



PORT METRO  
**vancouver**



## YEAR IN REVIEW

### 2014 FINANCIAL HIGHLIGHTS

↑6%

TOTAL CONSOLIDATED REVENUES INCREASED 6 PER CENT TO \$223 MILLION FROM \$211 MILLION IN 2013

↑2%

CONSOLIDATED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) INCREASED 2 PER CENT TO \$129 MILLION FROM \$126 MILLION IN 2013

↑2%

CONSOLIDATED NET INCOME INCREASED \$2 MILLION FROM \$94 MILLION IN 2013



### 2014 OPERATIONAL HIGHLIGHTS

↑3%

PORT METRO VANCOUVER HANDLED A RECORD 140 MILLION TONNES OF CARGO, AN OVERALL INCREASE OF 3 PER CENT OVER 2013

↑4%

IMPORT CARGO ROSE 4 PER CENT TO 29 MILLION TONNES

↑3%

EXPORTS ROSE 3 PER CENT TO 111 MILLION TONNES



↑5%

RECORD VOLUMES OF 98 MILLION TONNES WERE ACHIEVED IN THE BULK SECTOR, A 5 PER CENT INCREASE BUOYED BY INCREASES IN CHEMICALS, BASIC METALS AND MINERALS (21 PER CENT), AND GRAIN, SPECIALTY CROPS AND FEED (22 PER CENT)

CONSTRUCTION ON

5 major capital projects

PORT METRO VANCOUVER CONTINUED TO LEAD SEVERAL MAJOR CAPITAL PROJECTS

including the Deltaport Terminal, Road and Rail Improvement Project, the Roberts Bank Terminal 2 Project, and the South and North Shore Trade Area projects, to meet future demands for increased container, bulk and breakbulk capacity and to improve existing infrastructure.

was substantially completed on schedule and within budget, including the Low Level Road, South Shore Corridor, Powell Street Overpass, 232nd Street Overpass, and the Overpass component of the Deltaport Terminal, Road and Rail Improvement Project.



↑3%

CAPITAL EXPENDITURES INCREASED 3 PER CENT TO \$98 MILLION FROM \$95 MILLION IN 2013 (EXCLUDING A \$56 MILLION PROPERTY ACQUISITION IN 2013)

↑3%

CONTAINER TRAFFIC VOLUMES CONTINUED TO GROW, SHOWING A 3 PER CENT INCREASE IN 2014, FOR A RECORD TOTAL OF OVER 2.9 MILLION TWENTY-FOOT EQUIVALENT UNITS (TEUs)

COMMUNITY ENGAGEMENT ACTIVITIES AND COMMUNITY PARTICIPATION CONTINUED TO BE KEY PRIORITIES AS PORT METRO VANCOUVER STAFF LED, ATTENDED AND PARTICIPATED IN MORE THAN

400 community events



PORT METRO VANCOUVER DISCOUNTED A TOTAL OF

\$1 million

IN HARBOUR DUES, THROUGH THE ECOACTION PROGRAM, TO VESSELS GOING BEYOND REGULATORY REQUIREMENTS TO REDUCE EMISSIONS

## OUR APPROACH TO REPORTING

The Vancouver Fraser Port Authority, conducting business as Port Metro Vancouver, is responsible for managing federal real property and related port activities in the Burrard Inlet, in 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 Port Metro Vancouver and its subsidiaries.

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#### Cautionary Note Regarding Forward-Looking Statements

The MD&A contains certain statements about Port Metro Vancouver'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 different from those expressed or implied in these statements. These risks and uncertainties include, but are not limited to, those described under the "Risks" section of this report. Port Metro Vancouver disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or other reasons.



**We are committed to leading the continued growth of Canada's Pacific Gateway.**

We plan and invest to support sustainable growth for future generations while ensuring that our financial targets are met today. Port Metro Vancouver is Canada's largest and North America's most diversified port, trading \$187 billion in goods with more than 160 trading economies annually. As a port authority, we are 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.



## MESSAGE FROM THE CHAIR, BOARD OF DIRECTORS



“Port Metro Vancouver is able to deliver financial stability despite an ever-changing economic landscape.”

As Canada's largest port, Port Metro Vancouver serves as a gateway for Canada and its 160 trading partners, enabling the delivery of Canadian resources, products and goods to economies around the world while also opening Canada to goods from other markets. This global exchange supports Canadians' quality of life and as well as national, regional and local businesses. Mandated by the *Canada Marine Act*, Port Metro Vancouver exists to provide Canada with the marine infrastructure it needs to promote and facilitate Canada's competitiveness and trade objectives. Port Metro Vancouver must accomplish this mandate while maintaining financial self-sufficiency.

The demand for Canadian products remains strong, and the federal government is actively pursuing new trade agreements, especially with Asia. Combined with the diversity of our trading partners and the ability of the port to manage a variety of business sectors, Port Metro Vancouver is able to deliver financial stability despite an ever-changing economic landscape. 2014 was another record cargo year for the port, and we expect that trade to continue.

I am pleased to present Port Metro Vancouver's Financial Report for 2014, 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 the stability of our operations and financials. Our cargo diversity, stable revenue and cost-conscious processes enable us to maintain and invest in the infrastructure required to continue to facilitate gateway growth.

I would like to thank the members of our board of directors for their leadership and valuable insights. I would also like to extend my thanks to the executive team, led by Robin Silvester, and the dedicated staff at Port Metro Vancouver. Collectively, through long-term planning, these groups ensure that Port Metro Vancouver is growing sustainably and responsibly.

A handwritten signature in black ink, reading "C. Neeser".

Craig Neeser  
Chair, Board of Directors

## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



Investing in the Vancouver Gateway and our shared future remains a top priority for Port Metro Vancouver. Through 2014, we continued to grow operations and facilitate trade through the gateway by collaborating on new infrastructure and maintaining our focus on environmental and economic sustainability.

Remaining competitive and able to meet the demands of growing trade can present significant challenges for the port, local governments and residents. We continue to engage in constructive conversation with First Nations, neighbouring communities, industry and all levels of governments to ensure we are acknowledging feedback and protecting the environment while at the same time fostering trade for the well-being of all Canadians.

I am pleased to report Port Metro Vancouver's 2014 financial results, which showcase our financial capability to support Canada's growing trade.

In 2014, Port Metro Vancouver handled a record 140 million tonnes of cargo, up 3 per cent from 2013, resulting in revenues of \$223 million and net income of \$97 million, an increase of 6 per cent and 2 per cent, respectively.

I am also pleased to report on a number of 2014 highlights:

- Completed five major capital projects, on schedule and within budget, including the Low Level Road, the South Shore Corridor, the Powell Street Overpass, the 232nd Street Overpass, and the overpass

component of the Deltaport Terminal, Road and Rail Improvement Project.

- Reformed the Truck Licensing System, improving the stability of service to the port and providing better conditions for those who participate.
- Reaffirmed our AA credit rating by Standard & Poor's.

By seizing opportunities to improve the reliability of the supply chain through investments in the gateway, and expanding throughput capacity by investing in terminal expansions, the capital plan and budget continue to strongly support the port's strategic priorities.

I would like to thank our customers and stakeholders for their continued investments, demonstrated commitment, and collaboration with us and other partners in the port. I also want to thank Port Metro Vancouver's board, executive team and staff for all their hard work and commitment to our organization. I look forward to continuing to work with them as we build upon our successes, maintain our competitiveness and facilitate growth of Canada's Pacific Gateway.

Robin Silvester  
President and Chief Executive Officer

**"Investing in the Vancouver Gateway and our shared future remains a top priority for Port Metro Vancouver."**



## ABOUT PORT METRO VANCOUVER





Port Metro Vancouver manages the largest and busiest port in Canada and the most diversified in North America. The port handled 140 million tonnes of cargo in 2014, supporting trade with more than 160 economies. To service deep-sea vessels, the port includes 28 terminals, most of which are privately owned and operated on land and/or water lots leased from Port Metro Vancouver, as well as a number of smaller facilities capable of handling domestic and regional cargo.

Port Metro Vancouver provides services and facilities to a broad range of companies and organizations. Major customer groups include marine carriers, major shippers, terminal operators and tenants.

Port Metro Vancouver 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 Port Metro Vancouver, but to a lesser extent. To the north, the Port of Prince Rupert competes with Port Metro Vancouver primarily in the coal, grain and container sectors, although for bulk products, the hinterland catchment areas of each port are somewhat different.

Port Metro Vancouver offers a number of important advantages that reinforce its competitive position. These include significant land and water assets, well-established facilities, and a full range of marine services, including shipyards, chandlers (dealers in marine supplies), 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.

The port, which generates \$9.7 billion in direct gross domestic product (GDP), 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.

\$9.7  
billion

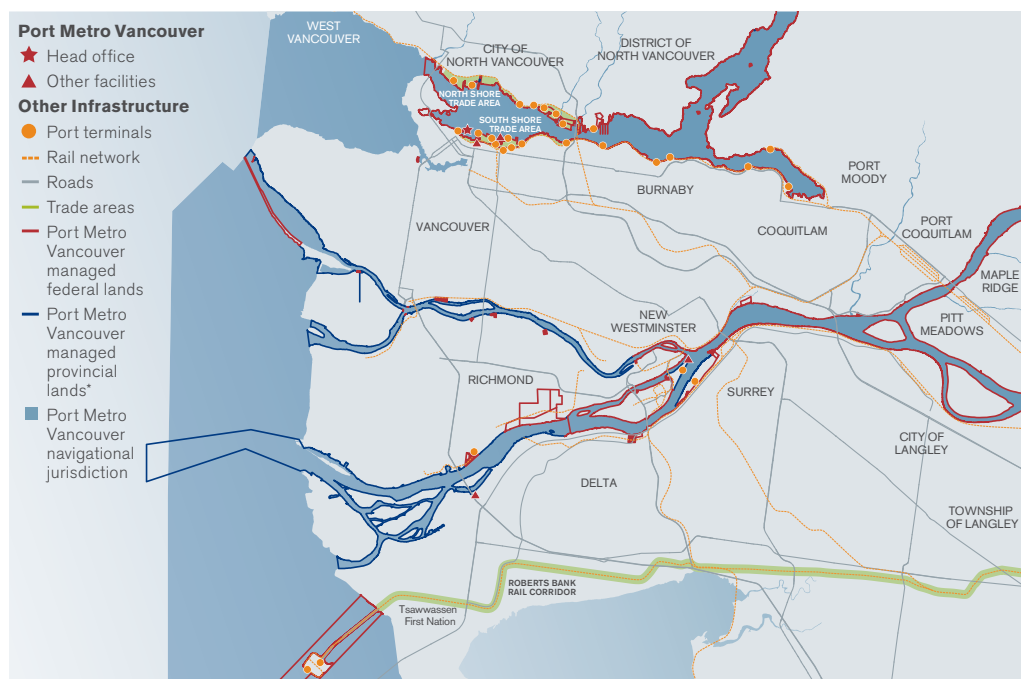
IN DIRECT GROSS DOMESTIC  
PRODUCT (GDP) IS GENERATED  
BY THE PORT

AN ESTIMATED  
100,000

JOBS ARE GENERATED BY THE  
PORT ACROSS CANADA

19%

OF CANADA'S TOTAL TRADE  
IN GOODS BY VALUE ARE  
HANDLED BY THE PORT



\*Port Metro Vancouver's head lease with the Province of British Columbia expired on December 31, 2014.

