (known as twenty-foot-equivalent units or TEUs) for a new record of 3.1 million TEUs. Grain and agricultural-product exports increased by eight per cent over 2014 to 25.1 million metric tonnes, and potash exports were 8.7 million metric tonnes, up 15.6 per cent from the prior year.

Read more about the economic impact of the port at portvancouver.com/about-us

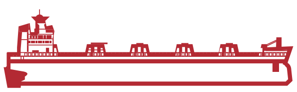
Auto

Auto volumes for 2015 were 384,500 units, a nine per cent increase, driven by another record year for Canadian auto sales and a strong resurgence of vessel imports (autos entering the gateway by ship).

Breakbulk

2015 remained the second highest year for breakbulk metal volumes on record at 1.4 million metric tonnes. There was however a 25 per cent decline in foreign metal imports during the second half of 2015 due to the slowing of capital investments in the energy industry.

Breakbulk forest product exports ended the year at 7.7 million metric tonnes, a five per cent decrease against 2014. A two per cent increase in 2015 foreign woodpulp exports, though modest, was a highlight against the decline of other forest products in this category.

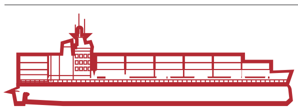


Bulk

Total bulk grain exports increased by 10 per cent in 2015 to 21.6 million tonnes, a new record for the second year in a row after surging by 22 per cent in 2014. Grain handlers and railways implemented effective measures to handle volumes after a highly productive 2013–2014 crop year.

Bulk specialty crop volumes (lentils and pulses) were 3.5 million metric tonnes, an increase of 20 per cent, much of it destined to India and China. Wheat exports were a record 10.7 million metric tonnes, an increase of 20 per cent over the prior year.

Total coal exports for 2015 decreased by eight per cent over the prior year, at 35.1 million metric tonnes. Thermal coal exports were down by 21 per cent, driven mainly by lower U.S-origin volumes, while metallurgical coal exports were down by two per cent.



Container

Overall container units increased by five per cent in 2015, setting a new record of 3.1 million twenty-foot equivalent units (TEUs) after increasing by three per cent in 2014. Cargo-filled inbound containers increased by three per cent in 2015, setting a new record of 1.5 million TEUs. September 2015 was the second-highest monthly volume of inbound TEUs on record, following the monthly record set in July 2014 when shippers were diverting cargo from U.S. west coast ports due to a labour dispute.

Cruise

Cruise passenger numbers remained strong, as we welcomed 805,400 passengers from 228 vessel visits. The 2015 season was lengthened by multiple cruise itineraries to Hawaii and along the U.S. west coast.

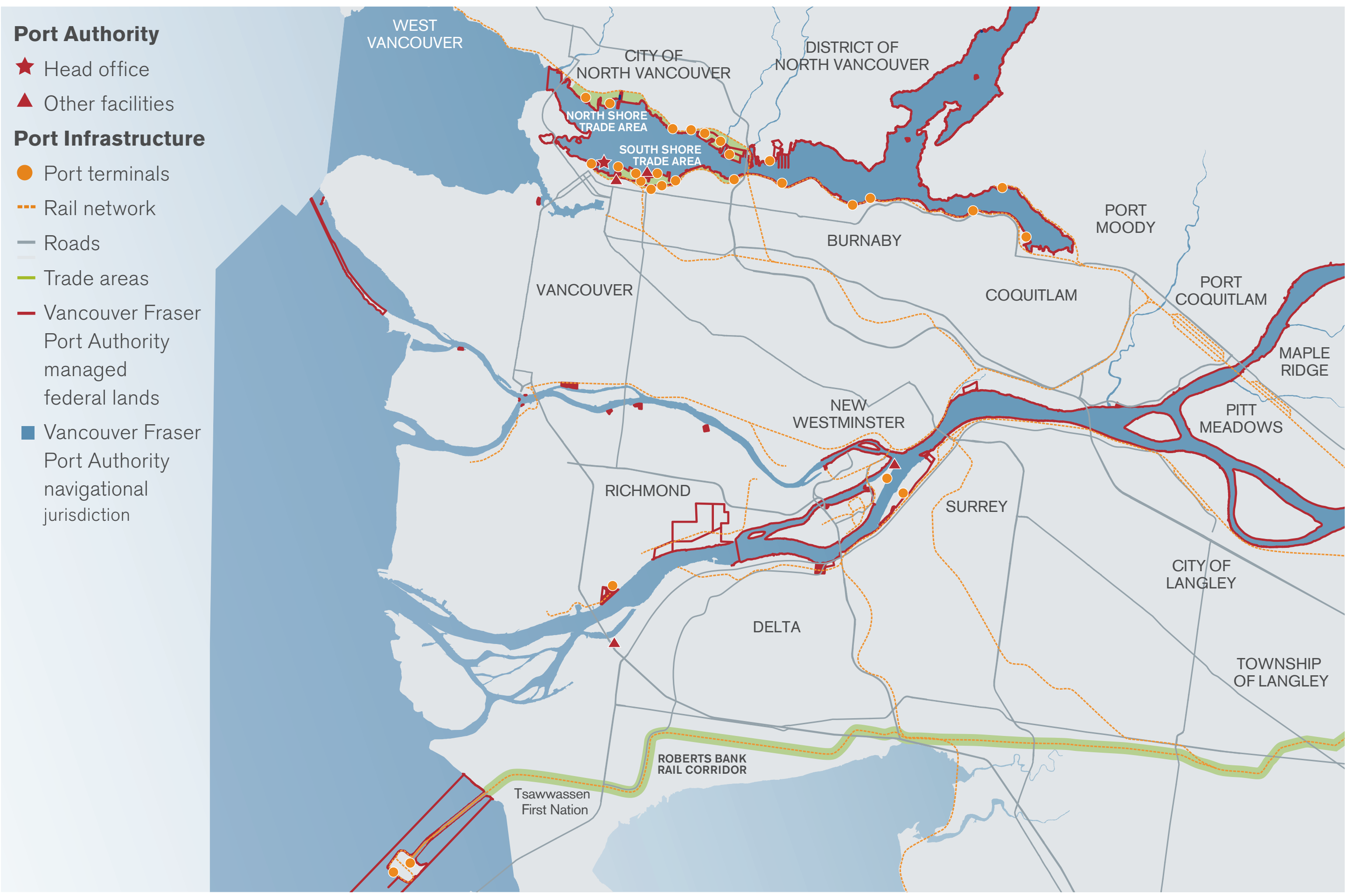
ABOUT US
VANCOUVER FRASER PORT AUTHORITY

ABOUT THE PORT AUTHORITY

The Vancouver Fraser Port Authority is responsible for managing federal real property and related port activities in the Burrard Inlet, the lower Fraser River, and at Roberts Bank, all located in the Metro Vancouver area of British Columbia. We are a non-shareholder, financially self-sufficient corporation accountable to the federal Minister of Transport. The port authority was established by the Government of Canada in January 2008 as an amalgamation of the three existing port authorities in the area. Guided by a long-term vision for a sustainable port and as set out in our mandate, we are able to make independent and timely financial decisions for the operational benefit of port users, and to manage federal port lands on behalf of, and for the benefit of, all Canadians.

16,000 hectares

of water, plus 1,000 hectares of land, are under our responsibility



ABOUT US
OUR MANDATE

OUR MANDATE

Our mandate is to facilitate Canada's trade objectives, ensuring goods are moved safely, while protecting the environment and considering local communities. Like all Canadian port authorities, the Vancouver Fraser Port Authority was established by the Government of Canada pursuant to the *Canada Marine Act*. The purpose of the act defines the role of a port authority. The following highlights some key aspects of our role to help explain how we operate and make decisions:

Read more about the port authority's mandate at portvancouver.com/about-us

KEY ASPECT	
Focus on national trade objectives	The act ensures provision of marine infrastructure that "effectively supports achievement of national, regional and local social and economic objectives, and will promote and safeguard Canada's competitiveness and trade objectives." A sub-clause states ports succeed by "contributing to the competitiveness, growth and prosperity of the Canadian economy."
Commercial viability	The act specifies that we must be organized to satisfy the needs of users, be available at a reasonable cost and be managed in a competitive and commercial way, all while remaining financially self-sufficient. To do this, we must encourage and consider input from customers, being responsive and never losing sight of their needs, while ensuring a commercially viable, market-based operation.
Safety and environmental protection	Closely aligned with our values, the act provides for a "high level of safety and environmental protection," and we are obligated under related acts such as the *Canadian Environmental Assessment Act*. We are required to be mindful of health and social concerns and to protect the environment in everything we do.
Community consideration	While we have a national mandate, we must also seek and consider the input of users and local communities of which we are part.
Autonomy	A notable point in the purpose of the act is that we are set up to have a high degree of autonomy. The act gives us a wide range of decision-making powers, rights and obligations.

ABOUT US
GOVERNANCE AND CORPORATE STRUCTURE

GOVERNANCE AND CORPORATE STRUCTURE

The *Canada Marine Act* governs the appointment and responsibilities for Canadian Port Authority boards of directors. The Vancouver Fraser Port Authority has an eleven-member Board of Directors, which provides governance, oversight and approval of strategic direction for the port authority, and is appointed using a robust process involving four appointing bodies as follows:

- eight federal government appointees, seven of which are recommended by port users
- one provincial government appointee by the province of British Columbia
- one provincial appointee by the Prairie provinces of Alberta, Saskatchewan and Manitoba
- one municipal appointee by the 16 municipalities within the port authority's jurisdiction

Terms of the directors are three years, and two re-appointments are permitted for a maximum of nine years. All members must have generally acknowledged and accepted stature within the transportation industry and the business community, and once appointed, members have a fiduciary obligation to represent the best interests of the port authority. To assist with its work, the Board has established several standing committees that management reports to on a regular basis.

The Board is responsible for the appointment of the Chief Executive Officer and other officers as appropriate, and the day-to-day management and strategic development of the port is delegated to the Chief Executive Officer.

MANAGEMENT STRUCTURE

Our employees are one of our greatest assets. The successes and strengths of our organization are a direct result of our talented people. Our commitment to continuous learning, diversity and balance is reflected in our corporate values.

At the end of 2015, there were 320 employees based in Vancouver, including two representatives out of our office in Delta, B.C. and one representative out of our office in Shanghai, China. During the year, we also employed 57 casual employees, including eight post-secondary school students to support our community outreach program.

Employees are organized into six divisions, as shown below:

320 employees

work at the Vancouver Fraser Port Authority in a broad range of disciplines

PRESIDENT & CHIEF EXECUTIVE OFFICER					
CHIEF FINANCIAL OFFICER	**VICE PRESIDENT** Corporate Social Responsibility	**VICE PRESIDENT** Human Resources and Labour Relations	**VICE PRESIDENT** Infrastructure	**VICE PRESIDENT** Planning and Operations	**VICE PRESIDENT** Real Estate

ABOUT US
GOVERNANCE AND CORPORATE STRUCTURE

We strive to provide our employees with a challenging and enjoyable work environment, competitive salaries and a comprehensive benefits package. We invest more than half a million dollars every year in the training and development of our people. In addition, we support the participation of employees in corporate-sponsored activities, as well as contributing to employee-initiated team building activities.

In 2015, Vancouver Fraser Port Authority employees personally pledged more than $39,000 in support of the United Way of the Lower Mainland. With corporate matching and other funds, we were able to donate more than $80,000 to help our local community.

Executive compensation

Our compensation philosophy seeks to maintain an executive compensation program that aligns with our business strategy and attracts, motivates and retains executives with the skills and experience necessary to achieve our goals, as outlined in our business plan and corporate scorecard.

Each executive member's compensation is based on a combination of the organization's corporate performance, determined through the results of the corporate scorecard, and the individual's personal performance, and is informed by relevant market compensation information. Executive compensation for key management personnel in 2015 is disclosed in Note 17 of the Audited Financial Statements found in this report.

The Human Resources and Compensation Committee is responsible for reviewing and recommending to the Board of Directors for approval: the executive compensation philosophy, the overall compensation provisions for the senior leadership team and the specific compensation plans for the President and Chief Executive Officer.

The committee regularly reviews our executive compensation philosophy and specific executive compensation terms. To ensure a robust review, external compensation consultants are retained to ensure the executive compensation philosophy continues to be appropriate and to benchmark our executive compensation to the market based on appropriate comparator organizations. The comparator organizations are comprised of organizations that are similar and/or with which we compete for executives in the market. Salary range midpoints and salary range maximums for the entire organization are targeted to be equal to the 50th and 60th percentile of the comparator group, respectively. Targets for executive perquisites and executive benefits are to be equal to the 60th percentile. Actual salaries are determined in reference to our desired market position and commensurate to the executive's skills, experience and overall individual performance. Executives are also provided with the same structure of group benefits coverage available to all employees at the Vancouver Fraser Port Authority, as well as additional perquisites consistent with what is offered at comparator organizations.

An executive's individual incentive plan is directly linked with our business strategy, the annual business plan and corporate scorecard performance to ensure individual performance is maximized. The annual incentive awards are then determined through a combined score based on individual and corporate performance. The annual incentive plan has the potential to provide an executive with total compensation of up to the 75th percentile of that earned by the comparator group.

COMPENSATION PHILOSOPHY

This executive compensation philosophy has been designed, with intention, to provide a clear link between our long-term business strategy, business plan and corporate scorecard and each executive's compensation to drive overall exceptional performance.

Read more about the port authority's executive compensation structure at portvancouver.com/reporting

ABOUT US
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 or strategic priorities, but which the port authority's Letters Patent do not permit it to undertake directly.

