Consolidated Financial Statements

Vancouver Fraser Port Authority

December 31, 2015

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

Vancouver, Canada
March 30, 2016

Chartered Professional Accountants

Vancouver Fraser Port Authority

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[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 obligations *[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 deferred amounts	**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
Date

Richard Turner, Director

March 30, 2016
Date

Vancouver Fraser Port Authority

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

[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

Vancouver Fraser Port Authority

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[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 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 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

Vancouver Fraser Port Authority

CONSOLIDATED STATEMENT OF CASH FLOWS

[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 and amortization *[notes 9 and 10]*	**31,761**	27,758
Long-term lease receivable and 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 obligations	**(128)**	(26)
Long-term receivables	**(92)**	(54)
Principal repayment on lease financing assets	**15**	19
Cash provided by financing activities	**250**	297
Net increase in cash and cash equivalents during the year	**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

Vancouver Fraser Port Authority

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts expressed in thousands of dollars]

December 31, 2015

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 lead the growth of Canada's Pacific Gateway in a manner that enhances the well-being of Canadians and inspires national pride. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts expressed in thousands of dollars]

December 31, 2015

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.

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.

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.

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

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**

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	Environ-mental 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)

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	**—**	—	**—**	—

	EISPB		SPASE	
	2015	**2014**	**2015**	**2014**
	$	$	$	$
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

[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.

Board of Directors		**2015 Salaries and fees** $
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].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts expressed in thousands of dollars]

December 31, 2015

		2015			
		Salaries and fees	**Other benefits**	**Post-employ-ment 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 December 31,
	2015	**Total to date**	**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**