## ABOUT PORT METRO VANCOUVER

### ABOUT US

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

Port Metro Vancouver is a non-shareholder, financially self-sufficient corporation, established by the Government of Canada in January 2008 as an amalgamation of the three existing Port Authorities in the Lower Mainland, pursuant to the *Canada Marine Act*. Port Metro Vancouver is accountable to the federal Minister of Transport.

### GOVERNANCE AND CORPORATE STRUCTURE

Port Metro Vancouver is governed by an 11-member board of directors who are recommended and appointed using a robust process involving five appointing bodies as follows:

- One federal, one B.C., one municipal and one Prairie province appointee.

- Seven federal appointees recommended by a nominating committee and appointed by the Minister.

The nominating committee consists of representatives of port users as defined in Port Metro Vancouver's Letters Patent. Their recommendations are provided to the Minister.

As outlined in the *Canada Marine Act*, directors who are appointed by the Governor-In-Council, with the Minister consulting the nominating committee, shall have generally acknowledged and accepted stature within the transportation industry or the business community, and relevant knowledge and extensive experience related to the management of a business, to the operation of a port, or to maritime trade.

To assist with its work, the board has established several standing committees that management reports to on a regular basis.

Approximately 321 employees with a broad and diverse set of skills work at the port.

321  
employees

WORK AT PORT METRO  
VANCOUVER

### MANAGEMENT STRUCTURE

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

### SUBSIDIARIES

In addition, Port Metro Vancouver has six subsidiaries that were formed for different purposes, as outlined below.

SUBSIDIARY	OVERVIEW
Canada Place Corporation (CPC)	Owner and landlord of Canada Place in Vancouver.
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 Port Metro Vancouver's operations.
Port Metro Vancouver Enterprises Inc. (PMVE) Port Metro Vancouver Holdings Inc. (PMVH) North Fraser Terminals Inc. (NFTI)	Property holding companies that undertake strategic real property acquisitions.

## EXECUTIVE COMPENSATION

Port Metro Vancouver's compensation philosophy seeks to maintain an executive compensation program that aligns with the business strategy and attracts, motivates and retains executives with the skills and experience necessary to achieve the goals in business planning and corporate scorecard. This executive compensation philosophy has been designed, with intention, to provide a clear link between the long-term business strategy, annual business plan and corporate scorecard and each executive's compensation to drive overall exceptional performance.

Each executive's compensation is based on a combination of individual performance coupled with Port Metro Vancouver's corporate performance, determined through the results of the corporate scorecard, and is informed by relevant market compensation information. Executive compensation for key management personnel in 2014 is disclosed in Note 21 of the Audited Financial Statements found in this report.

The Human Resources and Compensation Committee (HRCC) is responsible for reviewing and recommending the following 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 HRCC regularly reviews Port Metro Vancouver's executive compensation philosophy and the specific executive compensation terms. To ensure this review is robust, external

compensation consultants are retained to ensure the executive compensation philosophy continues to be appropriate and to benchmark executive compensation to the market based on appropriate comparator organizations, which include similar organizations and competitors 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 desired market position, commensurate with the executive's skills, experience and overall individual performance. Port Metro Vancouver executives are also provided with the same structure of group benefits coverage available to all port authority employees, as well as additional perquisites consistent with what is offered at comparator organizations.

An executive's individual incentive plan is directly linked with the business strategy, annual business plan and corporate scorecard performance to ensure that 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.

 [Read more about the port authority's executive compensation structure at portmetrovancover.com/accountability](http://portmetrovancover.com/accountability)



## ABOUT PORT METRO VANCOUVER

### CANADA MARINE ACT

The *Canada Marine Act* is “an Act for making the system of Canadian ports competitive, efficient and commercially oriented”.

Objectives include ensuring Canada has the marine infrastructure it needs to support the achievement of national, regional, and local social and economic objectives, and to promote and safeguard Canada's competitiveness and trade objectives. It promotes the success

and competitiveness of its ports for the growth and prosperity of the Canadian economy.

It is Port Metro Vancouver's statutory mandate to ensure these objectives are accomplished within its jurisdiction.

Port Metro Vancouver is able to make independent and timely commercial-oriented decisions on business plans and capital spending, clearly focused on the operational

### UNDERSTANDING PORT METRO VANCOUVER'S MANDATE

Port Metro Vancouver is a port authority established under the *Canada Marine Act*, limited by related letters patent and subject to other acts.

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.

KEY ASPECTS	DESCRIPTION
<b>Focus on national trade objectives</b>	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.”
<b>Commercial viability</b>	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.
<b>Safety and environmental protection</b>	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 <i>Canadian Environmental Assessment Act</i> . We are required to be mindful of health and social concerns and to protect the environment in everything we do.
<b>Community consideration</b>	While we have a national mandate, we must also seek and consider the input of users and local communities of which we are part.
<b>Autonomy</b>	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.

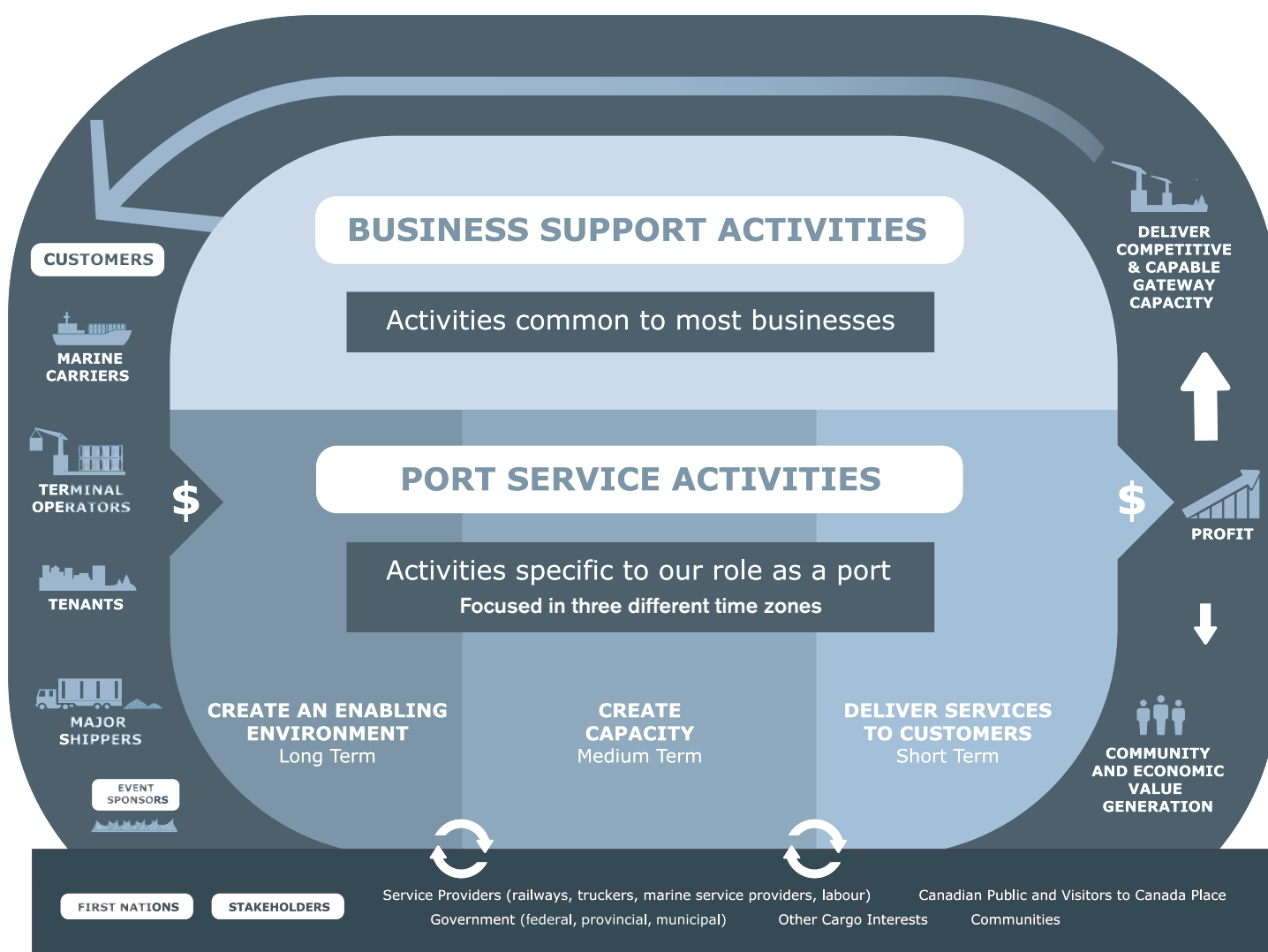
## DELIVERING VALUE TO THE GATEWAY

Port Metro Vancouver's Value Map is a visual representation of the organization as a system of value-adding activities and valued outputs that is meant to guide its growth and development. It illustrates how Port Metro Vancouver serves its customers through business support and gateway service activities that deliver the outputs of the organization. Profit generated is reinvested

into the gateway and the community to ensure the long-term sustainability of the gateway.

The port's stakeholders are involved in, and affected by, the overall system.

 Read more on Port Metro Vancouver's stakeholders, operations and performance at [portmetrovancover.com/accountability](http://portmetrovancover.com/accountability)



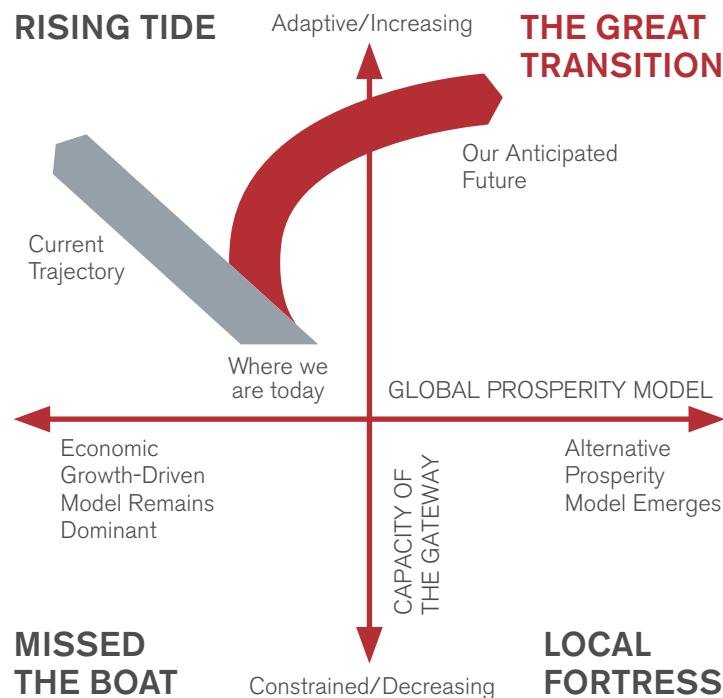
## ABOUT PORT METRO VANCOUVER

### PROMOTING LONG-TERM SUSTAINABILITY OF THE GATEWAY

We lead the sustainable development of Canada's largest port by facilitating dialogue and collaboration around long-term planning.