SUBSIDIARIES

The Vancouver Fraser Port Authority has six subsidiaries that were formed for different purposes:

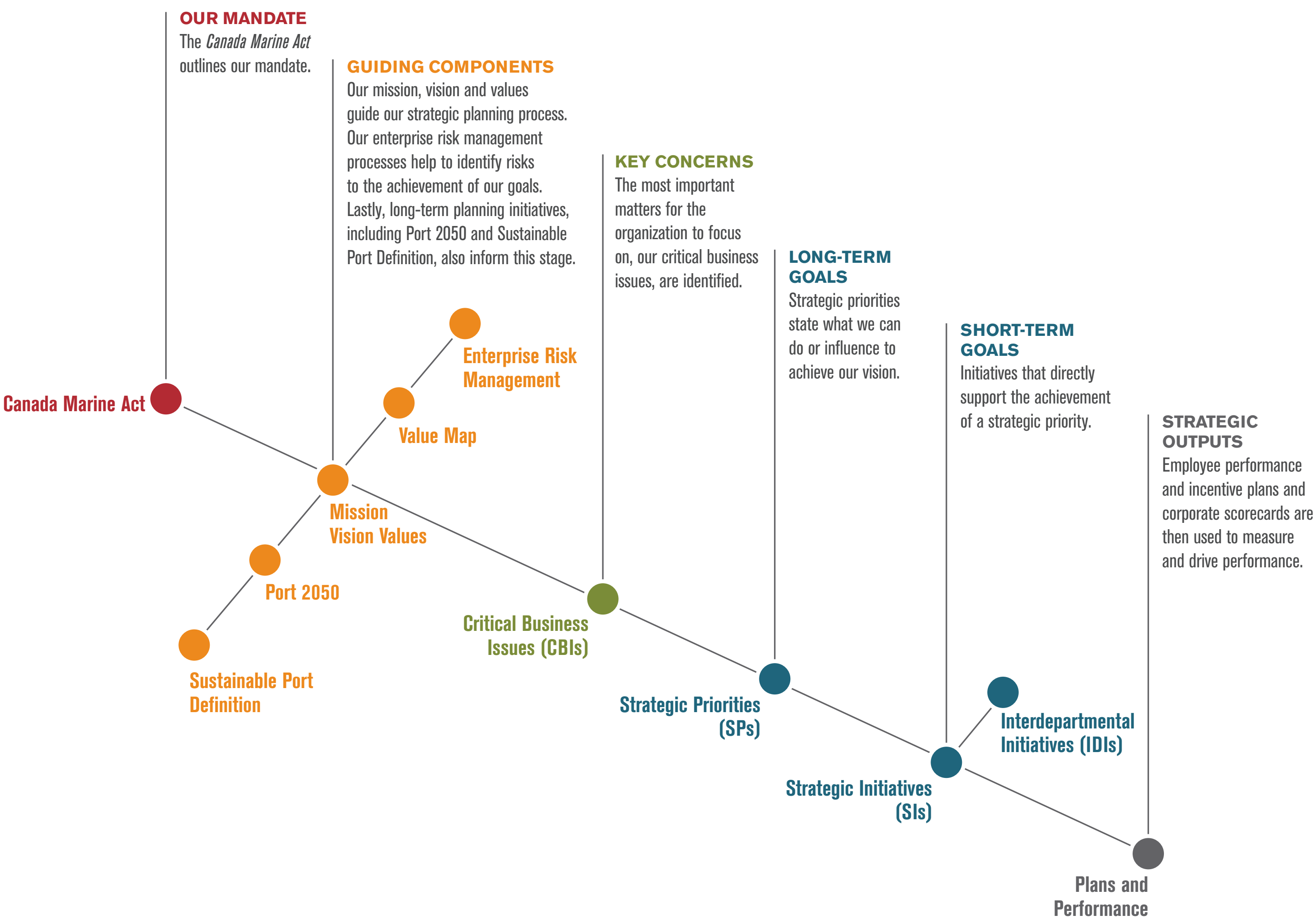
SUBSIDIARY	OVERVIEW
Canada Place Corporation (CPC)	Owner of Canada Place in Vancouver and responsible for leasing and management of the real property at Canada Place. Promotes, markets and undertakes public relations in connection with Canada Place and the port authority.
Marine Safety Holdings Ltd. (MSHL)	Incorporated to participate in, and facilitate the study of, safety and best practices in the marine transportation of petroleum products.
Port Metro Vancouver Ventures Inc. (PMVV)	Incorporated to provide a vehicle to invest in business ventures necessary to support the port authority's operations.
Port Metro Vancouver Enterprises Inc. (PMVE) **Port Metro Vancouver Holdings Inc. (PMVH)** **North Fraser Terminals Inc. (NFTI)**	These are property holding companies that undertake strategic real property acquisitions.


Lane 6
Welcome to
DP WORLD
Vancouver
Lane 7
SAFETY NOTICE
All Persons Must Wear
HI-VIZ Vests and
Safety Footwear
Use Safety Walkways
Lane 8
SAFETY NOTICE
Containers Must Be
Unlocked/Unlashed
Prior to Entering
Canopy Area
Lane 9
SAFETY NOTICE
Stay With Vehicle
After Entering
The Canopy Area
Lane 10
DO NOT
BACK
UP

We lead the sustainable development of Canada's largest port by facilitating dialogue and collaboration around long-term planning. Guided by our corporate vision, we develop strategies and collaborate with stakeholders to implement a broad array of initiatives that move us toward our goals.

The Vancouver Fraser Port Authority operates in a dynamic environment with a wide variety of stakeholders. We have a strategic business planning process to help identify where Management and the Board of Directors believe the organization should be focusing attention and resources going forward. The following diagram outlines our strategic planning process.

STRATEGIC PLANNING PROCESS



LONG-TERM PLANNING

Our approach to long-term planning starts with imagining our shared future and defining what sustainability means for our business. We engaged a lot of people – industry, government, First Nations and communities – to develop a better understanding of our long-term anticipated future through the Port 2050 scenario planning initiative. We also engaged our stakeholders to help us create a definition of a sustainable port. Together, these two initiatives help inform and frame our corporate vision, which in turn helps us plan for the future.

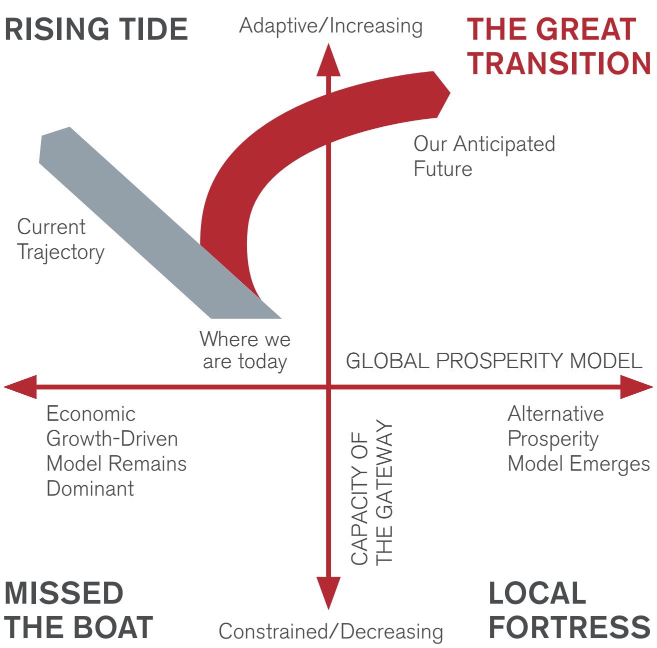
Port 2050 and our anticipated future

Since 2010, we have used scenario planning as a strategic tool to test our thinking and challenge our assumptions about the future. In a scenario development process we called Port 2050, we engaged a wide range of representative parties with a stake in the future of the gateway to create a strategic vision for our shared future.

Participants imagined what our gateway could look like in the next 20 and 40 years. We identified four distinct scenarios for the future: "Local Fortress", "Missed the Boat", "Rising Tide", and "The Great Transition".

Each year, we monitor key drivers of change to prepare for these scenarios and, in collaboration with our partners, are making plans to ensure that the gateway will thrive and prosper regardless of what the future holds.

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



Several influencing trends have emerged since we originally developed the Port 2050 scenarios in 2010, including:

- near certainty of climate change and link with human activity
- a shifting energy landscape with fracking and growing demand of non-carbon sources
- increasing interest in Vancouver Gateway development by local communities
- intensification of public debate about major resource projects
- Supreme Court of Canada 2014 ruling on Aboriginal title
- strong economic expansion following the 2008/2009 collapse of financial markets although uncertainty remains
- increasing discourse about a widening wealth gap

Scenarios were tested in 2014 and refreshed in 2015. As a result of the refresh, we see The Great Transition emerging as a potentially more likely scenario and also one that, collectively, we believe is worth aspiring to. It represents a shift to a low-carbon economy with a focus on sustainable trade.

Defining sustainability

In order to lead the gateway to prepare for The Great Transition scenario we asked ourselves and the wider port community: *What does a port look like in a sustainable world*? We began in 2013 to engage industry, government, First Nations, and communities to envision our shared future and define what sustainability means for the Vancouver Gateway. The resulting definition guides how we operate.

Continued collaboration with stakeholders enriches our business planning and strategic decision-making processes. It challenges our assumptions and helps us make decisions today that offer the best chance for success in the years to come.

We continue to integrate sustainability throughout our business and planning processes, as demonstrated in the port authority's strategic priorities and initiatives, and the way in which we conduct our operations. Our new definition of sustainability has also informed our newly revised vision – to be the world's most sustainable port.

OUR DEFINITION OF A SUSTAINABLE PORT

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

STRATEGIC PLANNING
MISSION, VISION AND VALUES

MISSION, VISION AND VALUES

Our mission is an enduring statement that states why the organization exists and for whom. Our vision is a statement that describes the organization's most ambitious long-term goal, and is guided by our definition of a sustainable port. Our values describe the desired behaviours and actions for the organization's leaders and employees. Together these three components guide our decision making.

- **Our mission**

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

- **Our vision**

  To be the world's most sustainable port.

- **Our values**

  Collaboration and teamwork – We work together to achieve our greatest potential. We communicate openly and treat each other with trust and respect.

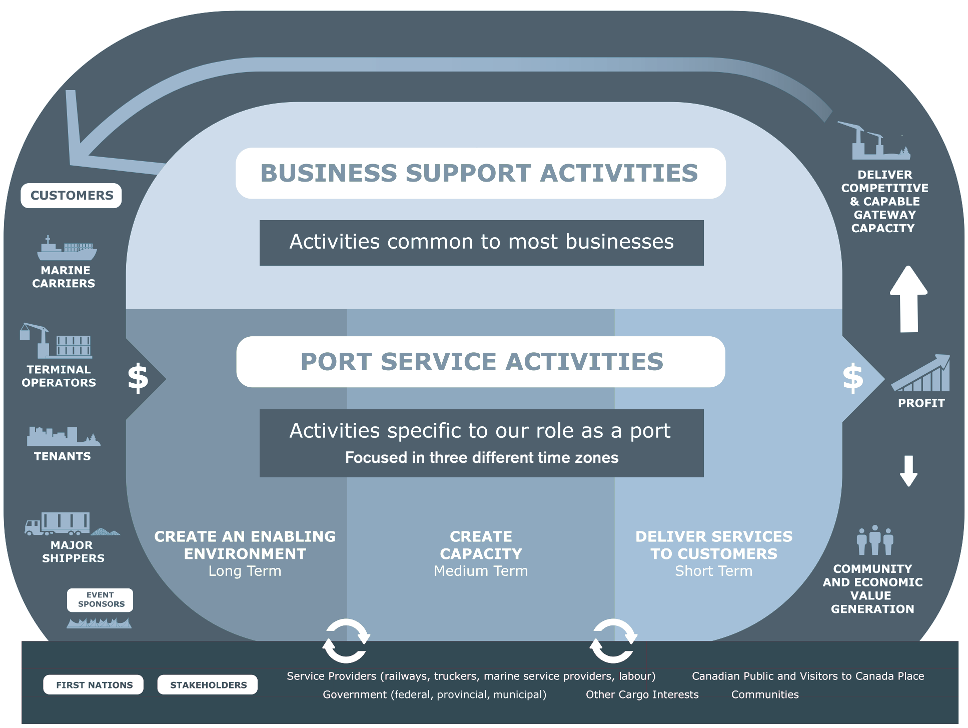
  Customer responsiveness – We strive to understand our customers' needs and to proactively provide them with distinctive value.

  Innovation – We seek new ideas and creative solutions.

  Leadership and accountability – We lead by example, act with integrity and are accountable for our actions.

  Our people – We are committed to continuous learning, diversity and balance.

  Sustainability – We think long term, considering social, environmental and financial matters.



VALUE MAP AND HOW WE DELIVER VALUE TO THE GATEWAY

The Vancouver Fraser Port Authority guides the port's long-term growth and development. We serve our customers through a variety of business support and port service activities that deliver added value to the gateway. Profits generated are reinvested to ensure the long-term sustainability of the gateway. Port stakeholders are involved in, and affected by, the overall system, as shown in the value map to the left.

STRATEGIC PLANNING
RISK MANAGEMENT

RISK MANAGEMENT

We believe that regular monitoring and mitigation of enterprise risks supports our ability to achieve our mission, vision and strategic priorities. It also ensures that the long-term economic, social and environmental sustainability of the port authority's business is maintained and that port authority remains safe and competitive in the global marketplace.