In 2011, Port Metro Vancouver completed the Port 2050 scenario development process, which involved extensive input from a wide and diverse range of its employees, customers, stakeholders and First Nations. Together, participants imagined four distinct scenarios describing plausible future operating environments for Port Metro Vancouver and its gateway partners.

This graphic illustrates the four scenarios based on Global Prosperity and Capacity in the Gateway.



Over the shorter and medium term, Port Metro Vancouver's goals more closely align with the Rising Tide scenario that assumes continued economic growth, with adaptive and increasing gateway capacity. However, Port Metro Vancouver is taking steps to prepare for another scenario identified through Port 2050: The Great Transition. This scenario describes a transition to a low-carbon economy over the longer term, accompanied by more sustainable patterns of production and consumption.

Port Metro Vancouver is taking a leading role in preparing the port community for such a future so that it may better adapt to new challenges and seize new opportunities.

In early 2014, Port Metro Vancouver hosted a forum on the future of energy use in the gateway to facilitate discussion on how the gateway's future energy needs may be met. Port Metro Vancouver also continues to monitor external events and trends that have the potential to significantly influence shared business environments. In December 2014, Port Metro Vancouver again engaged with those with a stake in the future of the gateway to review and update the Port 2050 scenarios to ensure continued relevancy.

 [Read more about Port 2050 at portmetrovancover.com/port2050](http://portmetrovancover.com/port2050)




## DEFINING SUSTAINABILITY

Sustainability, one of Port Metro Vancouver's values, is an important consideration in how the port authority operates. In 2013, Port Metro Vancouver launched an initiative to define and develop a shared understanding of what a sustainable gateway means to the port and the gateway. In 2014, with the help of an external advisory panel composed of customers,

First Nations, communities, non-government organization and academic institutions, Port Metro Vancouver created a Sustainable Gateway Definition and implemented the foundation of the definition into its business plan process.

Our definition of sustainability is structured around economic, environmental and social themes that are defined by 10 focus areas.

 Read more about our approach to sustainability in our 2014 Sustainability Report at [portmetrovancover.com/accountability](http://portmetrovancover.com/accountability)



### ECONOMIC PROSPERITY THROUGH TRADE

- Competitive business
- Effective workforce
- Strategic investment and asset management



### HEALTHY ENVIRONMENT

- Healthy ecosystems
- Climate action
- Responsible practices



### THRIVING COMMUNITIES

- Good neighbour
- Community connections
- First Nations relationships
- Safety and security

## LAND USE PLAN

In 2014, Port Metro Vancouver launched an updated Land Use Plan that aims to protect the remaining supply of port industrial lands for future generations. The document assists tenants and customers in identifying areas to locate or expand their operations and investments, and provides neighbouring residents and communities with greater clarity about activities and uses that may occur on

port lands. The plan illustrates Port Metro Vancouver's ability to accommodate future growth in a socially, environmentally and economically sustainable manner, and reflects a commitment to environmental stewardship and to contributing positively to local communities and First Nations.

 Read more about our Land Use Plan at [portmetrovancover.com/landuseplan](http://portmetrovancover.com/landuseplan)

OVER

15  
stakeholder  
workshops

DURING THE LAND USE PLAN CONSULTATION PROCESS, AND SIX OPEN HOUSES, THREE DISCUSSION SESSIONS AND THREE WORKSHOPS WITH FIRST NATIONS

## CAPABILITY TO DELIVER RESULTS

### 1 GUIDING COMPONENTS

Mission, vision and values

### 2 CRITICAL BUSINESS ISSUES

The most important matters for the organization to focus on

### 3 STRATEGIC PRIORITIES

Medium-term goals that state what an organization can do or influence to achieve its vision

### 4 STRATEGIC INITIATIVES

Short-term projects that directly support the achievement of a strategic priority

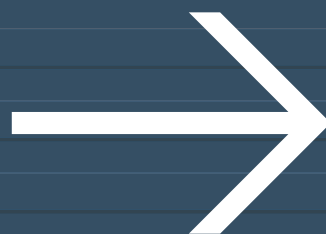
### 5 MEASURE AND ALIGN PERFORMANCE

Employee performance and incentive plans and corporate scorecards used to measure and drive performance



## RESOURCES

Capital budget, operating budget and people



## SUCCESSFUL OUTCOMES

Port Metro Vancouver operates in a dynamic environment with a wide variety of stakeholders. The port has a strategic business planning process to help identify where management and the board of directors believe the organization should be focusing its attention and resources, going forward.

At the beginning of each strategic planning process, Port Metro Vancouver considers and reaffirms the organization's critical business issues and how they must be addressed in order to achieve its long-term vision. Strategic priorities are then developed to address each critical business issue. Based on the strategic priorities, divisions and departments then develop short-term strategic initiatives that guide the organization's programs and projects and allocate resources during the upcoming

year. Key results of the strategic initiatives are measured and incorporated into Port Metro Vancouver's individual incentive plans, as well as its corporate scorecards. Throughout this process, Port Metro Vancouver's Enterprise Risk Management processes help identify risks to the achievement of the organization's mission, vision and strategic priorities, and identify mitigating initiatives that increase the likelihood that organizational goals will be achieved.

# 11 members

ON PORT METRO  
VANCOUVER'S ENTERPRISE  
RISK MANAGEMENT  
COMMITTEE, WITH AT LEAST  
ONE REPRESENTATIVE FROM  
EACH DIVISION





## CAPABILITY TO DELIVER RESULTS

### STRATEGIC PLANNING

The table below presents Port Metro Vancouver's 2014 critical business issues and their corresponding strategic priorities. We update this information annually to reflect the changes affecting the overall business environment.

CRITICAL BUSINESS ISSUE	STRATEGIC PRIORITY
<p><b>The growing set of public expectations with regard to social and environmental performance, coupled with an increasingly well-organized and sophisticated opposition.</b></p> <p>Community support is essential for the ongoing success of the gateway, while community expectations in terms of corporate social responsibility continue to rise. Port Metro Vancouver needs to demonstrate that it is taking meaningful steps to address its social and environmental impacts, and to manage risks of increased opposition and loss of support.</p>	<p><b><i>Achieve broad support, trust and national pride for gateway growth by creating stronger connections with the public and leveraging Port Metro Vancouver's sustainability vision.</i></b></p> <p>Port Metro Vancouver will continuously monitor and understand the impacts that port operations have on communities and the environment, and will reduce these impacts and be transparent about corporate social responsibility initiatives. The above actions will help ensure the long-term future viability and support of the port.</p>
<p><b>Potential misalignment with policy-makers that could hamper achievement of the gateway vision.</b></p> <p>While the gateway has received tremendous support from the federal, provincial and municipal governments, resources are often diverted to address more immediate or near-term issues. Some government mandates can also conflict with the objectives of the gateway, creating obstacles for Port Metro Vancouver.</p>	<p><b><i>Achieve alignment with policy-makers in how the gateway vision is delivered.</i></b></p> <p>Focus on the gateway can be maintained through regular and persistent engagement to ensure government stakeholders remain up to date on emerging issues, and to ensure effective ongoing government support of the gateway.</p>
<p><b>The need for continuous improvement in efficiency and capacity utilization of the gateway to ensure competitiveness and meet demand.</b></p> <p>A core value proposition for Port Metro Vancouver is the provision of efficient and reliable capacity to serve the growth of the gateway, reflecting the long-term financial, social and environmental views and needs of users and other constituents. Port Metro Vancouver needs to demonstrate leadership in researching, assessing and implementing commercially viable supply chain solutions.</p>	<p><b><i>Increase supply chain efficiency and capacity utilization to deliver enhanced customer and stakeholder value.</i></b></p> <p>Port Metro Vancouver will continue to develop plans that reflect the needs of its business sectors, and the different leadership role Port Metro Vancouver has within each. A key strategic focus is to provide ongoing leadership in both efficient and reliable capacity delivery and end-to-end supply chain performance through investments in programs and analytics to provide visibility, and adaptability to respond to changing and increasing port and customer requirements.</p>

CRITICAL BUSINESS ISSUE	STRATEGIC PRIORITY
<p><b>The need to grow the gateway and increase its capacity to meet demand.</b></p> <p>There is increasing demand for container capacity and new bulk terminal development, and expansion of existing terminals. Potential opportunity for growth in the liquid petroleum sector and in the Fraser River is also there.</p>	<p><b><i>Anticipate and deliver new capacity to meet key sector demand.</i></b></p> <p>Expanding container terminal capacity as well as planning and facilitating bulk capacity expansions will help Port Metro Vancouver enhance gateway competitiveness, meet long-term market demand, grow with its customers and facilitate Canada's economic growth.</p>
<p><b>The need for the organization to increase its effectiveness, agility and capacity to achieve its full potential.</b></p> <p>Port Metro Vancouver needs to continue to seek new ideas and creative solutions to ensure that processes and technologies effectively support its people in providing distinct value to its customers. Fostering a highly engaged organization strengthens Port Metro Vancouver's ability to recruit and retain top talent whose values are aligned with those of Port Metro Vancouver.</p>	<p><b><i>Accelerate continuous improvement in alignment of people, processes and technologies to meet planned and emerging priorities.</i></b></p> <p>Port Metro Vancouver can enhance its ability to achieve long-term success by developing and engaging employees who are dedicated to doing the very best job possible, and who are willing to exert their discretionary effort to contribute to the organization's success. Port Metro Vancouver can also become more efficient by deploying processes and technologies that enhance employee effectiveness.</p>
<p><b>The anticipated significant global, economic, energy and social change.</b></p> <p>Increasing economic, environmental and social risks threaten the global economic systems that support international trade and port operations. New business models may emerge that move towards balanced economic, environmental and social well-being. Port Metro Vancouver needs to understand what this future may look like, and needs to develop and strengthen relationships to ensure Port Metro Vancouver continues to thrive in this new future.</p>	<p><b><i>Lead the early preparation of the gateway for anticipated significant economic, energy and social change.</i></b></p> <p>Port Metro Vancouver will develop and deliver information and a forum for dialogue that successfully engages stakeholders and creates a long-term plan for the port. This plan will be used as a guide for decision-making in the short, medium and longer term. Knowledge gained through the process will provide Port Metro Vancouver with a thorough understanding of significant transitions occurring across the global social and economic environments within which it operates.</p>

## CAPABILITY TO DELIVER RESULTS

### BORROWING AND LIQUIDITY PLAN

#### BORROWING AND LIQUIDITY PLAN

Port Metro Vancouver's Letters Patent restricts its ability to raise more than \$510 million of debt financing, but the *Canada Marine Act* does allow Port Metro Vancouver to access federal contribution funding for projects related to the implementation of security measures, environmental sustainability, infrastructure, or emergency response.