We assess enterprise risks and associated controls internally on a regular basis throughout the year. This assessment is led by the port authority's Enterprise Risk Management Committee. Sponsored by the Chief Financial Officer, the committee is comprised of representatives from across the organization and meets monthly. The committee reviews the top enterprise risks, examines any events or activities arising that could impact the risk register or mitigation strategies, and discusses the status of, and plans next steps for, any committee projects or activities in progress. The committee is responsible for reporting on the port authority's risks and risk management framework to the executive team and to the Board of Directors, with the board retaining the ultimate responsibility for strategic oversight of risk management. The principal mechanisms through which the board reviews risks, among other means, are the Audit Committee and the strategic planning process. In addition, as part of the *Canada Marine Act*, the organization and subsidiaries are mandated to have an independent Risk Assessment performed by an outside party every five years, with the next scheduled assessment to be completed in 2018.

Top Enterprise Risks for Vancouver Fraser Port Authority

Our active risks are documented in a corporate risk register. As set out in our risk management policy, risks are assessed on their expected likelihood and consequences to determine an overall risk rating of severe, high, moderate, or low. Risks are first ranked on their inherent basis (prior to mitigation and controls), and then ranked on their residual basis (after mitigation and controls).

The Top Enterprise Risks identifies the sixteen risks from our corporate risk register that are the top inherent and residual enterprise risks facing the organization. Top inherent enterprise risks are defined as risks that have been ranked "severe" on an inherent basis according to our Risk Management Policy and Framework, 10 of which have been identified. Top residual enterprise risks are risks that have been ranked "high" on a residual basis, of which 13 have been identified. These include eight of the top inherent risks. There are no risks classified as "severe" on a residual basis, and two top inherent risks are ranked as moderate or low risk on a residual basis. Ranking is based on likelihood and consequences calibration relating to three categories: economic, safety, and reputation. The following pages describe the fifteen risks identified, along with their respective mitigation plans.

STRATEGIC PLANNING
RISK MANAGEMENT

TOP ENTERPRISE RISKS	MITIGATION FACTORS
TOP RISKS (INHERENT AND RESIDUAL)	
Supply chain capacity imbalances	· Our Monitor and Measure program track productivity of stakeholders across the supply chain · Stakeholder advocacy to encourage parties to act in the interest of the overall Gateway · Rail, traffic and market studies · Stakeholder conflict mediation as required · The Truck Licensing System administers the trucks servicing the port
Inadequate project cost estimates	· Major Capital Projects Committee of the Board · Project management framework that requires detailed planning, review and reporting for large projects · Use of third party budget and cost estimators as well as consultants for larger projects
Loss of community acceptance	· Consultation and communication practices · Investments in local community initiatives · Community Liaison Committees · Community Engagement Line
Environmental impact on neighbours	· Leases with environmental requirements · Shore power at Canada Place · Collaboration with Metro Vancouver, tenants and regional partners · Redesigned Project and Environmental Review process (2015)
Social media damages to reputation	· Social media and internet presence · Project websites for information sharing and communication · Media monitoring · Community engagement
Environmental spill in harbour or river	· Developed and tested emergency plans · Coordination with external parties and stakeholders · 24/7 Operations Centre · Best practices for transportation of liquid bulk
Project delays due to third parties	· Stakeholder engagement · Project communications and ongoing outreach

TOP ENTERPRISE RISKS	MITIGATION FACTORS
TOP RISKS (INHERENT AND RESIDUAL)	
Land not available	· Land acquisition strategy · Plans for land reclamation projects · Engagement with stakeholders on industrial land use
TOP RISKS (INHERENT ONLY)	
Ineffective business planning	· Business planning and budgeting processes · Project Management Directive · Submission process for approval of spending · Resource requirement and availability assessments
Public liability – death/injury to members of the public	· Safety and security assessments · Signage and security devices · 24/7 Operations Centre · Insurance
TOP RISKS (RESIDUAL ONLY)	
Strike (or similar disruptive) action	· Risk framework developed for collective bargaining · Ongoing advocacy
Public liability – death/injury to members of the public – port authority event or tenanted land	· Event applicants indemnify the port authority · Maintain a security presence · Insurance is maintained · Employee training for site visits
Climate change	· Partner with municipalities to understand impacts and create mitigation plans · Identify at risk infrastructure · Internal Initiatives (Shore power, EcoAction Program) · Conduct emissions inventory every five years
Inheritance of environmental issue	· Risk assessment approach to address site contamination · Assessments required on all acquisitions · Standard lease wording includes assessment clauses
Terrorist attack at Canada Place	· Vulnerability analysis regularly conducted · Security reviewed regularly · Security heightened as event threat level increases · Terrorism and Liability insurance maintained

STRATEGIC PLANNING
KEY CONCERNS AND PRIORITIES

The table below presents the Vancouver Fraser Port Authority's critical business issues and their corresponding strategic priority. We update this information annually to reflect the changes affecting the overall business environment.

CRITICAL BUSINESS ISSUE	STRATEGIC PRIORITY
Organization/culture evolution	***Build a more connected and engaged culture and drive operational excellence***
Customers view port authority staff as professional but often constrained by systems and decision processes. Employees have stated that they believe the port authority can improve its internal work practices and processes and more effectively share information internally. The organization recognizes that the use of value metrics and well-documented key business practices can provide consistent and effective customer-centered results and create a baseline for continuous improvement.	We can enhance our ability to achieve long-term success by reviewing processes and systems to ensure they are effective, efficient, and economical, building new processes where needed, creating a more connected culture through information sharing, and using technology that enhances employee effectiveness.
Public support	***Achieve broad public support for port operations and growth***
Community support is essential to the port's ongoing success. The broader population appears supportive of the economic impacts and job creation the port delivers, though social and environmental performance expectations continue to rise. Opposition groups are increasingly well organized, sophisticated, and well-funded making it more difficult for the port to develop and grow.	We will continuously engage in outreach, advocacy and engagement strategies to build trust and support in the communities in which the port operates. We will also leverage community- and public-facing assets to help with this outreach and engagement. The above actions will help ensure the long term future viability and support of the port.
Government relationships	***Achieve alignment with policy makers on the vision for the gateway***
While the port has received a tremendous amount of support over the past several years, the result of the federal election in 2015 brings a possibility that government resources might be diverted to address other priorities. As it is early in the new government's tenure, it remains to be seen what the overall impact will be and how the port authority can engage with the new government. Engagement continues at municipal, provincial and federal levels, however differing mandates may conflict with the objectives of the port creating obstacles for the port authority.	Focus on the gateway can be maintained through regular and persistent engagement to ensure all government stakeholders remain up-to-date on emerging issues in support of the gateway. Providing input to the new federal government as it establishes its focus also provides a near-term opportunity.

CRITICAL BUSINESS ISSUE	STRATEGIC PRIORITY
Supply chain performance	***Increase supply chain efficiency, transparency and optimize operational capacity to deliver enhanced customer and stakeholder value***
The port authority must provide efficient and reliable capacity to serve the growth of the gateway, reflecting long-term financial, social and environmental views and needs of port business and other stakeholders. The port authority needs to demonstrate leadership in researching, assessing and implementing commercially-viable supply chain solutions.	Ensuring truck, train and navigational channel reliability, capacity and operations is essential in maintaining the strong performance and competitiveness of the port's supply chain while volumes increase throughout the gateway. We will continue to focus on our Smart Fleet Strategy, on how to measure and monitor the rail sector's performance, and on how to optimize our deep sea navigation channel.
Gateway growth	***Anticipate, select and deliver new and repurposed infrastructure capacity to meet key sector demand***
Gateway capacity demands are increasing for many sectors, both at terminals and in the supply chain. Opportunities for expansion beyond what is already planned exist in the container sector. In the bulk sector, undeveloped waterfront sites along the Fraser River could address expanding demand. The port authority also has the proven ability and financial capacity to lead large strategic infrastructure projects and, through industry collaboration, has the potential to secure government funding to support infrastructure investments that are supportive of the port.	Expanding container terminal capacity as well as planning and leveraging opportunities provided through additional federal government infrastructure funding, and in collaboration with industry, will help us enhance gateway competitiveness, meet long-term market demand, and grow with our customers.
Land	***Anticipate, deliver and optimize land supply to support gateway growth in key sectors***
The availability of industrial land is vital to the economy. The port authority's growth strategies are cost effective and can optimize the use of port lands to maximize throughput for all sectors. However, the available industrial land base in the region continues to shrink and there is little government policy to address protection and creation of new industrial land. There are only a few rail connections to tidewater along the west coast of British Columbia, making it critical that these connections and the related port lands be managed effectively.	We can help address the shortage of industrial land by optimizing existing land use, by looking for opportunities to acquire new properties to support future industrial uses, and by making the most of our existing vacant holdings, and by advocating that senior levels of government help with new policy directions.
Environmental stewardship	***Enhance and maintain gateway environmental health***
The development of the Port 2050 scenarios identified an anticipated mid-to-long-term future called the "Great Transition", which sees worldwide paradigm shift from traditional, profit-seeking business models and carbon fuel consumption to new business models that better balance economic, environmental and social well-being. A new definition of sustainability was developed to help guide the way forward, though it needs to be further embedded into planning processes.	We will review current sustainability practices in order to assess where we stand compared to other leading organizations in our sector. We will also leverage our new definition of sustainability to help prepare port stakeholders for the "Great Transition" scenario in the long-term, and incorporate sustainable practices into our processes through the creation of green infrastructure guidelines. Where possible, we will take a leadership position to bring together interested parties to help manage the environmental impact of port operations.

CAPITAL PLANNING

To achieve our strategic priorities, capital investments are required to address port capacity constraints and optimize operational efficiency and effectiveness. In 2015, capital spending totaled $70 million, down from $97 million in 2014. The 2015 spend included the purchase of a parcel of industrial land in Richmond for $22 million, as part of our strategic priority to anticipate, deliver and optimize land supply to support gateway growth in key sectors.

This decrease in capital spending in 2015 was primarily due to the substantial completion of several major projects in 2014, including those related to port investments in the Gateway Infrastructure Program. The program consists of 17 projects in three areas: the North Shore Trade Area, the South Shore Trade Area, and the Roberts Bank Rail Corridor. With various projects coming to completion in 2015, we will continue to recover ninety per cent of the $167 million pre-funded project costs through the Gateway Infrastructure Fee (implemented in 2010), over the next 30 years. In 2015, we collected approximately $9.3 million in fees related to these projects.

We also continue to invest in the expansion of container capacity to meet future demand, with the Deltaport Terminal, Road and Rail Improvement Project, the Centerm Expansion Project, and the proposed Roberts Bank Terminal 2 Project.

Going forward, our 2016–2020 capital plan identifies approximately $1.3 billion in total spending and allocates funds to the following areas:

- increase port capacity
- optimize the Vancouver Fraser Port Authority's land inventory
- accelerate internal operational efficiency
- deliver supply chain efficiencies and increasing stakeholder value
- provide capital maintenance/replacement of existing assets

$22 million

purchase in 2015 of industrial land in Richmond to support gateway growth

INDUSTRIAL LAND PRESERVATION

Competition for land in the Lower Mainland is intensifying as a result of regional growth. Industrial land in particular is scarce, expensive and in high demand. Protecting industrial land for future generations is a key priority for us.

According to analysis completed by Site Economics Ltd. in 2015, every 100 acres of developed industrial land results in $1.9 billion of direct and secondary economic benefits to the local area. The same study revealed that the remaining supply of land in the Lower Mainland suitable for goods movement and trade is diminishing at a rapid rate and could be exhausted within the next decade.

In response to industrial land scarcity, we are advocating for the protection of the remaining supply of industrial land for future generations. With one million more people expected in the region over the next 25 years, we need to secure the industrial land base to support new investments and retain jobs.

CAPITAL PROJECTS

Below are six of the significant capital projects which were proposed, under review, or underway at the end of 2015:

PROJECT	OVERVIEW
Roberts Bank Terminal 2 Project	The Roberts Bank Terminal 2 Project is a proposed new multi-berth container terminal at Roberts Bank in Delta. If built, the terminal would provide additional capacity of 2.4 million TEUs per year, which is required to meet forecasted demand until 2030. In 2015, the port authority filed the Environmental Impact Statement for the project, and it is currently under review by the Canadian Environmental Assessment Agency.
Centerm Expansion Project	The proposed Centerm Expansion Project is a series of improvements to increase the number of containers that can be handled at the existing terminal on the south shore of Vancouver's inner harbour by approximately two-thirds. The proposed improvements include an expansion of the terminal area, reconfiguration of the terminal, and road and rail access improvements. We are working with DP World Vancouver to develop the project.
Tsawwassen Container Examination Facility Project	The Tsawwassen Container Examination Facility Project will see the construction of a new container examination facility on Tsawwassen First Nation industrial lands to facilitate the growth of Canadian trade, ensure the efficient movement of container traffic at Roberts Bank, and meet Canada Border Services Agency inspection targets. We entered into a 60-year land lease agreement with the Tsawwassen First Nation in 2015 for the project site.
Enhancing Cetacean Habitat and Observation Program	The Enhancing Cetacean Habitat and Observation (ECHO) Program is a Vancouver Fraser Port Authority-led initiative aimed at better understanding and managing the impact of shipping activities on at-risk whales throughout the southern coast of British Columbia. The program, a collaborative research and management initiative, coordinates the efforts and resources of multiple stakeholders including government agencies, First Nations, marine industry users, non-governmental organizations, and scientific experts. A number of projects are underway now, including education outreach and scientific studies that will inform future mitigation measures.
Deltaport Terminal Road and Rail Improvement Project	The Deltaport Terminal Road and Rail Improvement Project is a series of improvements to the Deltaport Terminal to increase container capacity by 600,000 twenty-foot equivalent units (TEUs). We are working with the Province of B.C. and Deltaport operator, GCT Canada, to complete the project. The first component of this project, the causeway overpass, was completed in 2014, improving the flow of trucks and trains accessing the terminal and contributing an estimated 200,000 TEUs of additional capacity annually.
Container Shore Power	The Government of Canada and the Vancouver Fraser Port Authority announced $12 million of funding in 2015 for the installation of shore power facilities for container vessels at two Port of Vancouver terminals: Deltaport at Roberts Bank in Delta and Centerm in Vancouver. Both shore power operations will reduce noise and emissions in our port and are expected to be operational in 2017.

STRATEGIC PLANNING
CAPITAL PLANNING

RECORD OF SUCCESS

In 2015, our Low Level Road Project received the Institute for Sustainable Infrastructure's (ISI) Envision sustainable infrastructure rating system's Platinum Award. The project was the first transportation project to receive an ISI Envision-verified sustainable infrastructure rating award. Completed in 2014, the Low Level Road Project addressed long-standing community needs, while increasing the international competitiveness of the port's North Shore Trade Area. The project included elevating and realigning the existing road on the north shore of Burrard Inlet, addressing slope stability, eliminating three at-grade rail crossings, and improving road safety.

STRATEGIC PLANNING
BORROWING AND LIQUIDITY

BORROWING LIMIT AND LIQUIDITY PLAN

The Vancouver Fraser Port Authority's Letters Patent restricts our ability to have more than $510 million of debt financing outstanding at one time. The *Canada Marine Act* does allow us to access federal contribution funding for projects related to the implementation of security measures, environmental sustainability, infrastructure, or emergency response.

In 2010, the Vancouver Fraser Port Authority obtained an AA credit rating by Standard & Poor's. Every year since then, the port authority's rating has been reaffirmed at AA on robust Operating Performance with Outlook Stable.

Current projections show that the port authority has the ability to comfortably service planned levels of debt.

Existing Credit Facilities

- **Private placement bond:** On April 19, 2010, the Vancouver Fraser Port Authority successfully issued a $100 million private placement bond. The bonds were issued as senior unsecured Debentures for a 10-year term at 4.63 per cent, incorporating a 0.85 per cent spread over Government of Canada bonds. This bond is non-amortizing and requires interest to be paid semi-annually with principal repaid in full at maturity in 2020.
- **Revolving credit facility:** A five-year, $150 million financing agreement was signed with Royal Bank of Canada in December 2012. This credit facility expires December 2017. Cash borrowings can be advanced, and letters of credit can also be issued, under this facility. At year end, letters of credit in the amount of $3.3 million are outstanding. Other than those letters of credit, the facility was undrawn as of December 31, 2015.
- **Letter of credit facility:** The port authority holds a letter of credit facility with HSBC Bank Canada. This facility supports our environmental mitigation commitments relating to the Deltaport 3rd Berth project and the delayed funding of the solvency deficit of the legacy Vancouver Port Authority pension plan. Currently, letters of credit in the amount of $1.0 million are outstanding.

Subsidiary Credit Facilities

- **North Fraser Terminals Inc.:** North Fraser Terminal Inc.'s $1.5 million credit facility with Canadian Imperial Bank of Commerce expired in December 2014. In its place, a three-year, $1.5 million financing agreement was signed with the Royal Bank of Canada. This new credit facility expires December 2017.
- **Port Metro Vancouver Holdings:** A 16-year, $4 million demand loan was signed with the HSBC Bank Canada in November 2004. The loan has an outstanding balance of $233,000 and expires August 2020.

New financing requirements

The Vancouver Fraser Port Authority will need new credit facilities to fund future capital requirements. Our organization's current financing strategy is to raise funds using a combination of rated private placement bond issues and floating rate bank debt. This approach will reduce future refinancing risk, minimize interest rate and renewal risk, diversify funding sources, and ensure we maintain sufficient liquidity as outlined in our liquidity management policy.

According to our five-year capital plan, borrowing is expected to peak at $686 million in 2020 if all projects are executed. As this anticipated debt level is greater than the port authority's borrowing limit of $510 million as specified in our Letters Patent, in this scenario we would be required to seek an increase to our borrowing limit from the federal government. As a substantial portion of the capital spend is tied to projects which require further approvals, a probability based analysis on expected projects is completed. In this probability based scenario, we would expect borrowing to peak at $439 million in 2019, within our current borrowing limit.

Even if the full five-year capital plan is executed, given our strong cash flow position, approximately 61 per cent of total capital spending over the planning period is expected to be funded with operating surpluses and 39 per cent with debt. Given the debt carrying costs and current EBITDA projections, we still expect to maintain a strong credit profile. Based on our current capital and financing plan, our debt service coverage ratio is expected to remain above 5:1 and the Debt/EBITDA ratio is expected to be below 4.4 times over our five-year plan horizon.

At a consolidated level, Vancouver Fraser Port Authority revenues and expenses represent approximately 98 per cent of the consolidated total. Consolidated net income reached $107 million, a $10.9 million improvement over 2014.

CONSOLIDATED SUMMARY

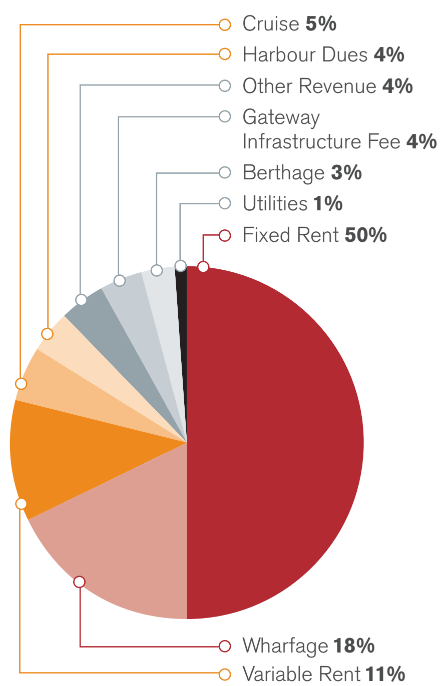
REVENUES

The following table supports the Vancouver Fraser Port Authority's Consolidated Statement of Comprehensive Income, which is prepared under International Financial Reporting Standards:

	2015	2014	Variance $	Variance %
Operating revenue				
Fixed rent	$ 119,236,013	$ 108,266,594	$ 10,969,419	10%
Wharfage	42,972,656	40,321,265	2,651,391	7%
Variable rent	25,236,636	25,796,059	(559,423)	(2%)
Cruise	12,025,897	10,812,643	1,213,254	11%
Harbour dues	10,606,025	10,363,517	242,508	2%
Other revenue	10,312,289	6,388,987	3,923,302	61%
Gateway infrastructure fee	9,300,603	8,142,318	1,158,285	14%
Berthage	8,010,074	7,948,986	61,088	1%
Utilities	1,486,944	1,942,336	(455,392)	(23%)
Net provincial lease revenues	–	2,555,932	(2,555,932)	(100%)
Total revenues	**$ 239,187,137**	**$ 222,538,637**	**$ 16,648,500**	**7%**

This pie chart depicts the Vancouver Fraser Port Authority's operating revenue for 2015. Fixed rent accounts for approximately half of total revenues, which means that a sizable proportion of revenue is protected against fluctuations in commodity volumes. Combined Fixed rent and Variable rent revenues showed a $10 million improvement over prior year, mainly due to an accounting adjustment recognized in 2015. Due to the adjustment, $10 million in additional revenue relating to long-term leases held by the port authority was recognized in 2015.

In January of 2015, the head lease agreement between the Vancouver Fraser Port Authority and the Province of British Columbia expired. The agreement had given the port authority the responsibility for managing Crown land on behalf of the Province on the north, middle and south arms of the lower Fraser River. As such, revenues related to the lease decreased $2.6 million in 2015.



MANAGEMENT DISCUSSION AND ANALYSIS
CONSOLIDATED SUMMARY

The port authority collects several fees to recover investments and costs made to support the port in a variety of ways. Wharfage, Harbour Dues, Cruise, Berthage, the Gateway Infrastructure Fee, and the Truck Licensing System Fee are the primary fees collected. The following table summarizes the key drivers for each of these fees, how the fees are calculated as well as the value Vancouver Fraser Port Authority adds by reinvesting these fees.

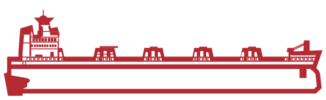
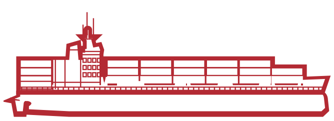
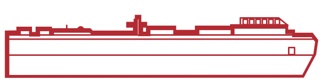
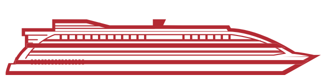
REVENUE TYPE	CALCULATION KEY DRIVER	DETAILS OF CALCULATION	PURPOSE OF FEE
Wharfage	Rate x Unit	· Unit rate applied is per Thousand Foot Board Measure (MFBM), Tonne or Twenty Foot Equivalent unit (TEU).	To recover investments and costs associated with the provision of port infrastructure and services to handle cargo.
Harbour Dues	Rate x Gross Registered Tonne (GRT)	· Charged on first five calls. · Discounts for environmental standards achieved.	To recover investments and costs associated with harbour operations, as well as harbour safety, security, and cleanliness.
Cruise	Passenger Fee = Rate x # of Passengers Service & Facilities Fee = Rate x Overall Ship Length x Time at Berth	· Rates vary for days of the week and time of stay.	To recover investments and costs associated with provision of cruise terminal facilities, berths and infrastructure.
Berthage	Rate x Overall Ship Length x Time at Berth	· Unit rate applied is based on location and time of stay.	To help recover investments and costs associated with the wharf apron, berth dredging and maintenance.
Gateway Infrastructure Fee	Rate x Unit	· Unit rate applied is per MFBM, Tonne or TEU.	To recover investments and costs related to trade area infrastructure improvements in three trade areas.
Truck Licensing System Fee	$45,000 per Licensee (20 trucks)	· Annual fee of $45,000 per Licensee.	To recover investments and costs related to operation of the truck licensing system.

Wharfage and berthage fee rates increased by the consumer price index of one per cent in 2015, while harbour dues rates remained flat. Overall, the port authority collected revenue of $62 million in 2015, compared with $59 million in 2014, for harbour dues, berthage and wharfage. This represents a five per cent increase year over year, driven primarily by increases in container traffic.

Service and facility and passenger fee rates on cruises increased by 10 and nine per cent respectively, to recapture investments by the Vancouver Fraser Port Authority in the Canada Place cruise terminal. This rate change, combined with higher passenger volumes, resulted in an 11 per cent increase in cruise revenues. Revenues from Gateway Infrastructure Fees, which are charged on container and bulk volumes handled in the South Shore, North Shore, and Roberts Bank trade areas, increased by 14 per cent in 2015. This was the result of a 16 per cent aggregate increase in the fee rates charged, combined with slightly lower overall volumes in the trade areas during the year.

Other revenues increased by $4 million from 2014 driven primarily by changes to the Truck Licensing System Fee in 2015. The new fee was developed in consultation with Transport Canada and the Province of British Columbia to deliver a sustainable and more accountable trucking sector with fewer trucks and fewer, more efficient, and financially-invested trucking companies. The fee was designed to recover costs of the program. The fee basis was changed from a standard $300 per truck charge, to a charge of $45,000 per year per licensee (which constitutes approximately 20 trucks).

When analyzing Vancouver Fraser Port Authority's revenues, it is also important to note revenue contributions by sector. The table below outlines the 2015 revenues generated by the port's five business sectors.

SECTOR	DESCRIPTION/ COMMODITY TYPE	2015 REVENUE CONTRIBUTION (%)	2015 REVENUE CONTRIBUTION ($000s)*
Bulk 	Principal cargo includes coal, grain, sulphur and potash	18%	42,872
Breakbulk 	Principal cargo includes steel, pulp and lumber	8%	20,216
Container 	Cargo includes household goods, produce, machinery, woodpulp, lumber and metals	49%	116,478
Autos 	Automobiles, as well as heavy rolling machinery and equipment, including 100% of all Asian imports destined for Canada	3%	6,776
Cruise 	Cruise passengers travelling to/from the homeport for the Vancouver-Alaska cruise	5%	12,843

* In addition, other revenues account for 17 per cent, or $40 million, including marina, yacht club, ship repair, interest income and other miscellaneous revenue items.

The revenue contributions for each of the business sectors highlighted in the table above are consistent with the contributions made by each sector in 2014. The container sector continues to generate almost half of Vancouver Fraser Port Authority's revenues, followed by bulk, breakbulk, cruise and autos.

MANAGEMENT DISCUSSION AND ANALYSIS
CONSOLIDATED SUMMARY

The Vancouver Fraser Port Authority's significant expense items are noted in the following table.