In 2010, Port Metro Vancouver obtained an AA credit rating by Standard & Poor's. Every year since then, including 2014, Port Metro Vancouver's rating has been reaffirmed at AA on robust Operating Performance with Outlook Stable.

Current projections show that Port Metro Vancouver has the ability to comfortably service planned levels of debt.

#### Existing Credit Facilities

- Private placement bond: On April 19, 2010, Port Metro Vancouver 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.
- Royal Bank of Canada: A five-year \$150 million financing agreement was signed with Royal Bank of Canada in December 2012. This credit facility expires December 2017.

#### Subsidiary Credit Facilities

- North Fraser Terminals Inc.: North Fraser Terminal Inc.'s existing \$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 Royal Bank of Canada. The credit facility expires December 2017.

- Port Metro Vancouver Holdings: A 16-year \$4 million demand loan was signed with the Hong Kong and Shanghai Banking Corporation in November 2004. The loan has an outstanding balance of \$279,000 and expires August 2020.

#### New Financing Requirements

Port Metro Vancouver will need new credit facilities to fund future capital requirements. The 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, and diversify Port Metro Vancouver's funding sources. This strategy will also ensure Port Metro Vancouver maintains sufficient liquidity, as outlined in its Liquidity Management Policy.

According to Port Metro Vancouver's five-year capital plan, borrowing is expected to peak at \$448 million in 2018, should all projects receive board approval and occur when anticipated. This debt level is below Port Metro Vancouver's borrowing limit of \$510 million, as specified in its Letters Patent.

Given Port Metro Vancouver's strong cash flow position, approximately 65 per cent of total capital spending over the planning period is expected to be funded with operating surpluses and 35 per cent with debt. Interest charges on the forecast debt are expected to grow to roughly \$5 million in 2015. Given these carrying costs and current EBITDA projections, Port Metro Vancouver expects to maintain a strong credit profile. Based on its current capital and financing plan, Port Metro Vancouver's debt service coverage ratio is not expected to fall below 7:1 and the debt/EBITDA ratio is not expected to be 3.0 times over its five-year plan horizon.

## CAPABILITY TO DELIVER RESULTS

### CAPITAL PLANNING

To achieve Port Metro Vancouver's strategic priorities, capital investments are required to address port capacity constraints and optimize operational efficiency and effectiveness.

In 2014, capital spending decreased to \$98 million from \$151 million in 2013. Approximately \$56 million of the \$151 million capital spend was for the purchase of the Fraser Wharves property in 2013. Port Metro Vancouver's 2015–2019 capital plan identifies approximately \$1 billion in total spending and allocates funds to the following areas:

- Increase port capacity.
- Optimize Port Metro Vancouver's land inventory.
- Accelerate internal operational efficiency.
- Deliver supply chain efficiencies and increase stakeholder value.
- Provide capital maintenance/replacement of existing assets.

In 2014, major capital projects advanced in the container sector, including the Deltaport Terminal, Road and Rail Improvement Project, and the Roberts Bank Terminal 2 Project. The port also invested capital in the Gateway Infrastructure Program (GIP), which consists of 17 projects in three areas: the North Shore

Trade Area, the South Shore Trade Area and the Robert Banks Rail Corridor. The program was developed to invest in supply chain improvements beyond traditional port activities and lands in consultation with port stakeholders. Related capital expenditures are estimated to total approximately \$717 million when all projects are completed, with funding from a combination of government and industry sources. Port Metro Vancouver has agreed to pre-fund \$167 million of costs on behalf of industry. Ninety per cent of the pre-funded project costs will be recovered over 30 years via the Gateway Infrastructure Fee (GIF), which was implemented in 2010 to support the investment in supply chain improvements. In 2014, Port Metro Vancouver collected approximately \$8 million in fees related to these projects.



Learn more about the Gateway Infrastructure Program at [portmetrovancover.com/GIP](http://portmetrovancover.com/GIP)

\$98  
million

IN 2014, CAPITAL SPENDING  
DECREASED TO \$98 MILLION  
FROM \$151 MILLION IN 2013

\$8  
million




IN 2014, PORT METRO VANCOUVER  
COLLECTED \$8 MILLION IN  
GATEWAY INFRASTRUCTURE FEES  
TO SUPPORT 17 PROJECTS IN  
THREE TRADE AREAS





## CAPABILITY TO DELIVER RESULTS

### CAPITAL PLANNING

In 2014, five major capital projects were substantially completed on schedule and within budget. These projects include:

PROJECT DESCRIPTION/BENEFIT	2014 COSTS (millions)		
	Port Metro Vancouver (2014)	Port Metro Vancouver (total)	Project (total, including partners)
 <p><b>Low Level Road Project</b></p> <p>The Low Level Road Project includes elevating and realigning the existing Low Level Road on the north shore of Burrard Inlet, addresses slope stability, eliminates three at-grade rail crossings, improves road safety and accelerates the City's Spirit Trail Master Plan. This project will increase the international competitiveness of the North Shore Trade Area by improving the efficiency of port operations while addressing long-standing community needs.</p>	\$11.5	\$29.1	\$91.7
 <p><b>South Shore Corridor Project</b></p> <p>The South Shore Corridor Project is contained by Heatley Avenue and McGill Street along Vancouver's south shore. While most of the South Shore Corridor Project will involve improvements on port lands, a key objective is to reduce the effects of port operations on local streets as trade continues to grow. Along with road works improvements, an elevated roadway structure and a pedestrian overpass with an elevator was built to increase efficiency and reduce the carbon footprint of rail and vehicle traffic.</p>	\$8.4	\$34.9	\$73.2
 <p><b>Powell Street Overpass</b></p> <p>The Powell Street Overpass Project is a major road and rail infrastructure enhancement project along the South Shore Corridor. By building an overpass, carbon emissions are reduced by eliminating stoppage of traffic on Powell Street and its rail crossings.</p>	\$10.1	\$20.0	\$20.0

PROJECT DESCRIPTION/BENEFIT		2014 COSTS (millions)		
		Port Metro Vancouver (2014)	Port Metro Vancouver (total)	Project (total, including partners)
	<p><b>232nd Street Overpass</b></p> <p>The 232nd Street Project is part of the Roberts Bank Rail Corridor Program, a comprehensive package of road and rail improvements to enhance the quality of life in communities through which rail traffic travels to and from port terminals. The overpass structure reduces the carbon footprint by preventing traffic and rail stoppage at the 232nd Street crossing in Langley, B.C.</p>	\$3.7	\$5.4	\$23.2
	<p><b>Deltaport Terminal, Road and Rail Improvement Project</b></p> <p>The causeway overpass is the first component of the Deltaport Terminal Road and Rail Improvement Project to be completed. The new overpass separates road and rail traffic, improving the flow of trucks and trains accessing the terminal, reducing truck and vehicle idling and increasing safety, as well as contributing an estimated 200,000 twenty-foot equivalent units (TEUs) of additional capacity annually at Deltaport.</p>	\$9.6	\$24.2	\$40.0



## 2014 FINANCIAL RESULTS



At a consolidated level, Port Metro Vancouver revenues and expenses represent approximately 98 per cent of the consolidated total. Consolidated net income increased to \$97 million in 2014 from \$94 million in 2013.

## PORT METRO VANCOUVER CONSOLIDATED SUMMARY

### REVENUES

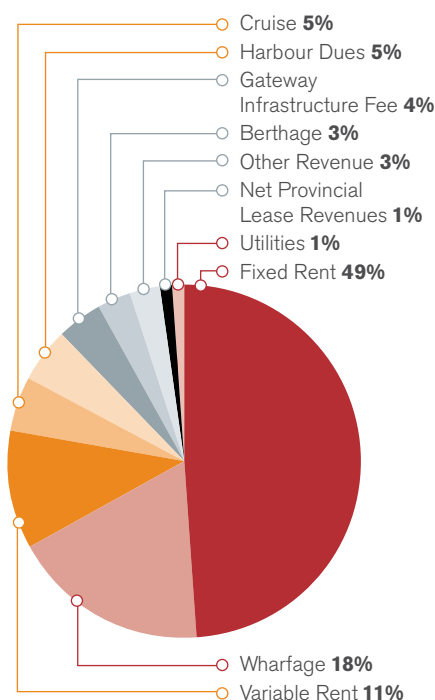
The following table supports Port Metro Vancouver's Consolidated Statement of Comprehensive Income, which is prepared under International Financial Reporting Standards:

	December 31, 2014	December 31, 2013	Variance	Variance
Operating revenue				
Fixed rent	\$ 108,266,594	\$ 101,578,534	\$ 6,688,060	7%
Wharfage	40,321,265	35,765,205	4,556,060	13%
Variable rent	25,796,059	28,142,605	(2,346,546)	(8%)
Cruise	10,812,643	10,726,195	86,448	1%
Harbour dues	10,363,517	10,121,824	241,693	2%
Gateway infrastructure fee	8,142,318	7,598,038	544,280	7%
Berthage	7,948,986	7,155,859	793,127	11%
Other revenue	6,388,987	6,092,907	296,080	5%
Net provincial lease revenues	2,555,932	2,308,773	247,159	11%
Utilities	1,942,336	1,410,439	531,897	38%
<b>Total revenues</b>	<b>\$ 222,538,637</b>	<b>\$ 210,900,379</b>	<b>\$ 11,638,258</b>	<b>6%</b>

This pie chart depicts Port Metro Vancouver's operating revenue for 2014. Fixed rent accounts for approximately half of total revenues, which means that a sizable proportion of revenue is protected against fluctuations in commodity volumes.

In 2014, lease changes led to a 7 per cent increase in fixed rent revenue, while variable rent decreased by 8 per cent.

The port 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.





## 2014 FINANCIAL RESULTS






### CONSOLIDATED SUMMARY

The following table summarizes the key drivers for each of these fees and how the fees are calculated, as well as the value that Port Metro Vancouver adds by reinvesting these fees.

REVENUE TYPE	CALCULATION KEY DRIVER	DETAILS OF CALCULATION	PURPOSE OF FEE
<b>Wharfage</b>	Rate x Unit	<ul style="list-style-type: none"> <li>Unit rate applied is per Thousand Foot Board Measure (MFBM), Tonne or Twenty-Foot Equivalent Unit (TEU)</li> </ul>	To recover investments and costs associated with the provision of port infrastructure and services to handle cargo.
<b>Harbour Dues</b>	Rate x Gross Registered Tonne (GRT)	<ul style="list-style-type: none"> <li>Charged on first five calls</li> <li>Discounts for air emission standards achieved</li> </ul>	To recover investments and costs associated with harbour operations, as well as harbour safety, security and cleanliness.
<b>Cruise</b>	Passenger Fee = Rate x # of Passengers Service & Facilities Fee = Rate x Overall Ship Length x Time at Berth	<ul style="list-style-type: none"> <li>Rates vary for day of the week and length of stay</li> <li>Passenger fee rebates based on tiered system</li> </ul>	To recover investments and costs associated with provision of cruise terminal facilities, berths and infrastructure.
<b>Berthage</b>	Rate x Overall Ship Length x Time at Berth	<ul style="list-style-type: none"> <li>Unit rate applied is based on location and length of stay</li> </ul>	To help recover investments and costs associated with the wharf apron, berth dredging and maintenance.
<b>Gateway Infrastructure Fee</b>	Rate x Unit	<ul style="list-style-type: none"> <li>Unit rate applied is per MFBM, Tonne or TEU</li> </ul>	To recover investments and costs related to trade area infrastructure improvements in three trade areas.
<b>Truck Licensing System Fee</b>	\$300/Truck	<ul style="list-style-type: none"> <li>Annual fee of \$300 per TLS truck</li> </ul>	To recover investments and costs related to operation of the Truck Licensing System (TLS).