EXPENSES

	2015	2014	Variance $	Variance %
Major expense items				
Salaries and employee benefits	$ 37,503,171	$ 35,255,485	$ 2,247,686	6%
Depreciation	31,761,019	27,757,698	4,003,321	14%
Other operating & admin expenses	18,551,718	19,676,867	(1,125,149)	(6%)
Net dredging expenses	11,996,985	12,032,539	(35,554)	0%
Professional fees & consulting services	8,796,820	9,322,089	(525,269)	(6%)
Federal stipend	6,785,639	6,452,672	332,967	5%
Payments in lieu of taxes	6,578,718	6,773,743	(195,025)	(3%)
Finance costs	5,197,601	5,239,543	(41,942)	(1%)
Maintenance & repairs	3,275,142	3,584,683	(309,541)	(9%)
Total	**$ 130,446,813**	**$ 126,095,319**	**$ 4,351,494**	**3%**

The Vancouver Fraser Port Authority's overall operating expenses increased by three per cent over the previous year. This change was mainly as a result of increases in salaries and employee benefits and depreciation. Some of the increase was offset by savings in other operating and administrative expenses, professional fees and consulting services, as well as maintenance and repairs.

Several major capital projects were substantially completed across the region in late 2014. The full impact of the associated depreciation expenses were first felt in 2015. As a result, the depreciation expense increased by $4 million, or 14 per cent versus the previous year.

A reduction in advertising spend in 2015 accounted for the majority of the six per cent favourable variance in other operating and administrative expenses.

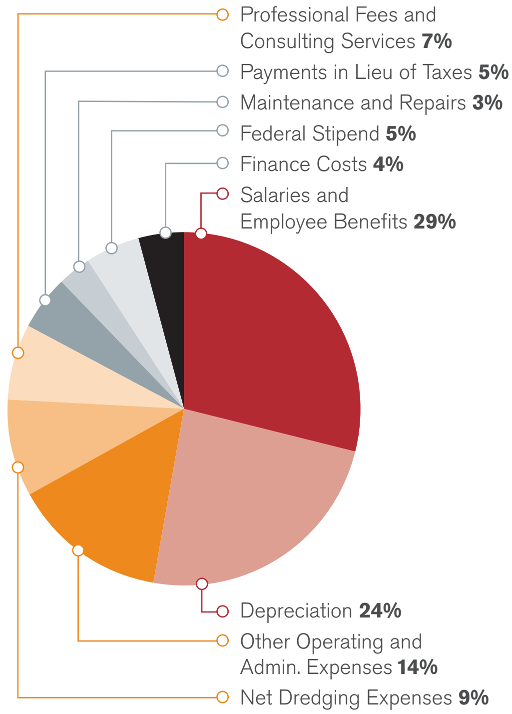
Providing safe and unimpeded access to terminals for vessels is a cornerstone of our mandate. Each year, when the snowpack melts, millions of tonnes of sand and silt drain into the lower Fraser River in a process called freshet, depositing material in the navigation channel. To deal with this natural infilling, we carry out an annual maintenance dredging program. The recovered sand is then sold and used for preload in local construction projects. Risk continues to exist with the net cost of dredging as the volume of sand to remove can vary and volumes of offsetting dredge sand sales can vary year to year. Net dredging expenses in 2015 were on par with 2014.

The Vancouver Fraser Port Authority makes payments in lieu of taxes to local municipalities within the port authority's jurisdiction on unoccupied lands. Tenants pay property taxes to municipalities for properties leased from the Vancouver Fraser Port Authority. The reduction of $200,000 reveals that additional properties were leased in 2015 compared to 2014.

The Vancouver Fraser Port Authority is exempt from income taxes, however, under the *Canada Marine Act* we are obligated to pay an annual federal stipend to the Minister of Transport to keep our Letters Patent in good standing. The charge is calculated by reference to gross revenues at rates varying between two per cent and six per cent, depending on the gross amount determined. Federal stipend payments grew to $6.8 million in 2015 from $6.4 million in 2014.

The net $525,000 in savings in professional fees and consulting services were due to lower spend on short-term contracts and environmental services, which were offset by higher expenditures related to the trucking sector, including the new truck licensing program, as well as legal and security costs.

Interest on the debenture is payable semi-annually at 4.63 per cent for a total annual payment of $4.63 million. These payments make up the majority of total financing costs. The full year payment made in 2015 remained consistent with the amount paid in 2014.



SUBSIDIARIES

The *Canada Marine Act* and the Vancouver Fraser Port Authority's Letters Patent allow the use of subsidiaries to undertake certain indirect activities deemed necessary to support port operations or strategic priorities. We are unable to enter directly into joint ventures with third parties but can do so by using wholly-owned subsidiary corporations. The following table summarizes the 2015 results for each of the Vancouver Fraser Port Authority's subsidiaries.

2015 SUBSIDIARY RESULTS ($000s)

Subsidiaries	Operating Revenue	Operating Expense	Other Income (expenses)	Net Income
Canada Place Corporation	2,764	1,740	154	1,178
Marine Safety Holdings Ltd.	0	0	0	0
North Fraser Terminals Inc.	288	88	0	200
Port Metro Vancouver Ventures Inc.	246	34	0	212
Port Metro Vancouver Enterprises Inc.	166	18	0	148
Port Metro Vancouver Holdings Inc.	240	288	0	(48)

MANAGEMENT DISCUSSION AND ANALYSIS
OUTLOOK

MARKET OUTLOOK

The global economy continues to grow, albeit at a slower pace than previously anticipated, with expected growth of 3.1 per cent in 2015. Growth is expected to average 3.7 per cent annually from 2016 to 2020. Supporting this growth, the global trade of goods is expected to average an increase of 5.5 per cent annually over the same period, up from 3.7 per cent in 2015. With foreign trade providing a solid foundation for growth at the port, projected volumes through to 2020 remain strong.

The slowdown in Canada's economy, reflecting that of global commodity markets, has contributed to a weaker economic outlook for Canada. Although this outlook is tied to a weaker Canadian dollar and a correspondingly negative outlook for imports, the associated decline in energy prices is expected to help offset some negative impacts by encouraging consumer and business spending. In addition, a weaker Canadian dollar has helped make Canada's exports more attractive to trading partners.

The port's foreign trade, which comprises 80 per cent of total cargo volumes, remained level from 2014 to 2015 after trending consistently upward since 2009. Trading with over 170 global economies, while continuing to serve local communities along the Pacific coast, the port benefits from having a diverse range of trading partners.

The majority of trade at the port continues to be with Asian trading partners. Despite concern over China's immediate economic outlook, it will remain a key driver of trade through the port. Latin and South American economies, impacted by weakness in commodity markets, are experiencing lower than expected growth. However, economies along the region's west coast remain resilient and trade continues to contribute to a positive outlook for volumes. Solidifying recovery in the United States and European Union also provides a positive sign for trade growth.

The range of commodities traded with these regions also ensures strength in volumes through the port. Although numerous commodities will contribute to this strength, future growth is expected to be led by grain, containers, coal, and potash.

In 2015, 138 million tonnes of cargo moved through the port, declining by a slight one per cent compared to 2014. Over the next five years tonnage is forecast to increase an average of 4.5 per cent per annum, from 138 to 172 million tonnes, with the majority of the growth expected in the latter part of the planning period. Forecasts for each of the port's business sectors are summarized below.

- **Container:** Long-term prospects for container growth remain positive and stable, based on projected GDP growth for Canada and the port's major trading partners. This economic growth, supported by the port's strong competitive position among other west coast ports, will provide opportunities for import and export container customers.
- **Bulk:** Although global demand in the seaborne coal market has stalled, forecasted growth in coal exports through the port is supported by stable demand for metallurgical coal in global steel making and the continued prominence of thermal coal in the energy mix of many of the port's trading partners. Global demand for Canadian grain is expected to increase, driven by rising population and personal income as well as by increasing Canadian crop yields. Proximity to primary markets, along with a positive outlook for capacity expansion, will enable the port to continue gaining export market share.
- **Cruise:** Remaining relatively stable over the past three years, cruise passenger volumes are expected to increase on an annual basis going forward driven by growth in global tourism.
- **Breakbulk:** Consumer strength in China, and broadening opportunities throughout Asia in general, is expected to drive a modest increase in breakbulk forest product traffic through the port. Limited growth is also projected for other breakbulk commodities, such as metals.
- **Auto:** Inbound auto volumes are expected to remain flat over the next five years as foreign car manufacturers increasingly build vehicles in North America rather than overseas.

↑4.5%

Over the next five years, tonnage is forecast to increase an average of 4.5 per cent every year.

FINANCIAL OUTLOOK

Revenues

The continued weakness in the global commodity market has contributed to the slowdown in the Canadian economy. Despite this continuing trend, revenue from port operations is forecasted to improve slightly in 2016, when the accounting adjustment made in 2015 is excluded from revenue. Certain sectors are affected by the weakened economy, particularly bulk relating to lower coal demand, which is offset by higher revenues from fixed rentals, cruise operations and container-related wharfage revenues. Beyond 2016, as global growth stabilizes, we expect revenues to increase by approximately four per cent per year due to increases in volume and the introduction of new fees to recapture investments made in port and traffic infrastructure in port operational areas.

Expenses

Salaries, wages and employee benefits represent approximately 30 per cent of the port authority's operating expense budget and will total approximately $38.6 million in 2016. Salary expenses are expected to increase in line with general inflation levels over the next five years.

Net dredging expenses decreased in 2015 due to a decrease in channel maintenance volumes compared to 2014. Starting in 2016, inflationary increases in dredging costs are expected to be offset by recoveries for dredging from a tenant, as per current lease negotiations. Several risk factors could impact this expense in the future, including government actions regarding ocean sand dumping, pricing for sand sales used to offset dredging costs, and higher freshet, as seen in 2012 and 2013.

Payments in lieu of taxes (PILT) expense is projected to increase in 2016 by about $400,000, or 5.7 per cent, consistent with land acquisitions and capital additions. Over the next five years, PILT is expected to increase with land acquisitions and capital additions, assuming that lands acquired for the port authority's land banking strategy will mostly be tenanted.

Professional fees, outside services, repairs and maintenance, and other operating and administrative expenses are expected to total $36.5 million in 2016 with increases in security expenses and maintenance on cruise gangway repairs. All of these operating costs are expected to increase by the rate of inflation past 2016. In addition, we anticipate around $5 million in interest expense and $6.6 million of federal stipend payments in 2016, consistent with 2015. Interest on new borrowing for capital projects anticipated in the next five years is expected to be capitalized. Depreciation is expected to increase commensurate with capital additions.

In summary, our total cash operating expenses are forecast to increase by three per cent in 2016, and by an average of four per cent annually from 2016 to 2020. This rate of growth is consistent with the expected rate of growth in revenues over this period, a scenario that will allow the organization to maintain our strong financial position over the next five-year planning period.

Total Comprehensive Income and EBITDA

Despite a challenging mid-term growth environment, increases in volumes will produce continued growth in revenues and cash flows for the port authority over the five-year planning period. Excluding the accounting adjustment made to revenue in 2015, EBITDA is expected to increase by three per cent in 2016, and is projected to grow annually by four per cent over the remainder of the five-year planning period. Total comprehensive income is projected to increase by three per cent in 2016, and then decrease in 2017 to 2019 due to higher depreciation expense as our capital plan is executed. It is then expected to recover to 2016 levels by the end of the five-year planning period.

2015 AUDITED FINANCIAL STATEMENTS

The Vancouver Fraser Port Authority is a non-shareholder, financially self-sufficient corporation. Guided by a long-term vision for a sustainable port, we are federally mandated to responsibly facilitate Canada's trade through the Port of Vancouver.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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Vancouver Fraser Port Authority, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Vancouver Fraser Port Authority as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Vancouver, Canada
March 30, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

VANCOUVER FRASER PORT AUTHORITY

(Expressed in thousands of dollars)

As at December 31	**2015**	2014
ASSETS		
Current		
Cash and cash equivalents	**$ 196,172**	$ 140,827
Investments in securities *(note 6)*	**1,197**	500
Accounts receivable and other assets *(note 7)*	**36,686**	58,916
Total current assets	**234,055**	200,243
Investments in securities *(note 6)*	**825**	2,023
Long-term receivables *(note 8)*	**23,083**	10,960
Deferred charges	**1,479**	1,545
Intangible assets *(note 9)*	**4,710**	2,100
Property and equipment, net *(note 10)*	**1,253,005**	1,217,319
	$ 1,517,157	$ 1,434,190
LIABILITIES AND EQUITY OF CANADA		
Current		
Accounts payable and accrued liabilities *(note 11)*	**$ 35,209**	$ 58,537
Provisions *(note 12)*	**3,248**	8,721
Short-term borrowing *(note 13)*	**233**	279
Payments in lieu of taxes	**–**	669
Deferred revenue	**11,172**	10,295
Current portion of other long-term liabilities	**30**	27
Current portion of long-term obligation *(note 13)*	**100**	100
Total current liabilities	**49,992**	78,628
Other employee benefits	**1,354**	1,236
Accrued benefit liability *(note 14)*	**8,286**	8,389
Deferred revenue	**32,053**	26,883
Provisions *(note 12)*	**7,153**	6,666
Other long-term liabilities	**4,275**	3,935
Long-term obligations *(note 13)*	**100,886**	100,901
Total liabilities	**203,999**	226,638
Commitments and contingent liabilities *(notes 15 and 16)*		
Equity of Canada		
Contributed capital	**150,259**	150,259
Retained earnings	**1,162,899**	1,057,293
Total equity of Canada	**1,313,158**	1,207,552
	$ 1,517,157	$ 1,434,190

See accompanying notes

Approved on behalf of the Board:

Robin Silvester, Chief Executive Officer
March 30, 2016

Richard Turner, Director
March 30, 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

VANCOUVER FRASER PORT AUTHORITY

(Expressed in thousands of dollars)

Year ended December 31	2015	2014
OPERATING REVENUE		
Port income	**$ 83,044**	$ 77,700
Rental income	**147,059**	139,419
Other income	**9,085**	5,420
	239,188	222,539
EXPENSES		
Wages, salaries and benefits *(notes 14 and 17)*	**37,503**	35,255
Depreciation and amortization *(notes 9 and 10)*	**31,761**	27,758
Other operating and administrative expenses	**18,552**	19,677
Dredging	**11,997**	12,032
Professional fees and consulting services	**8,797**	9,322
Payments in lieu of taxes	**6,579**	6,774
Maintenance and repairs	**3,275**	3,585
	118,464	114,403
Income from operations	**120,724**	108,136
Other expense (income)		
Federal stipend *(note 20)*	**6,786**	6,453
Finance costs	**5,198**	5,240
Truck transition support	**1,334**	–
Loss (gain) on asset disposal *(note 10)*	**70**	(2)
Impairment of property and equipment *(note 10)*	**31**	–
Investment income	**(130)**	(105)
Loss from investment in joint venture	**–**	7
Other income	**(28)**	(26)
Net income for the year	**107,463**	96,569
Other comprehensive income (loss)		
Actuarial gains (losses) in defined pension plans *(note 14)*	**(1,857)**	1,633
Total comprehensive income	**$ 105,606**	$ 98,202

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

VANCOUVER FRASER PORT AUTHORITY

(Expressed in thousands of dollars)

	Contributed capital	Retained earnings	Total
Balance, December 31, 2013	$ 150,259	$ 959,091	$ 1,109,350
Net income for the year	–	96,569	96,569
Other comprehensive income			
Actuarial gains (losses) in defined benefit pension plans	–	1,633	1,633
Balance, December 31, 2014	150,259	1,057,293	1,207,552
Net income for the year	–	107,463	107,463
Other comprehensive income			
Actuarial gains (losses) in defined benefit pension plans	–	(1,857)	(1,857)
Balance, December 31, 2015	**$ 150,259**	**$ 1,162,899**	**$ 1,313,158**

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

VANCOUVER FRASER PORT AUTHORITY

(Expressed in thousands of dollars)

Year ended December 31	2015	2014
OPERATING ACTIVITIES		
Net income for the year	**$ 107,463**	$ 96,569
Adjustments to reconcile to net cash from operations		
Depreciation & amortization *(notes 9 and 10)*	**31,761**	27,758
Long-term lease receivable & lease payable	**(11,714)**	(3,922)
Provisions	**(142)**	(1,381)
Accrued employee benefits	**(1,842)**	(1,776)
Other	**99**	3
	125,625	117,251
Changes in non-cash working capital balances		
Accounts receivable and other assets	**7,659**	934
Accounts payables and accrued liabilities	**(7,808)**	(1,445)
Payment in lieu of taxes	**(669)**	269
Deferred revenue	**(27)**	(3,177)
Cash provided by operating activities	**124,780**	113,832
INVESTING ACTIVITIES		
Purchase of property and equipment	**(107,609)**	(149,219)
Government funding for property and equipment	**30,671**	38,223
Other third party funding for property and equipment	**7,013**	12,814
Proceeds on disposal of property and equipment	**63**	2,933
Other	**177**	164
Cash used in investing activities	**(69,685)**	(95,085)
FINANCING ACTIVITIES		
Net change in short-term borrowing	**(46)**	(1,644)
Proceeds of investments in long-term securities	**501**	502
Proceeds from bank loan	**–**	1,500
Principal payments on long-term liabilities	**(128)**	(26)
Long-term receivables	**(92)**	(54)
Principal repayment on lease financing assets	**15**	19
Cash provided by (used in) financing activities	**250**	297
Net increase (decrease) in cash and cash equivalents	**55,345**	19,044
Cash and cash equivalents, beginning of year	**140,827**	121,783
Cash and cash equivalents, end of year	**$ 196,172**	$ 140,827
Supplemental cash flow information		
Interest paid	**4,967**	5,268
Interest received	**132**	106

See accompanying notes

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 VFPA's registered office is 100 – 999 Canada Place, Vancouver, BC. The VFPA's mission is to enable Canada's trade objectives, ensuring safety, environmental protection and consideration for local communities. The VFPA's jurisdiction covers nearly 600 kilometres of shoreline and extends from Point Roberts at the Canada / US border through Burrard Inlet to Port Moody and Indian Arm, and from the mouth of the Fraser River, eastward to the Fraser Valley, north along the Pitt River to Pitt Lake, and includes the north and middle arms of the Fraser River.

The VFPA and its wholly owned subsidiaries; Canada Place Corporation ("CPC"), Port Metro Vancouver Ventures Ltd. ("PMVV"), Port Metro Vancouver Holdings Ltd. ("PMVH"), Port Metro Vancouver Enterprises Ltd. ("PMVE"), North Fraser Terminals Inc. ("NFTI"), 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. PMVV has a 50% interest in a joint venture which is subject to income taxes.

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 by the Board on March 30, 2016.

Consolidation

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

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

Cash and cash equivalents

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

Trade and other receivables

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

Financial assets and liabilities

Classification

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

(a) Held-to-maturity investments

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

(b) Loans and receivables

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

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

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

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

(c) Other financial liabilities at amortized cost

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

Accounts payable and accrued liabilities, and payment in lieu of taxes are classified as other financial liabilities at amortized cost. They are recognized initially at fair value and subsequently measured at amortized costs using the effective interest method.

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

Impairment of financial assets at amortized cost

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

Deferred charges

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

Intangible assets

Computer software

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

Directly attributable costs capitalized include software development employee costs.

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

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

Property and equipment

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

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

Provisions

Provisions for environmental restoration, restructuring costs, 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 passage of time is recognized as interest expense.

Payments in lieu of taxes ("PILT")

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

Employee future benefits

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

The 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 in the period in which they arise.

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

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.

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

Revenue recognition

The VFPA recognizes lease revenue on a straight-line basis over the term of the lease where collection is reasonably assured. Revenue from wharfage and berthage are recognized when services are rendered and collection is reasonably assured. Deferred revenue represents cash received in advance of the criteria for revenue recognition being met.

Leases

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

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

River dredgeate and dredging

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

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

Federal stipend

Under the CMA, the VFPA is obligated to pay annually to the Minister of Transport a charge to maintain its Letters Patent in good standing. The charge is calculated by reference to gross revenues 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 is more reliable, 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 as a result 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.

Accounting standards effective January 1, 2015

VFPA applied for the first time certain standards and amendments, which became effective for annual periods beginning on or after January 1, 2015. The Corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The application of these new standards and amendments did not have a material impact on the consolidated financial statements.

3. ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

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

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. VFPA intends to adopt IFRS 15 when it becomes effective and this standard is not expected to have any material impact on VFPA's financial statements.

In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with an early adoption permitted, provided the new revenue standard, IFRS 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. VFPA is currently assessing the impact of IFRS 16 on its financial statements and plans to adopt the standard on the effective date.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

Fair value

The carrying values of accounts receivable and other assets, accounts payable and accrued liabilities, investments in securities, and payments in lieu of tax approximate their fair values due to the short term to maturity of these instruments.

The carrying values of drawings on available credit facilities approximate their fair values, as they bear floating interest rates that approximate market rates and have short-term maturity.

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

As at December 31, 2015, the fair value of the Series A Debentures was $112.7 million (2014 – $112.1 million) based on a five-year Government of Canada bond and a market interest rate of 1.79% (2014 – 2.39%). The fair value was calculated using a combination of Level 1 and Level 2 inputs under a discounted cash flow approach.

A long-term borrowing held by a subsidiary included in long-term obligations, and other long-term liabilities are also recorded at amortized cost, which approximate their fair value.

Interest risk

The VFPA's interest-bearing financial assets are comprised of term deposits, bonds, debentures, 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, the credit worthiness of its customers and the cash flows.

The VFPA has arranged a $150 million credit facility. The funds are available to the VFPA by way of adjusted prime rate-based loans.

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

For the year ended December 31, 2015, 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 VFPA through counterparty financial statement analysis and obtaining guarantees or financial security when appropriate. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The VFPA limits its exposure to credit loss by regularly monitoring the credit worthiness of customers and debtors. The VFPA believes it has adequately provided for any exposure to potential credit loss.

Liquidity risk

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

The VFPA has short-term borrowings and long-term obligations which are largely unsecured. The following table provides a summary of the contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2015. This table details payments due in each of the next five years and thereafter for the VFPA's long-term obligations and short-term debt.

	2016	2017	2018	2019	2020	2021 and thereafter	Total
Long-term obligations	$ 4,730	$ 5,930	$ 4,630	$ 4,630	$ 102,315	$ –	$ 122,235
Short-term borrowings	233	–	–	–	–	–	233
Total	$ 4,963	$ 5,930	$ 4,630	$ 4,630	$ 102,315	$ –	$ 122,468
Percentage of total	4.1%	4.8%	3.8%	3.8%	83.5%	–	100%

Capital risk management

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, 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 VFPA's cash position is monitored on a daily basis and rebalanced as necessary. VFPA's cash management and investment activities are constrained by the CMA and the Categories of Investments Schedule of the Port Authorities Management Regulations which stipulates the types of investments permitted and minimum rating requirements.

5. CRITICAL ACCOUNTING ESTIMATES

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

Impairment

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

Employee future benefits

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

Environmental liabilities

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

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

6. INVESTMENTS IN SECURITIES

		2015		2014
As at January 1	**$**	**2,523**	$	3,024
Disposals		**(501)**		(501)
As at December 31		**2,022**		2,523
Less non-current portion		**825**		2,023
Current portion	**$**	**1,197**	$	500

These investments are composed of GICs which have been classified as held-to-maturity financial assets, initially invested for terms of 3 to 5 years and earn a weighted average yield of 2.4% (2014 – 2.5%).

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS

		2015		2014
Trade receivables	**$**	**12,604**	$	21,408
Provision for impairment		**(4,106)**		(4,075)
Property rent related accrued revenues		**10,966**		11,975
Port related accrued revenues		**6,040**		5,804
Restricted funds[1]		**4,153**		7,647
Other project partners accrued recoveries		**2,932**		6,965
Federal Government accrued grants		**137**		2,952
Other		**3,960**		6,240
	$	**36,686**	$	58,916

[1] As at December 31, 2015, accounts receivable and other assets includes $4,152,683 in restricted funds (2014 – $7,647,120). Restricted funds are project related deposits, and foreshore property owner deposits. Once information has been submitted to the VFPA's satisfaction, project related deposits are refunded in full plus interest. The foreshore property owner deposits are held to guarantee that the dykes on such properties will be maintained by the owners. The single largest amount of the restricted funds is $780,420 held for the replacement of a pile wall and a protection system at a terminal (2014 – $3,567,530).

As at December 31, 2015, accounts receivables of $5,530,926 (2014 – $8,140,229) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

		2015		2014
Up to 90 days	**$**	**4,389**	$	7,008
91 to 120 days		**52**		50
Over 120 days		**1,090**		1,082
	$	**5,531**	$	8,140

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

As at December 31, 2015, trade receivables of $4,570,069 (2014 – $4,534,965) were provided for. The amount of the provision was $4,106,015 as at December 31, 2015 (2014 – $4,075,292). The individually impaired receivables mainly relate to customers disputing lease terms and conditions. The aging of these receivables is as follows:

		2015		2014
Up to 90 days	**$**	**165**	$	915
91 to 120 days		**44**		62
Over 120 days		**4,361**		3,558
	$	**4,570**	$	4,535

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

		2015		2014
Balance, January 1	**$**	**4,075**	$	3,326
Provision for impairment		**103**		1,116
Receivables written off during the year as uncollectable		**(39)**		(367)
Unused amounts reversed		**(33)**		–
Balance, December 31	**$**	**4,106**	**$**	**4,075**

8. LONG-TERM RECEIVABLES

		2015		2014
Long-term lease receivables	**$**	**21,832**	$	9,834
Restricted funds		**938**		763
Note receivable from tenant		**284**		317
Lease financing		**116**		131
		23,170		11,045
Current portion		**87**		85
Net long-term receivables	**$**	**23,083**	$	10,960

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

The restricted fund is a reserve that a tenant contributes to in order to finance long-term capital replacement and repair to certain equipment.

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

9. INTANGIBLE ASSETS

Intangible assets are comprised of primarily internally generated software development costs. They are depreciated straight-line over their estimated useful life of 5 years.