Other than consumer price index increases of 1.5 per cent to wharfage and berthage and a 1.2 per cent increase in passenger fees, the port made no other rate changes in 2014. The port collected overall revenue of \$59 million in 2014, compared with \$53 million in 2013, for harbour dues, berthage and wharfage. This represents an 11 per cent increase year over year.

When analyzing Port Metro Vancouver's revenues, it is also important to note revenue contributions by sector. The table opposite outlines the 2014 revenues generated by Port Metro Vancouver's five primary sectors.

SECTOR	DESCRIPTION/ COMMODITY TYPE	2014 REVENUE CONTRIBUTION %	2014 REVENUE CONTRIBUTION (\$000s)
<b>Bulk</b>			
	Principal cargo includes coal, grain, sulphur and potash	19%	43,073
<b>Breakbulk</b>			
	Principal cargo includes steel, pulp and lumber	10%	22,727
<b>Container</b>			
	Commodities include household goods, produce, machinery, wood pulp, lumber and metals	45%	99,827
<b>Automobiles</b>			
	Port receives 100% of all Asian imports destined for Canada	3%	6,088
<b>Cruise</b>			
	Homeport for Vancouver–Alaska cruises	5%	11,646

In addition, Other Revenues account for 18 per cent or \$39 million, including marina, yacht club, ship repair, interest income and other miscellaneous revenue items.

The revenue contributions for each of the sectors highlighted in the table above are

consistent with the contributions made by each sector in 2013. The container sector continues to generate almost half of Port Metro Vancouver's revenues, followed by bulk, breakbulk, cruise and autos.

## 2014 FINANCIAL RESULTS

### CONSOLIDATED SUMMARY

#### EXPENSES

Major expense items	December 31, 2014 (\$)	December 31, 2013 (\$)	Variance (\$)	Variance (%)
Salaries and employee benefits	35,255,485	34,109,621	1,145,864	3
Depreciation	27,757,698	26,671,359	1,086,339	4
Other operating and administrative expenses	19,676,867	16,860,213	2,816,654	17
Net dredging expenses	12,032,539	12,435,593	(403,054)	(3)
Professional fees and consulting services	9,322,089	7,479,670	1,842,419	25
Payments in lieu of taxes	6,773,743	4,441,530	2,332,213	53
Federal stipend	6,452,672	6,208,414	244,258	4
Finance costs	5,239,543	5,232,278	7,265	0
Maintenance and repairs	3,584,683	3,097,136	487,547	16

Port Metro Vancouver's operating expenses increased by 9 per cent between 2013 and 2014, mainly due to increases in other operating and administrative expenses, professional fees and consulting services, and payments in lieu of taxes (PILT), offset slightly by a decrease in net dredging expenses.

In 2014, salaries and employee benefits and depreciation accounted for over half of Port Metro Vancouver's total operating expenses, and other operating and administrative expenses and net dredging expenses accounted for approximately 10 per cent. Other expenses include expenditures on utilities, insurance, advertising, contributions, grants, and other administrative and office expenditures.

The increase in other operating and administrative expenses and professional fees and consulting services include the implementation of a new Truck Licensing System (TLS). In March 2014, an agreement was reached between the Government of Canada, the Province of British Columbia and Port Metro Vancouver to end a trucking dispute. As part of the Joint Action Plan, a new truck licence policy was launched to stabilize port container trucking operations, to achieve a balance between the supply of trucks and the amount of container trucking work available at the port. This was also

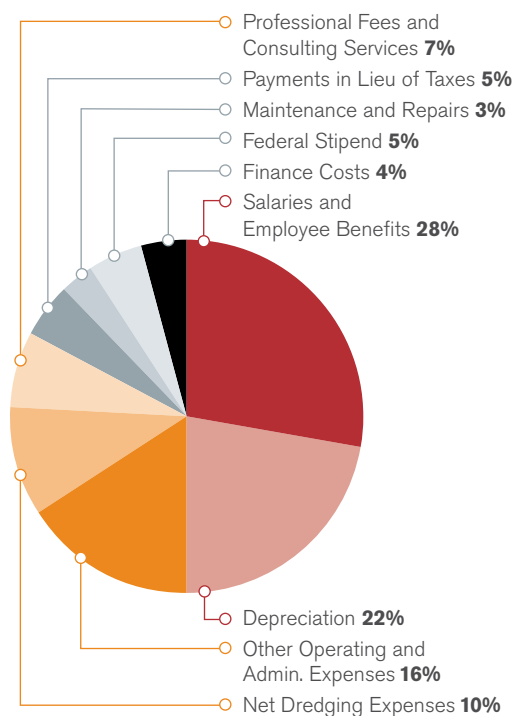
intended to ensure that drivers are paid fairly and that they have the opportunity to make a decent living.

Providing safe and unimpeded access to terminals for vessels is a cornerstone of Port Metro Vancouver's 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, Port Metro Vancouver carries out an annual maintenance dredging program.

A portion of the recovered sand is sold and used for preloading 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 also vary year to year.

Port Metro Vancouver pays PILT to local port cities on unoccupied lands while tenants pay property taxes on properties leased from Port Metro Vancouver. The increase of 53 per cent, or \$2.3 million, was driven mainly by the settlement of an outstanding PILT payment dispute in 2013. The dispute led Port Metro Vancouver to accrue estimated settlement costs in prior years. An accrual adjustment based on the actual settlement amount was accounted for in 2013.

Port Metro Vancouver is exempt from income taxes. However, under the *Canada Marine Act*, it is obligated to pay an annual federal stipend to the Minister of Transport to keep its Letters Patent in good standing. The charge is calculated by reference to gross revenues at rates varying between 2 per cent and 6 per cent, depending on the gross amount determined. Federal stipend payments grew between 2013 and 2014, rising from \$6.2 million in 2013 to \$6.4 million in 2014. Interest on the existing \$100 Million 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 2014 remained consistent with the amount paid in 2013.



## SUBSIDIARIES

The *Canada Marine Act* and Port Metro Vancouver's Letters Patent allow the use of subsidiaries to undertake certain indirect activities deemed necessary to support port operations or strategic priorities. Port Metro

Vancouver is 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 2014 results for each of Port Metro Vancouver's subsidiaries.

### 2014 SUBSIDIARY RESULTS (\$'000s)

Subsidiaries	Operating Revenue	Operating Expense	Other Income	Net Income
Canada Place Corporation	2,967	(1,778)	65	1,254
Port Metro Vancouver Ventures Inc.	261	0	(49)	212
Port Metro Vancouver Enterprises Inc.	10	(18)	(28)	(36)
North Fraser Terminals Inc.	591	(60)	(51)	480
Port Metro Vancouver Holdings Inc.	168	(116)	(121)	(69)
Marine Safety Holdings Ltd.	0	0	0	0



## 2014 FINANCIAL RESULTS OUTLOOK

### MARKET OUTLOOK

The global economy is expected to strengthen gradually over the next five years, starting with 3.8 per cent growth in 2015, according to the International Monetary Fund's economic outlook. Asia's economic fundamentals are forecast to be sound going forward, as the region benefits from expanding global trade. The region's two largest economies, China and India, have seen industrial production and retail sales pick up from 2012 as the business cycle turns, and as recent stimulus measures drive growth. In the U.S., recoveries in the labour and housing markets were better established in 2014. Canada's growth prospects, although weighed down in 2014 by tightening U.S. fiscal policy and reduced commodity prices, are predicted to improve in 2015 and remain stable during the five-year planning period. Overseas demand for Canadian commodities is forecast to grow steadily, as seen in 2014. As a result, Port Metro Vancouver expects stable growth for cargo volumes.

Port Metro Vancouver's foreign trade, which comprises 80 per cent of its total cargo volume, remains in the positive upward trend seen since 2009, with future growth expected to be led by coal, containers, potash and agri-products.

The port trades with over 160 economies throughout the world while at the same time serving local communities along the Pacific coast. The majority of trade at the port continues to be with Asian trading partners, driven by the economic growth in China, Japan and South Korea. Trading partners from Europe and the U.S. contribute approximately 11 per cent of the port's foreign volume. However, any further dips in those regions' domestic outlook are expected to be offset by the growth in Asian, Latin American and South American economies.

In 2014, a record 140 million tonnes of cargo moved through the port, a 3 per cent increase over 2013. Tonnage is forecast to increase an average of 5 per cent per annum, from 140 million to 174 million tonnes, over the next five years. Forecasts for each of the port's business sectors are summarized here.

- **Container:** Long-term prospects for container growth remain positive and stable based on projected GDP growth for Canada and for the port's major trading partners. This economic growth will provide opportunities for the port's import and export container customers.
- **Bulk:** Coal provided to the steel industry and overseas utilities is Port Metro Vancouver's largest bulk commodity by volume. Driving growth of Port Metro Vancouver coal exports over the forecast period is continued strong demand from the steelmaking and electric power sectors in Asia. Additionally, global demand for Canadian grains is expected to increase, driven by rising populations and personal incomes as well as by increasing Canadian crop yields. Capacity expansion and proximity to primary markets will enable Port Metro Vancouver to continue to gain export market share.
- **Cruise:** In 2014, the number of cruise passengers was relatively unchanged from 2013. Passenger growth is expected to remain relatively flat throughout 2015 and increase slowly thereafter.
- **Breakbulk:** Logs are the largest breakbulk commodity Port Metro Vancouver handles, accounting for 50 per cent of total breakbulk volume. Consistent economic growth in Asia is expected to drive a moderate increase of breakbulk forest product exports. Volume growth is also projected to be limited on other breakbulk commodities, including lumber, wood pulp and metals.
- **Auto:** Inbound auto volumes are expected to remain flat throughout the rest of the planning period as foreign car manufacturers increasingly build vehicles in North America, rather than overseas.



3.8%

THE GLOBAL ECONOMY IS  
EXPECTED TO GROW BY  
3.8 PER CENT IN 2015

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160  
economies

THE PORT TRADES WITH OVER  
160 ECONOMIES THROUGHOUT  
THE WORLD

## FINANCIAL OUTLOOK

### Revenues

In 2015, operating revenues are expected to decrease marginally due to the expiry of a provincial head lease agreement, which is expected to be offset by modest volume increases and small increases to wharfage, berthage and passenger fees.

On January 1, 2015, the head lease agreement between Port Metro Vancouver and the Province of British Columbia expired. The agreement had given Port Metro Vancouver the responsibility for managing Crown land on behalf of the Province of British Columbia on the north, middle and south arms of the lower Fraser River. Typical tenants in this area include marinas and floathomes.

### Expenses

Salaries, wages and employee benefits represent around 31 per cent of Port Metro Vancouver's operating expense budget and are expected to increase in line with general inflation for the next few years. Salary expenses in 2015 are expected to be approximately \$36 million. Purchased services, energy and utilities, and other operating and administrative expenses are also expected to increase at the rate of inflation over the next five years, and interest expenses are expected to remain flat over the next year. PILT expenses are projected to increase with general inflation levels in 2015.

Depreciation as a percentage of Port Metro Vancouver's expense budget is projected to increase going forward as various capital projects are completed and enter operational phases. Depreciation increases will also be driven by terminal, corridor and trade area expansions.

Net dredging expenses decreased in 2014 due to a decrease in channel maintenance volumes compared to 2013. 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.

Driven by the above factors, Port Metro Vancouver's operating expenses are forecast to increase by \$10 million in 2015, with annual increases of 4 per cent thereafter. While maintaining its strong financial position, Port Metro Vancouver will strategically position itself to take advantage of emerging opportunities. A one-time charge is expected in 2015 related to the TLS Project for truck rationalization.

## 2014 FINANCIAL RESULTS

### RISKS

#### OVERVIEW OF RISK MANAGEMENT

Port Metro Vancouver believes that regular monitoring and mitigation of enterprise risks supports its ability to achieve its mission, vision and strategic priorities. It also ensures that the long-term economic, social and environmental sustainability of Port Metro Vancouver's business is maintained, and that Port Metro Vancouver remains safe and competitive in the global marketplace. Port Metro Vancouver assesses enterprise risks and associated controls internally on a regular basis throughout the year. This assessment is led by Port Metro Vancouver's Enterprise Risk Management (ERM) Committee. Sponsored by the Chief Financial Officer, the ERM Committee is composed of representatives from across the organization and meets monthly. At these meetings, the committee reviews the top corporate risks, examines any events or activities arising since the prior meeting that could impact the risk register or mitigation strategies, and discusses the status of, and plans next steps for, any ERM Committee projects or activities in progress.

#### TOP RISKS FOR PORT METRO VANCOUVER

Port Metro Vancouver's active risks are documented in a corporate risk register. As of December 31, 2014, management identified 10 of these risks as the most important facing the organization. All 10 have an inherent rating of severe, but after mitigation are estimated to be high, moderate or low risks. As set out in the Port Metro Vancouver Risk Management Policy, risks are assessed on their expected likelihood and consequences to determine an overall risk rating. The table on the facing page describes the 10 risks identified as the most important currently facing Port Metro Vancouver, along with their respective mitigation plans.

TOP RISKS	MITIGATION FACTORS
<b>SUPPLY CHAIN CAPACITY IMBALANCES</b>	<ul style="list-style-type: none"> <li>· Port Metro Vancouver's Monitor and Measure Program tracks productivity of stakeholders across the supply chain</li> <li>· Stakeholder advocacy to encourage parties to act in the interest of the overall gateway</li> <li>· Rail, traffic and market studies</li> <li>· Stakeholder conflict mediation as required</li> <li>· Truck Licensing System administers the trucks servicing the port</li> </ul>
<b>INADEQUATE PROJECT COST ESTIMATES</b>	<ul style="list-style-type: none"> <li>· Major Capital Projects Committee of the board</li> <li>· Project management framework that requires detailed planning, review and reporting for large projects</li> <li>· Use of third-party budget and cost estimators</li> </ul>
<b>LOSS OF COMMUNITY ACCEPTANCE</b>	<ul style="list-style-type: none"> <li>· Consultation and communication practices</li> <li>· Investments in local community initiatives</li> <li>· Community Liaison Committees</li> </ul>
<b>ENVIRONMENTAL IMPACT ON NEIGHBOURS</b>	<ul style="list-style-type: none"> <li>· Leases with environmental requirements</li> <li>· Shore power at Canada Place</li> <li>· Collaboration with Metro Vancouver, tenants and regional partners</li> </ul>
<b>LAND NOT AVAILABLE</b>	<ul style="list-style-type: none"> <li>· Land acquisition strategy</li> <li>· Plans for land reclamation projects</li> </ul>
<b>ENVIRONMENTAL SPILL IN HARBOUR OR RIVER</b>	<ul style="list-style-type: none"> <li>· Developed and tested emergency plans</li> <li>· Coordination with external parties and stakeholders</li> <li>· 24/7 Operations Centre</li> <li>· Best practices for transportation of liquid bulk</li> </ul>
<b>PUBLIC LIABILITY – DEATH OF/INJURY TO MEMBERS OF THE PUBLIC</b>	<ul style="list-style-type: none"> <li>· Safety and security assessments</li> <li>· Signage and security devices</li> <li>· 24/7 Operations Centre</li> <li>· Insurance</li> </ul>
<b>INEFFECTIVE BUSINESS PLANNING</b>	<ul style="list-style-type: none"> <li>· Business planning and budgeting processes</li> <li>· Project management directive</li> <li>· Submission process for approval of spending</li> </ul>
<b>SOCIAL MEDIA DAMAGES PORT METRO VANCOUVER'S REPUTATION</b>	<ul style="list-style-type: none"> <li>· Port Metro Vancouver social media and Internet presence</li> <li>· Project websites for information sharing and communication</li> <li>· Media monitoring</li> <li>· Community engagement</li> </ul>
<b>PROJECT DELAYS DUE TO THIRD PARTIES</b>	<ul style="list-style-type: none"> <li>· Stakeholder engagement</li> <li>· Project communications and ongoing outreach</li> </ul>



## 2014 AUDITED FINANCIAL STATEMENTS

Port Metro Vancouver is a non-shareholder, financially self-sufficient corporation. Guided by a long-term vision for growth and competitiveness, we are able to make independent and timely financial decisions for the operational benefit of port users.







## INDEPENDENT AUDITORS' REPORT

To the Honourable Lisa Raitt, 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, 2014, 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

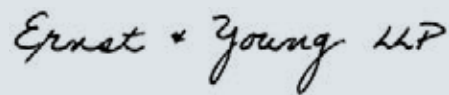
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants  
Vancouver, Canada  
March 31, 2015

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

VANCOUVER FRASER PORT AUTHORITY

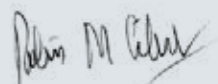
(Expressed in thousands of dollars)

As at December 31

	2014	2013
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 140,827	\$ 121,783
Short-term investments in securities (note 9)	500	501
Accounts receivable and other assets (note 10)	58,916	78,503
<b>Total current assets</b>	<b>200,243</b>	<b>200,787</b>
Investments in securities (note 9)	2,023	2,523
Investment in joint venture (note 7)	–	7
Long-term receivables (note 10(b))	10,960	6,998
Deferred charges	1,545	1,541
Intangible assets (note 14)	2,100	2,771
Property and equipment, net (note 6)	1,217,319	1,146,996
	<b>\$ 1,434,190</b>	<b>\$ 1,361,623</b>
<b>LIABILITIES AND EQUITY OF CANADA</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 11)	\$ 58,537	\$ 76,394
Provisions (note 18)	8,721	12,932
Short-term borrowing (note 12(b))	279	1,924
Payments in lieu of taxes	669	400
Deferred revenue	10,295	13,468
Current portion of other deferred amounts	27	26
Current portion of long-term obligations (note 12(a))	100	–
<b>Total current liabilities</b>	<b>78,628</b>	<b>105,144</b>
Other employee benefits	1,236	1,280
Accrued benefit liability (note 13)	8,389	11,754
Deferred revenue	26,883	27,598
Provisions (note 18)	6,666	3,836
Other deferred amounts	3,935	3,241
Long-term obligations (note 12(a))	100,901	99,420
<b>Total liabilities</b>	<b>226,638</b>	<b>252,273</b>
Commitments and contingent liabilities (notes 16 and 17)		
<b>Equity of Canada</b>		
Contributed capital	150,259	150,259
Retained earnings	1,057,293	959,091
<b>Total equity of Canada</b>	<b>1,207,552</b>	<b>1,109,350</b>
	<b>\$ 1,434,190</b>	<b>\$ 1,361,623</b>

See accompanying notes

Approved on behalf of the Board:



Robin Silvester, Chief Executive Officer  
March 31, 2015



Richard Turner, Director  
March 31, 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

VANCOUVER FRASER PORT AUTHORITY

(Expressed in thousands of dollars)

Year ended December 31

	2014	2013
<b>OPERATING REVENUE</b>		
Port income	\$ 77,700	\$ 71,478
Rental income	139,419	134,007
Other income	5,420	5,416
	<b>222,539</b>	210,901
<b>EXPENSES</b>		
Wages, salaries and benefits (notes 13 and 21)	35,255	34,110
Depreciation	27,758	26,671
Other operating and administrative expenses	19,677	16,860
Dredging	12,032	12,435
Professional fees and consulting services	9,322	7,480
Payments in lieu of taxes	6,774	4,442
Maintenance and repairs	3,585	3,097
	<b>114,403</b>	105,095
Income from operations	<b>108,136</b>	105,806
<b>Other expense (income)</b>		
Federal stipend	6,453	6,208
Finance costs (note 19)	5,240	5,232
Impairment of property and equipment (note 6)	–	99
Investment income	(105)	(105)
Loss from investment in joint venture (note 7)	7	4
Other income	(28)	(25)
<b>Net income for the year</b>	<b>96,569</b>	94,393
<b>Other comprehensive income (loss)</b>		
Actuarial gains (losses) in defined pension plans (note 13)	1,633	(1,531)
<b>Total comprehensive income</b>	<b>\$ 98,202</b>	\$ 92,862

See accompanying notes



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

VANCOUVER FRASER PORT AUTHORITY

(Expressed in thousands of dollars)

	Contributed capital	Retained earnings	Total
<b>Balance, December 31, 2012</b>	\$ 150,259	\$ 866,229	\$ 1,016,488
Net income for the year	—	94,393	94,393
Other comprehensive income			
Actuarial gains (losses) in defined benefit pension plans	—	(1,531)	(1,531)
<b>Balance, December 31, 2013</b>	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
<b>Balance, December 31, 2014</b>	<b>\$ 150,259</b>	<b>\$ 1,057,293</b>	<b>\$ 1,207,552</b>

See accompanying notes

# CONSOLIDATED STATEMENT OF CASH FLOWS

VANCOUVER FRASER PORT AUTHORITY  
(Expressed in thousands of dollars)