		2015		2014
Opening				
Cost	**$**	**10,944**	$	10,680
Accumulated amortization		**(8,844)**		(7,909)
Net book value		**2,100**		2,771
Movements in the year				
Additions		**3,877**		264
Disposals				
Cost		**(3,969)**		–
Accumulated amortization		**3,969**		–
Amortization		**(1,267)**		(935)
Closing net book value	**$**	**4,710**	$	2,100

10. PROPERTY AND EQUIPMENT

	Land, building and berthing structures	Dredging roads and surfaces	Machinery and equipment	Construction-in-progress	Utilities	Office furniture, equipment and leasehold improvements	Total
December 31, 2013							
Cost	$1,062,936	$ 254,881	$ 51,145	$ 155,053	$ 106,472	$ 22,798	$ 1,653,285
Accumulated depreciation and impairment	(249,701)	(139,193)	(38,535)	–	(59,817)	(19,043)	(506,289)
Net book value	$ 813,235	$ 115,688	$ 12,610	$ 155,053	$ 46,655	$ 3,755	$ 1,146,996
Year ended December 31, 2014							
Additions (transfers)	2,505	112,035	1,548	(24,742)	8,001	204	99,551
Transferred to intangible assets	–	–	–	(264)	–	–	(264)
Disposals							
Cost	(2,187)	–	(24)	–	–	–	(2,211)
Accumulated depreciation	46	–	24	–	–	–	70
Depreciation	(12,213)	(8,609)	(1,375)	–	(3,667)	(959)	(26,823)
	(11,849)	103,426	173	(25,006)	4,334	(755)	70,323
Closing net book value	$ 801,386	$ 219,114	$ 12,783	$ 130,047	$ 50,989	$ 3,000	$ 1,217,319
December 31, 2014							
Cost	$1,063,254	$ 366,916	$ 52,669	$ 130,047	$ 114,473	$ 23,002	$ 1,750,361
Accumulated depreciation and impairment	(261,868)	(147,802)	(39,886)	–	(63,484)	(20,002)	(533,042)
Net book value	$ 801,386	$ 219,114	$ 12,783	$ 130,047	$ 50,989	$ 3,000	$ 1,217,319
Year ended December 31, 2015							
Additions	54,553	2,949	1,664	8,513	295	2,248	70,222
Transferred to intangible assets	–	–	–	(3,877)	–	–	(3,877)
Disposals							
Cost	(155)	(708)	(1,259)	(79)	(2)	(3,466)	(5,669)
Accumulated depreciation	155	708	1,204	–	2	3,466	5,535
Impairment	–	–	(19)	–	–	(12)	(31)
Depreciation	(12,125)	(11,426)	(1,791)	–	(4,120)	(1,032)	(30,494)
	42,428	(8,477)	(201)	4,557	(3,825)	1,204	35,686
Closing net book value	**$ 843,814**	**$ 210,637**	**$ 12,582**	**$134,604**	**$ 47,164**	**$ 4,204**	**$ 1,253,005**
December 31, 2015							
Cost	$ 1,117,652	$ 369,157	$ 53,055	$ 134,604	$ 114,766	$ 21,772	$ 1,811,006
Accumulated depreciation and impairment	(273,838)	(158,520)	(40,473)	–	(67,602)	(17,568)	(558,001)
Net book value	**$ 843,814**	**$ 210,637**	**$ 12,582**	**$134,604**	**$ 47,164**	**$ 4,204**	**$ 1,253,005**

10. PROPERTY AND EQUIPMENT (CONTINUED)

Net book value of federal property and other property

	Land, building and berthing structures	Dredging roads and surfaces	Machinery and equipment	Construction-in-progress	Utilities	Office furniture, equipment and leasehold improvements	Total
December 31, 2014							
Federal property	$ 600,210	$ 165,549	$ –	$ 110,057	$ 50,668	$ 511	$ 926,995
Other property	201,176	53,565	12,783	19,990	321	2,489	290,324
Net book value	$ 801,386	$ 219,114	$ 12,783	$ 130,047	$ 50,989	$ 3,000	$ 1,217,319
December 31, 2015							
Federal property	$ 608,966	$ 155,319	$ –	$ 112,760	$ 46,860	$ 459	$ 924,364
Other property	234,848	55,318	12,582	21,844	304	3,745	328,641
Net book value	**$ 843,814**	**$ 210,637**	**$ 12,582**	**$134,604**	**$ 47,164**	**$ 4,204**	**$ 1,253,005**

Federal property and other property belong to Canada. Federal property is registered to Her Majesty the Queen while other property is registered to the VFPA. The properties are managed by the VFPA as an agent of the Crown. The VFPA is responsible for performing necessary maintenance, restoration and replacement of federal property it manages. Federal property cannot be pledged as collateral while other property can be pledged as collateral. As security for a demand loan, a subsidiary had pledged assets as collateral. As at December 31, 2015, the net book value of these assets was $959,685 (2014 – $974,520).

The VFPA receives funding from the Government of Canada, Transport Canada and the Province of BC to be used to reimburse the VFPA for the purchase and construction of infrastructure, shore power and information technology assets. During 2015, the VFPA received $16,369,222 in funding (2014 – $27,846,838). The funding is recognized as a reduction to depreciation over the expected useful life of the related asset.

Completion of an asset impairment analysis performed in 2015 indicated certain assets were impaired. Accordingly, $31,354 was recognized as an impairment expense during 2015 (2014 – nil).

It is VFPA's policy to review construction-in-progress annually to assess the potential of the capital expenditures to provide future benefits. In 2015, $78,514 (2014 – nil) relating to potential capital projects were written off.

Leased property and equipment

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

	2015	2014
Cost	**$ 1,165,309**	$ 1,135,621
Accumulated depreciation	**(384,798)**	(365,997)
	$ 780,511	$ 769,624

The VFPA's leases were entered into as combined leases of land, berthing structures and infrastructure. When the VFPA adopted IFRS effective January 1, 2010, it was not possible to obtain a reliable estimate of the split of the fair values of certain of the leases between land, berthing structures and infrastructure at the inception of the leases. Therefore, in determining lease classification, the VFPA evaluated whether both parts were clearly operating leases or finance leases. As the passing of land title has no bearing on the classification of the land leases, the VFPA reviewed other factors including:

- the economic life of the land; and
- the present value of minimum lease payments.

Because the rent paid to the VFPA for the buildings is increased to market rent at regular intervals, it was judged that substantially all the risks and rewards of the buildings are with the VFPA. Based on these qualitative factors, it was considered that the leases are operating leases.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade and accrued trade payables	**$ 17,089**	$ 27,382
Federal stipend payable	**6,786**	6,453
Other accrued liabilities	**6,111**	9,822
Restricted funds	**4,177**	7,379
Holdbacks payable	**1,046**	7,501
	$ 35,209	$ 58,537

12. PROVISIONS

Provisions	Environmental restoration	Sand royalties	Onerous contracts	Claims	Local channel and other contributions	Total
Balance, January 1, 2015	$ 7,854	$ 6,088	$ 141	$ 401	$ 903	$ 15,387
Provisions made during the year	1,627	–	–	50	–	1,677
Provision used during the year	(141)	(6,088)	(81)	(26)	(29)	(6,365)
Provisions reversed during the year	(92)	–	–	(275)	–	(367)
Unwinding of discount	69	–	–	–	–	69
Balance, December 31, 2015	$ 9,317	$ –	$ 60	$ 150	$ 874	$ 10,401
Less current	2,164	–	60	150	874	3,248
	$ 7,153	$ –	$ –	$ –	$ –	$ 7,153

(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 timing of the expenditures is estimated from 1 to 16 years. Uncertainties on the timing for use of this provision includes changes in the future that could impact the time at which VFPA is required to incur these restoration costs, such as the timing of property development.

(b) Sand royalties

Pursuant to a historical lease with the Government of British Columbia (the "Province") for a portion of the Fraser River that is under Provincial jurisdiction, LFRPA agreed to pay the Province a royalty for sand dredged from that area of the riverbed. An agreement was finalized in 2015 where, among various conditions, the Province forgave the royalties in exchange for a property lease related to various bridges in Vancouver, and now recognized in deferred income.

(c) Onerous contracts

The VFPA has a lease and sub-lease arrangement for office space previously used by the VFPA. A provision is recognized for the net expenses to be incurred over the remainder of this lease.

(d) 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.

(e) 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.

13. BORROWINGS

(a) Long-term obligations

	2015	2014
Series A debentures with interest at 4.63% semi-annually, maturing on April 20, 2020	**$ 99,586**	$ 99,501
NFTI non-revolving credit facility bearing interest at prime rate, principal paid quarterly, amortized over 15 years	**1,400**	1,500
	100,986	101,001
Current portion	**100**	100
	$ 100,886	$ 100,901

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

As at December 31, 2015, NFTI has a $1.4 million (2014 – $1.5 million) non-revolving credit facility outstanding through its loan arrangement with RBC. The facility is unsecured and bears interest at the Canadian prime rate or Canadian Dollar Offered Rate plus 1% per annum, with 15 years amortization and repayable in full on December 12, 2017. Principal payments are to be made quarterly and interest payments on a monthly basis.

VFPA has available a 5-year, $150 million loan facility with Royal Bank of Canada. The facility is unsecured and bears interest at the Canadian prime rate of the bank plus 0.175% per annum. The VFPA pays an acceptance fee of 0.175% per annum on the Bankers' Acceptance issued and standby fees at an annual rate of 0.035% 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, 2017.

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

2016	$ 100
2017	1,300
2018	–
2019	–
2020	99,586
2021 and thereafter	–
	$ 100,986

(b) Short-term borrowing

	2015	2014
PMVH secured non-revolving demand loan	**$ 233**	$ 279

As at December 31, 2015, the VFPA has a total of $4.25 million in letter of credit facilities (2014 – $9.87 million). Two irrevocable standby letters of credit issued to two separate Federal Government agencies for a total of $6.4 million expired at the end of November 2015.

The demand loan bears interest at prime plus 0.125%, payable monthly, amortized over 20 years. The demand loan is secured against specific assets of the subsidiary holding the loan.

14. EMPLOYEE FUTURE BENEFITS

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

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

VFPA has a funding policy for the LVPA and LNFPA defined benefit plans. The plans are contributory and require member contributions until the members attains 35 years of credited service. 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. VFPA will apply its discretion in determining how rapidly it will fund deficits in accordance with applicable law. VFPA reserves the right to use other funding mechanisms permitted by applicable law such as use of letters of credits. The funding obligations for these plans in 2016 are expected to be approximately $4,617,500.

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
	2015	2014	**2015**	2014	**2015**	2014
Change in fair value of plan assets						
Balance, beginning of year	**$ 62,598**	$ 55,303	**$ 9,390**	$ 8,307	**$ –**	$ –
Employee contributions	**225**	242	**38**	26	**–**	–
Employer contributions	**3,114**	2,904	**846**	756	**22**	23
Return on plan assets	**2,538**	2,667	**387**	405	**–**	–
Non-investment expenses	**(130)**	(162)	**–**	–	**–**	–
Benefits paid	**(1,596)**	(1,463)	**(325)**	(318)	**(22)**	(23)
Actuarial gain (loss) on assets	**(324)**	3,107	**(528)**	214	**–**	–
Balance, end of year	**$ 66,425**	$ 62,598	**$ 9,808**	$ 9,390	**$ –**	$ –
Change in accrued benefit obligation						
Balance, beginning of year	**$ 65,420**	$ 59,168	**$ 10,429**	$ 12,214	**$ 1,777**	$ 1,409
Current service cost						
Employer	**1,513**	1,214	**185**	143	**13**	10
Employee	**225**	242	**38**	26	**–**	–
Interest cost on benefit obligation	**2,654**	2,845	**420**	581	**71**	67
Benefits paid	**(1,596)**	(1,463)	**(325)**	(318)	**(23)**	(23)
Actuarial loss (gain) – plan experience	**(895)**	(1,024)	**(543)**	(3,021)	**313**	–
Actuarial loss (gain) – demographic assumption	**–**	(404)	**–**	(39)	**–**	9
Actuarial loss (gain) – financial assumptions	**(1,567)**	4,842	**(170)**	843	**67**	305
Balance, end of year	**$ 65,754**	$ 65,420	**$ 10,034**	$ 10,429	**$ 2,218**	$ 1,777
Surplus (deficit), end of year	**$ 671**	$ (2,822)	$ **(225)**	$ (1,039)	**$ (2,218)**	$ (1,777)
Asset ceiling/additional minimum funding liability	(3,740)	–	–	–	–	–
Net accrued benefit asset (liability) at December 31	**$ (3,069)**	$ (2,822)	**$ (225)**	$ (1,039)	**$ (2,218)**	$ (1,777)

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

Change in other comprehensive income ("OCI") gain (loss) balances:

	Registered Pension Plan		Supplemental Pension Plan		Other Plans	
	2015	2014	**2015**	2014	**2015**	2014
Balance, beginning of year	**$ (9,524)**	$ (9,216)	**$ (2,676)**	$ (5,106)	**$ (627)**	$ (312)
Gains (losses) recognized in the year	**(1,603)**	(308)	**185**	2,430	**(380)**	(315)
Balance, end of year	**$ (11,127)**	$ (9,524)	**$ (2,491)**	$ (2,676)	**$ (1,007)**	$ (627)

Pension and other post-retirement expense is included in wages, salaries and benefits and is as follows:

	Registered Pension Plan		Supplemental Pension Plan		Other Plans	
	2015	2014	**2015**	2014	**2015**	2014
Plan expense						
Current service cost	**$ 1,513**	$ 1,213	**$ 185**	$ 143	**$ 13**	$ 10
Non-investment expenses	**130**	162	**–**	–	**–**	–
Interest cost on benefit obligation	**2,654**	2,845	**419**	581	**71**	67
Expected return on plan assets	**(2,539)**	(2,667)	**(387)**	(406)	**–**	–
Expense for the year ended December 31	**$ 1,758**	$ 1,553	**$ 217**	$ 318	**$ 84**	$ 77

The actual return on plan assets was $2,073,300 (2014 – $6,393,100).

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:

	2015		2014	
	Registered Pension Plan	Supplemental Pension Plan	Registered Pension Plan	Supplemental Pension Plan
Equity funds	**$ 22,151**	**$ 1,725**	$ 22,693	$ 1,728
Cash and fixed income funds	**38,042**	**2,837**	33,391	2,498
Real estate funds	**6,232**	**454**	6,514	488
Refundable tax account	**–**	**4,792**	–	4,676
	$ 66,425	**$ 9,808**	$ 62,598	$ 9,390

(b) LFRPA Plans

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

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

	EISPB		SPASE	
	2015	2014	**2015**	2014
Change in fair value of plan assets				
Balance, beginning of year	**$ –**	$ –	**$ –**	$ –
Employer contributions	**58**	57	**76**	75
Benefits paid	**(58)**	(57)	**(76)**	(75)
Balance, end of year	**$ –**	$ –	**$ –**	$ –
Change in accrued benefit obligation				
Balance, beginning of year	**$ 894**	$ 894	**$ 1,600**	$ 1,505
Current service cost				
Employer	**–**	–	**–**	8
Interest cost on benefit obligation	**34**	41	**63**	70
Benefit paid	**(58)**	(57)	**(76)**	(75)
Actuarial liability experiences (gain) loss	**17**	(17)	**65**	(22)
Actuarial liability demographic assumptions (gain) loss	**–**	(6)	**–**	8
Actuarial liability financial assumptions (gain) loss	**(11)**	39	**(32)**	106
Balance, end of year	**876**	894	**1,620**	1,600
Accrued liability as at December 31	**$ (876)**	$ (894)	**$ (1,620)**	$ (1,600)

Change in OCI gain (loss) balances:

	EISPB		SPASE	
	2015	2014	**2015**	2014
Balance, beginning of year	**$ (170)**	$ (155)	**$ (736)**	$ (644)
Gains (losses) recognized in year	**(6)**	(15)	**(33)**	(92)
Balance, end of year	**$ (176)**	$ (170)	**$ (769)**	$ (736)

Pension and other post-retirement expense is included in salaries and benefits, is as follows:

	EISPB		SPASE	
	2015	2014	**2015**	2014
Plan expense				
Current service cost	**$ –**	$ –	**$ –**	$ 8
Interest cost on benefit obligation	**35**	41	**63**	70
Expense for the year ended December 31	**$ 35**	$ 41	**$ 63**	$ 78

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

(c) LNFPA Plans

The VNFPA 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:

		2015		2014
Change in fair value of plan assets				
Balance, beginning of year	**$**	**981**	$	842
Expected return on plan assets		**41**		92
Employer contributions		**108**		87
Employee contributions		**21**		20
Non-investment expenses		**(28)**		(37)
Benefits paid		**(23)**		(23)
Actuarial loss on assets		**(7)**		–
Balance, end of year	**$**	**1,093**	$	981
Change in accrued benefit obligations				
Balance, beginning of year	**$**	**1,238**	$	1,015
Current service cost		**69**		57
Interest cost on benefit obligation		**52**		51
Employee contributions		**21**		20
Benefits paid		**(23)**		(23)
Actuarial (gain) loss on liabilities – plan experience		**11**		(27)
Actuarial liability demographic assumptions gain		**–**		(1)
Actuarial loss on liabilities – financial assumptions		**3**		146
Balance, end of year		**1,371**		1,238
Accrued benefit liability	**$**	**(278)**	$	(257)

Change in OCI loss balances:

		2015		2014
Balance, beginning of year	**$**	**(239)**	$	(172)
Losses recognized in the year		**(20)**		(67)
Balance, end of year	**$**	**(259)**	$	(239)

Pension and other post-retirement expense is included in the wages, salaries and benefits, as follows:

		2015		2014
Plan expense				
Current service cost	**$**	**69**	$	57
Non-investment expense		**28**		37
Interest cost on benefit obligation		**53**		52
Expected return on plan assets		**(41)**		(42)
Expense for the year ended December 31	**$**	**108**	$	104

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

		2015		2014
Equity	$	**367**	$	356
Cash and fixed income securities		**624**		525
Real estate funds		**102**		100
Total assets	$	**1,093**	$	981

Summary of actuarial gains (losses) in defined pension plans:

		2015		2014
Gains (losses) recognized in the year				
LVPA – registered pension plan	$	**(1,603)**	$	(308)
LVPA – supplemental pension plan		**185**		2,430
LVPA – other plans		**(380)**		(315)
LFRPA – EISPB		**(6)**		(15)
LFRPA – SPACE		**(33)**		(92)
LNFPA – defined benefit plan		**(20)**		(67)
	$	**(1,857)**	$	1,633

(d) Actuarial assumptions

The significant actuarial assumptions adopted in measuring the pension plans' accrued benefit obligation are as follows:

		Registered Pension Plan		Supplemental Pension Plan		Other Plans
	2015	2014	**2015**	2014	**2015**	2014
Discount rate at beginning of year	**4.00%**	4.75%	**4.00%**	4.75%	**4.00%**	4.75%
Discount rate at end of year	**3.90%**	4.00%	**3.90%**	4.00%	**3.90%**	4.00%
Expected long-term rate of return of plan assets	**3.90%**	4.00%	**3.90%**	4.00%	**–**	–
Inflation rate (future salary increases)	**1.75%**	2.00%	**1.75%**	2.00%	**1.75%**	2.00%

(e) Sensitivity analysis

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

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 1%	Decrease/increase by (14.0)%/17.7%
Inflation rate	Increase/decrease by 1%	Increase/decrease by 15.2%/(12.4)%
Salary growth rate	Increase/decrease by 1%	Increase/decrease by 1.3%/(1.3)%
Rate of mortality	Increase/decrease all mortality rates by 10%	Decrease/increase by (1.7)%/1.9%
Medical cost trend rate	Increase/decrease by 1%	Decrease/increase by 20.6%/16.3%

(f) VFPA Defined Contribution Pension Plan (RRSP):

		2015		2014
Employer contributions	$	**1,664**	$	1,397

15. COMMITMENTS

Capital projects, which are authorized or committed, and where the expenditures are estimated to exceed $1 million, as at December 31, 2015 are as follows:

	Spending to date	Commitments at year end	Total authorized cost
Container expansion	$ 312,341	$ 15,849	$ 513,625
Infrastructure improvement	82,828	13,455	235,908
Land acquisition and development	17,365	3,641	125,877
Other terminal redevelopment and improvements	6,135	9,290	21,200
	$ 418,669	$ 42,235	$ 896,610

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

16. CONTINGENT LIABILITIES

(a) Roberts Bank expansion

In November 2004, LVPA entered into agreements with the Tsawwassen First Nation ("TFN") and other parties. These agreements are referred to in these consolidated financial statements as the Expansion Agreements.

Under the terms of the Expansion Agreements, the VFPA is obligated to advance the TFN up to $5,000,000 on an interest free basis for its 50% participation in a joint venture with the VFPA. The VFPA will contribute an additional, matching amount of up to $5,000,000 on its own account. The joint venture is to be controlled by both venturers. The objective is to invest in port related activities which will generate profits in accordance with industry standards with a minimum target rate of return of 10% a year. If all or part of the monies are not invested, interest is to be paid by the VFPA to the TFN at prescribed rates. In 2015, the VFPA and TFN continued working towards establishing the joint venture.

Starting in November 2008, the VFPA is obligated to pay interest at a rate equivalent to the yield earned on a 10-year Government of Canada bond effective on the first anniversary of the settlement date (November 1, 2004) plus 1.5% per annum on the portion of the funds not yet advanced to the JV on behalf of TFN. For the fiscal year of 2015, $263,000 interest expense was incurred.

The Expansion Agreements obligate the VFPA to provide construction contracts, construction employment and operations employment to TFN enterprises and its members in connection with the anticipated Roberts Bank Terminal 2. Should construction of Terminal 2 not proceed, VFPA will fail to meet this obligation and liquidated damages will be required. The obligation amount is $2,584,592 and if the obligation is not met, liquidated damages up to $956,573 would be required.

17. KEY MANAGEMENT PERSONNEL

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

		2015 Salaries and fees
Board of Directors		
Bancroft-Jones, Anne	Director, VFPA, Chair, CPC	$ 67
Chapman, Tim	Director, VFPA	45
Johal, Satnam	Director, VFPA	41
Kerfoot, Carol	Director, VFPA (from March 26, 2015)	31
Kwan, Eugene	Director, VFPA, Vice Chair	65
Landry, Paul	Director, VFPA	58
Loberg, Carmen	Director, VFPA	63
Longworth, Tom	Director, VFPA	56
Neeser, Craig	Director, VFPA, Chair	125
Priddy, Penny	Director, VFPA	55
Readman, Dean	Director, CPC	–
Turner, Richard	Director, VFPA	64
		$ 670

2015 total salaries and fees for Board of Directors is $669,493 (2014 – $534,000).

		2015			
		Salaries and fees	Other benefits	Post-employment benefits	Total
Key management personnel					
Baydala, Allan	Officer, Chief Financial Officer, VFPA; Director & Officer, PMVV, PMVH, PMVE, NFTI and CPC	$ 366	$ 35	$ 48	$ 449
Case, Sandra	VP Human Resources & Labour Relations	251	36	21	308
Corsie, Tom	VP, Real Estate, VFPA; President, CPC & Director, MSH	283	32	19	334
Silvester, Robin	Officer, President & CEO, VFPA; President & CEO and Director & Officer of PMVV, PMVH, PMVE and NFTI	789	38	73	900
Stewart, Cliff	VP, Infrastructure	342	35	23	400
Wilson, Duncan	VP, Corporate Social Responsibility	270	31	18	319
Xotta, Peter	VP, Planning & Operations	342	33	165	540
		$ 2,643	$ 240	$ 367	$ 3,250

Included in accounts payable and accrued liabilities are $873,493 of wages, salaries and benefits due and payable to the key management personnel group in 2015.

2015 total remuneration and benefits for key management personnel is $3,250,244 (2014 – $2,968,000).

18. LEASES

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

Recognized in the consolidated statement of comprehensive income during the year are $881,997 for lease expenses paid net of sublease expense recoveries (2014 – $645,762).

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

	2015	2014
Within one year	**$ 859**	$ 898
After one year but not more than five years	**586**	818
More than five years	**163**	251
	$ 1,608	$ 1,967

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

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

	2015	2014
Within one year	**$ 112,362**	$ 108,283
After one year but not more than five years	**418,824**	398,254
More than five years	**2,191,170**	2,264,548
	$ 2,722,356	$ 2,771,085

Contingent-based rent revenue recognized in the consolidated statement of comprehensive income were $18,711,015 (2014 – $19,062,154).

19. GATEWAY INFRASTRUCTURE PROGRAM

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

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

In order to recover the 90% industry funded portion, the Gateway Infrastructure Fee was instituted effective January 1, 2011. Below are the fees collected and expenditures made in 2015 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)	$ 2,749	$ 4,020	$ 2,532	$ 9,301	$ 11,671	$ 10,019	$ 10,352	$ 32,042
Gateway infrastructure program (expenditures)	(1,029)	(1,477)	(373)	(2,879)	36,691	53,999	39,880	130,570
Industry funded portion (90%)	(926)	(1,329)	(336)	(2,591)	33,022	48,599	35,892	117,513
VFPA portion (10%)	(103)	(148)	(37)	(288)	3,669	5,400	3,988	13,057

20. RELATED PARTY TRANSACTIONS

VFPA remits a gross revenue charge (federal stipend) to the Government of Canada ("Federal Government") in accordance with the CMA. The total stipend due to the Federal Government for the year ended December 31, 2015 was $6.8 million. As at December 31, 2015, this amount was included in accounts payable and accrued liabilities.

In 2010, VFPA and the Federal Government also reached an agreement for a contribution of up to $60.5 million by the Federal Government under the Asia-Pacific Gateway and Corridor Transportation Infrastructure Fund ("APGCTIF"). The APGCTIF contributes toward the construction of 3 specific projects: Neptune/Cargill Grade Separation, Brooksbank Avenue Underpass, and Stewart Street Elevated Structure.

In 2012, VFPA and the Federal Government signed three amendments to the contribution agreement to increase funding and add new projects. Under the amended agreement, the APGCTIF contributes up to $97.1 million toward the construction of four specific projects: Low Level Road, Brooksbank Avenue Underpass, South Shore Corridor, and the 232nd Street Overpass.

In late 2012, VFPA and the Federal Government reached another agreement for a contribution of up to $19.9 million by the Federal Government under the APGCTIF. This APGCTIF contribution was toward the Deltaport Causeway Overpass Project.

In 2013, VFPA and the Federal Government reached another agreement for a contribution of up to $3.3 million by the Federal Government under the APGCTIF. This APGCTIF contribution was toward the Container Examination Facility Site Servicing Project.

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

In 2015, 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.

Also in 2015, 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.

Capital grant claims submitted to the Federal Government and amount outstanding as at December 31, 2015 are as follows:

	Claims submitted		Claims receivable as at
	2015	Total to date	December 31, 2015
APGCTIF	**$ 14,021**	$ 119,727	$ 102
Clean Transportation Initiative	**2,214**	2,214	–
Shore Power Technology	**212**	212	137
Underwater Technology Study	**304**	304	16
	$ 16,751	$ 122,457	$ 255

Our mission

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

Our vision

To be the world's most sustainable port.

Our definition of a sustainable port

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

Our values

Collaboration and teamwork
We work together to achieve our greatest potential. We communicate openly and treat each other with trust and respect.

Customer responsiveness
We strive to understand our customers' needs and to proactively provide them with distinctive value.

Innovation
We seek new ideas and creative solutions.

Leadership and accountability
We lead by example, act with integrity and are accountable for our actions.

Our people
We are committed to continuous learning, diversity and balance.

Sustainability
We think long term, considering social, environmental and financial matters.

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

Canada

Design: Letterbox