Year ended December 31

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Net income for the year	\$ 96,569	\$ 94,393
Adjustments to reconcile to net cash from operations		
Depreciation	27,758	26,671
Long-term lease receivable	(3,922)	(1,267)
Provisions	(1,381)	(258)
Accrued employee benefits	(1,776)	(3,185)
Bond issue expense amortization	81	77
Loss (gain) from investment in joint venture	7	4
Impairment of property and equipment (note 6)	–	99
Impairment of works under construction (note 6)	–	491
Other	(85)	4
	117,251	117,029
Changes in non-cash working capital balances		
Accounts receivable and other assets	934	(7,663)
Accounts payables and accrued liabilities	(1,445)	8,976
Payment in lieu of taxes	269	(2,021)
Deferred revenue	(3,177)	878
<b>Cash provided by operating activities</b>	<b>113,832</b>	<b>117,199</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(149,219)	(210,002)
Government funding for property and equipment	38,223	45,603
Other third party funding for property and equipment	12,814	9,192
Proceeds on disposal of property and equipment	2,933	119
Other	164	54
<b>Cash used in investing activities</b>	<b>(95,085)</b>	<b>(155,034)</b>
<b>FINANCING ACTIVITIES</b>		
Net change in short-term borrowing	(1,644)	(143)
Net change in short-term investments	1	600
Proceeds of investments in long-term securities	501	–
Purchases of investments in long-term securities	–	(1,027)
Proceeds from bank loan	1,500	–
Principal payments on long-term obligations	(26)	(25)
Long-term receivables	(54)	115
Principal repayment on lease financing assets	19	56
<b>Cash provided by (used in) financing activities</b>	<b>297</b>	<b>(424)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>19,044</b>	<b>(38,259)</b>
Cash and cash equivalents, beginning of year	121,783	160,042
<b>Cash and cash equivalents, end of year</b>	<b>\$ 140,827</b>	<b>\$ 121,783</b>
<b>Supplemental cash flow information</b>		
Interest paid	5,268	4,727
Interest received	106	105

See accompanying notes

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

VANCOUVER FRASER PORT AUTHORITY

(Tabular amounts expressed in thousands of dollars)

## 1. GENERAL INFORMATION

Vancouver Fraser Port Authority (VFPA) is a non-share capital, financially self-sufficient authority established January 1, 2008 by the Government of Canada pursuant to the *Canada Marine Act* ("CMA"). 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 as of October 2013, 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 tax.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

These consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These consolidated financial statements were approved by the Board on March 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 the power to govern the financial and operating policies.

### 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 income statement during the financial period in which they are incurred.

Depreciation is recognized in the income statement 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.

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

### Property and equipment (continued)

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

Asset	Term
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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other expense (income) 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.

### Intangible assets

#### Computer software

Costs associated with maintaining computer software programmes are recognized as an expense as 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 following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs.

Other development expenditures that do not meet these 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.

### 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. A provision for impairment of trade receivables is established when there is objective evidence that the VFPA will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference

between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the consolidated statement of comprehensive income.

### **Trade payables**

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### **Borrowings**

Borrowings are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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.

### **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 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.

### **Financial assets**

#### **Classification**

The VFPA's classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets 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 held to maturity financial assets comprise its short-term investments and investments in securities (GIC's).

#### **(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 maturities greater than 12 months after the balance sheet date. These 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 carried at amortized cost.

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.

#### **Impairment of financial assets at amortized cost (excluding accounts receivable)**

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 criteria that the VFPA uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future



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

cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the VFPA may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

### **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 due date.

### **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 (LNFPFA)), where employees from the legacy ports have remained in their respective benefit plans upon amalgamation. Employees hired after January 1, 2008 are eligible for the LVPA plan. The three benefit plans are described in detail in note 13.

The 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 equity in accumulated 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 amortized 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.

### **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.

### **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.

## **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.

## **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 betterments 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.

## **Deferred charges**

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

## **Joint ventures**

Investments in joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. Through PMVV, its wholly owned subsidiary, the VFPA's share of its joint ventures' post-acquisition profits or losses are recognized in the consolidated statement of comprehensive income and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the VFPA's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the VFPA does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the VFPA and its joint ventures are eliminated to the extent of the VFPA's interest in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the VFPA.

## **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.

## **Income taxes**

The VFPA, through PMVV, its wholly owned subsidiary, has an interest in a taxable joint venture. The joint venture uses the asset and liability method of accounting for income taxes.

## **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.

## **Accounting standards adopted on January 1, 2014**

IAS 32, *Financial Instruments: Presentation* ("IAS 32") was amended to address inconsistencies when offsetting financial assets and financial liabilities and is effective for annual periods beginning on or after January 1, 2014.

IFRIC Interpretation 21, *Levies* ("IFRIC 21") was issued in May 2013 to provide guidance on when to recognize a liability for a levy imposed by government legislation and is effective for annual periods beginning on or after January 1, 2014.

The Authority has adopted these amendments effective January 1, 2014 and concluded there was no impact to the Authority's financial statements upon adoption of these standards. Any additional disclosures to address the adopted standards' requirements are included within the 2014 notes to 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 however the impact of this has not yet been determined.

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. VFPA intends to adopt IFRS 15 when it becomes effective however the impact of the new standard has not yet been determined.

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### 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, short-term investments, 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 and the mortgages included in long-term obligations are recorded at amortized cost which approximates their fair values.

As of December 31, 2014, the fair value of the Series A Debentures was \$112.1 million (2013 – \$105.6 million) based on a five year Government of Canada bond and a market interest rate of 2.39% (2013 – 3.8%).

#### Interest risk

The VFPA's interest bearing financial assets are comprised of term deposits, Bankers' Acceptance and long-term receivables which bear interest at fixed rates. The VFPA's debt portfolio comprises both fixed (mortgages) and variable rate (Bankers' Acceptance) 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 VFPA normally enters into Bankers' Acceptance for periods ranging from one to six months and could therefore be exposed to fluctuations in interest rates at the Bankers' Acceptance expiration.

The Series A Debentures of \$100 million has a fixed interest rate of 4.63%. With the fixed rate these interest payments are known with certainty for the remaining term to April 20, 2020, and are incorporated into the VFPA's monthly cash flow forecasts.

For the year ended December 31, 2014, 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.

#### Market risk

Leasing activities encompass market risk for lease cost escalation and possible business failures and leasing disruptions of tenants due to specific and general economic conditions, business interruption and other operating and financial conditions related to tenants.

VFPA's participation rental revenue (approximately 12% of total operating revenue) can be indirectly affected by fluctuations in demands for various commodities and finished products, as this portion of the revenue is based on volume throughput.

### **Credit risk**

Credit risk is the risk of financial loss to 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. VFPA limits its exposure to credit loss by regularly monitoring the credit worthiness of customers and debtors. 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, 2014. 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.

	2015	2016	2017	2018	2019	2020 and thereafter	Total
Long-term borrowings	\$ 4,730	\$ 4,730	\$ 5,930	\$ 4,630	\$ 4,630	\$ 102,315	\$ 126,965
Short-term borrowings	306	–	–	–	–	–	306
Total	\$ 5,036	\$ 4,730	\$ 5,930	\$ 4,630	\$ 4,630	\$ 102,315	\$ 127,271
Percentage of total	4.0%	3.7%	4.7%	3.6%	3.6%	80.4%	100%

### **Capital risk management**

The VFPA's capital consists of its contributed capital and retained earnings. The VFPA's objective when managing capital is to safeguard its assets as regulated by the CMA and Letters Patent and to ensure that adequate capital is managed for future requirements.

## **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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 value-in-use 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 13.

### **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. 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*. Uncertainty exists over actual environmental restoration costs to be incurred due to the estimates involved in performing the assessment.

## 6. PROPERTY AND EQUIPMENT

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
<b>December 31, 2012</b>							
Cost	\$ 158,023	\$ 30,783	\$ 49,702	\$ 17,930	\$ 573	\$ 21,022	\$ 278,033
Accumulated depreciation and impairment	(6,870)	(9,868)	(36,710)	0	(218)	(17,261)	(70,927)
<b>Net book value</b>	<b>151,153</b>	<b>20,915</b>	<b>12,992</b>	<b>17,930</b>	<b>355</b>	<b>3,761</b>	<b>207,106</b>
<b>Year ended December 31, 2013</b>							
Additions (transfers)	53,677	5,368	1,492	(3,125)	—	515	57,927
Transferred to intangible assets	—	—	—	(1,200)	—	—	(1,200)
Disposals							
Cost	(118)	—	(49)	(340)	—	—	(507)
Accumulated depreciation	—	—	49	—	—	—	49
Impairment	—	—	(43)	—	—	(56)	(99)
Depreciation	(801)	(1,946)	(1,831)	—	(17)	(1,029)	(5,624)
	52,758	3,422	(382)	(4,665)	(17)	(570)	50,546
<b>Closing net book value</b>	<b>\$ 203,911</b>	<b>\$ 24,337</b>	<b>\$ 12,610</b>	<b>\$ 13,265</b>	<b>\$ 338</b>	<b>\$ 3,191</b>	<b>\$ 257,652</b>
<b>December 31, 2013</b>							
Cost	\$ 211,582	\$ 36,151	\$ 51,145	\$ 13,265	\$ 573	\$ 21,537	\$ 334,253
Accumulated depreciation and impairment	(7,671)	(11,814)	(38,535)	—	(235)	(18,346)	(76,601)
<b>Net book value</b>	<b>\$ 203,911</b>	<b>\$ 24,337</b>	<b>\$ 12,610</b>	<b>\$ 13,265</b>	<b>\$ 338</b>	<b>\$ 3,191</b>	<b>\$ 257,652</b>
<b>Year ended December 31, 2014</b>							
Additions	455	31,555	1,548	6,989	—	204	40,751
Transferred to intangible assets	—	—	—	(264)	—	—	(264)
Disposals							
Cost	(2,187)	—	(24)	—	—	—	(2,211)
Accumulated depreciation	46	—	24	—	—	—	70
Impairment	—	—	—	—	—	—	—
Depreciation	(1,049)	(2,327)	(1,375)	—	(17)	(906)	(5,674)
	(2,735)	29,228	173	6,725	(17)	(702)	32,672
<b>Closing net book value</b>	<b>\$ 201,176</b>	<b>\$ 53,565</b>	<b>\$ 12,783</b>	<b>\$ 19,990</b>	<b>\$ 321</b>	<b>\$ 2,489</b>	<b>\$ 290,324</b>
<b>December 31, 2014</b>							
Cost	\$ 209,850	\$ 67,706	\$ 52,669	\$ 19,990	\$ 573	\$ 21,741	\$ 372,529
Accumulated depreciation and impairment	(8,674)	(14,141)	(39,886)	—	(252)	(19,252)	(82,205)
<b>Net book value</b>	<b>\$ 201,176</b>	<b>\$ 53,565</b>	<b>\$ 12,783</b>	<b>\$ 19,990</b>	<b>\$ 321</b>	<b>\$ 2,489</b>	<b>\$ 290,324</b>



Federal property:

	Land, building and berthing structures	Dredging roads and surfaces	Machinery and equipment	Construction- in-progress	Utilities	Office furniture, equipment and leasehold improvements	Total
<b>December 31, 2012</b>							
Cost	\$ 844,181	\$ 204,071	\$ —	\$ 75,441	\$ 101,174	\$ 1,261	\$ 1,226,128
Accumulated depreciation and impairment	(231,533)	(121,745)	—	—	(56,115)	(642)	(410,035)
<b>Net book value</b>	<b>612,648</b>	<b>82,326</b>	<b>—</b>	<b>75,441</b>	<b>45,059</b>	<b>619</b>	<b>816,093</b>
<b>Year ended December 31, 2013</b>							
Additions	7,173	15,103	—	66,498	4,725	—	93,499
Disposals							
Cost	—	(444)	—	(151)	—	—	(595)
Accumulated depreciation	—	444	—	—	—	—	444
Impairment	—	—	—	—	—	—	—
Depreciation	(10,497)	(6,078)	—	—	(3,467)	(55)	(20,097)
	(3,324)	9,025	—	66,347	1,258	(55)	73,251
<b>Closing net book value</b>	<b>\$ 609,324</b>	<b>\$ 91,351</b>	<b>\$ —</b>	<b>\$ 141,788</b>	<b>\$ 46,317</b>	<b>\$ 564</b>	<b>\$ 889,344</b>
<b>December 31, 2013</b>							
Cost	\$ 851,354	\$ 218,730	\$ —	\$ 141,788	\$ 105,899	\$ 1,261	\$ 1,319,032
Accumulated depreciation and impairment	(242,030)	(127,379)	—	—	(59,582)	(697)	(429,688)
<b>Net book value</b>	<b>\$ 609,324</b>	<b>\$ 91,351</b>	<b>\$ —</b>	<b>\$ 141,788</b>	<b>\$ 46,317</b>	<b>\$ 564</b>	<b>\$ 889,344</b>
<b>Year ended December 31, 2014</b>							
Additions (transfers)	2,049	80,480	—	(31,730)	8,001	—	58,800
Disposals							
Cost	—	—	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—	—	—
Impairment	—	—	—	—	—	—	—
Depreciation	(11,164)	(6,282)	—	—	(3,650)	(53)	(21,149)
	(9,115)	74,198	—	(31,730)	4,351	(53)	37,651
<b>Closing net book value</b>	<b>\$ 600,209</b>	<b>\$ 165,549</b>	<b>\$ —</b>	<b>\$ 110,058</b>	<b>\$ 50,668</b>	<b>\$ 511</b>	<b>\$ 926,995</b>
<b>December 31, 2014</b>							
Cost	\$ 853,403	\$ 299,210	\$ —	\$ 110,058	\$ 113,900	\$ 1,261	\$ 1,377,832
Accumulated depreciation and impairment	(253,194)	(133,661)	—	—	(63,232)	(750)	(450,837)
<b>Net book value</b>	<b>\$ 600,209</b>	<b>\$ 165,549</b>	<b>\$ —</b>	<b>\$ 110,058</b>	<b>\$ 50,668</b>	<b>\$ 511</b>	<b>\$ 926,995</b>

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.

## 6. PROPERTY AND EQUIPMENT (CONTINUED)

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 2014, the VFPA received \$27,846,838 in funding (2013 – \$63,985,973).

Completion of an asset indicators of impairment analysis performed in 2014 indicated no assets were impaired. Accordingly, nil was recognized as an impairment expense during 2014 (2013 – \$99,000).

It is VFPA's policy to review work under construction annually to assess the potential of the capital expenditures to provide future benefits. In 2014, studies totaling nil (2013 – \$491,000) 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:

	2014	2013
Cost	<b>\$ 1,135,621</b>	\$ 1,142,526
Accumulated depreciation	<b>(365,997)</b>	(345,146)
	<b>\$ 769,624</b>	\$ 797,380

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.

## 7. INVESTMENT IN JOINT VENTURE

PMVV, a wholly owned subsidiary of the VFPA, participates in a joint venture that conducted business in support of port operations. PMVV has a 50% interest in the joint venture at December 31, 2014.

	2014	2013
At January 1	<b>\$ 7</b>	\$ (69)
Contributed capital	<b>–</b>	80
Share of net loss	<b>(7)</b>	(4)
At December 31	<b>\$ –</b>	\$ 7

The VFPA's 50% share of the results of its joint venture, Modalink Vancouver Gateway Distribution Hub Ltd., and its aggregated assets and liabilities, are as follows:

	2014		2013	
<b>Assets</b>				
Current assets	\$	–	\$	7
Non-current assets		–		–
	\$	–	\$	7
<b>Liabilities</b>				
Current liabilities	\$	–	\$	–
Non-current liabilities		–		–
		–		–
<b>Net assets</b>	\$	–	\$	7
Revenue	\$	–	\$	4
Gain on asset disposal		–		–
Expenses		(7)		(8)
<b>Net loss</b>		(7)		(4)

The joint venture, of which the VFPA owns 50%, entered into the following transaction in the normal course of business with related parties:

- The joint venture received contributed capital totaling nil from the corporate shareholders of the joint venture (2013 – \$160,000).

## 8. FINANCIAL INSTRUMENTS

### (a) Financial instruments by category

Assets as per consolidated statement of financial position

	Loans and receivables		Held to maturity		Total
<b>December 31, 2014</b>					
Short-term investments	\$	–	\$	500	\$ 500
Investments in securities		–		2,023	2,023
Accounts receivable and other assets		58,916		–	58,916
Long-term receivables		10,960		–	10,960
	\$	69,876	\$	2,523	\$ 72,399
<b>December 31, 2013</b>					
Short-term investments	\$	–	\$	501	\$ 501
Investments in securities		–		2,523	2,523
Accounts receivable and other assets		78,503		–	78,503
Long-term receivables		6,998		–	6,998
	\$	85,501	\$	3,024	\$ 88,525

## 8. FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial instruments by category (continued)

Liabilities as per consolidated statement of financial position

	Other financial liabilities at amortized cost	Total
<b>December 31, 2014</b>		
Payment in lieu of taxes	\$ 669	\$ 669
Accounts payable and accrued liabilities	58,537	58,537
Long-term obligations (including current portion)	101,001	101,001
Short-term borrowing	279	279
	<b>\$ 160,486</b>	<b>\$ 160,486</b>
<b>December 31, 2013</b>		
Payment in lieu of taxes	\$ 400	\$ 400
Accounts payable and accrued liabilities	76,394	76,394
Long-term obligations (including current portion)	99,420	99,420
Short-term borrowing	1,924	1,924
	<b>\$ 178,138</b>	<b>\$ 178,138</b>

### (b) Credit quality and financial assets

#### Cash and cash equivalents, and investments

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. 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.

## 9. INVESTMENTS IN SECURITIES

	2014	2013
At January 1	\$ 3,024	\$ 2,597
Additions	–	1,027
Disposals	(501)	(600)
At December 31	2,523	3,024
Less non-current portion	2,023	2,523
<b>Current portion</b>	<b>\$ 500</b>	<b>\$ 501</b>

Held to maturity assets includes the following:

	2014	2013
GIC	\$ 2,523	\$ 3,024

## 10. ACCOUNTS RECEIVABLE AND OTHER ASSETS

### (a) Accounts receivable and other assets

	2014	2013
Trade receivables	\$ 21,408	\$ 12,995
Provision for impairment	(4,075)	(3,326)
Restricted funds	7,647	7,099
Federal Government accrued grants	2,952	24,795
Other project partners accrued recoveries	6,965	9,270
Property rent related accrued revenues	11,975	12,906
Port related accrued revenues	5,804	6,279
Other	6,240	8,485
	<b>\$ 58,916</b>	<b>\$ 78,503</b>

At December 31, 2014, accounts receivable and other assets includes \$7,647,120 in restricted funds (2013 – \$7,099,081). Restricted funds are project related deposits, provincial share of lease revenue, 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 \$3,567,530 of government funding to promote best practices for marine transportation of liquid bulk commodities (2013 – \$3,724,766).

As of December 31, 2014, accounts receivables of \$8,140,229 (2013 – \$7,901,639) 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:

	2014	2013
Up to 90 days	\$ 7,008	\$ 7,461
91 to 120 days	50	88
Over 120 days	1,082	353
	<b>\$ 8,140</b>	<b>\$ 7,902</b>

As of December 31, 2014, trade receivables of \$4,534,965 (2013 – \$3,656,190) were provided for. The amount of the provision was \$4,075,292 as of December 31, 2014 (2013 – \$3,325,932). The individually impaired receivables mainly relate to customers disputing lease terms and conditions. The aging of these receivables is as follows:

	2014	2013
Up to 90 days	\$ 915	\$ 171
91 to 120 days	62	2
Over 120 days	3,558	3,483
	<b>\$ 4,535</b>	<b>\$ 3,656</b>

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

	2014	2013
Balance, January 1	\$ 3,326	\$ 3,113
Provision for receivables impairment	1,116	232
Receivable written off during the year as uncollectable	(367)	(19)
<b>Balance, December 31</b>	<b>\$ 4,075</b>	<b>\$ 3,326</b>



## 10. ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

### (b) Long-term receivables

	2014	2013
Long-term lease receivables	\$ 9,834	\$ 5,988
Restricted funds	763	599
Notes receivable from tenants	317	351
Lease financing	131	150
	11,045	7,088
Current portion	85	90
<b>Net long-term receivables</b>	<b>\$ 10,960</b>	<b>\$ 6,998</b>

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

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

The notes receivable from tenants are due from various tenants in respect of contributions to building renovations and recoverable costs from capital replacement projects. All of the notes are unsecured and bear interest at 6.25% (\$317,000 note matures in 2022).

The lease financing contracts are for an access road (\$1,000 matures in 2015, imputed interest at 7.25%), and rail trackage (\$130,000 matures in 2021, imputed interest at 5.18%).

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Accounts payable	\$ 15,275	\$ 25,495
Accrued liabilities	43,262	50,899
	\$ 58,537	\$ 76,394

## 12. BORROWINGS

### (a) Long-term obligations

	2014	2013
Series A debentures with interest at 4.63% semi-annually, maturing April 20, 2020	\$ 99,501	\$ 99,420
NFTI non-revolving credit facility bearing interest at prime rate, principal paid quarterly, amortized over 15 years	1,500	—
	101,001	99,420
Current portion	100	—
	\$ 100,901	\$ 99,420

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 of December 31, 2014, NFTI has a \$1.5 million non-revolving credit facility outstanding through its loan arrangement with Royal Bank of Canada. The facility is unsecured and bears interest at the Canadian prime rate of the bank, 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. As at December 31, 2014, the loan facility remains undrawn. The facility is unsecured and bears interest at the Canadian prime rate of the bank plus 0.175% per annum. 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 are as follows:

2015	\$	100
2016		100
2017		1,300
2018		—
2019		—
2020		99,501
	\$	101,001

**(b) Short-term borrowing**

		<b>2014</b>	2013
NFTI (subsidiary) – Bankers' Acceptance	\$	—	\$ 1,600
PMVH (subsidiary) – non-revolving demand loan		<b>279</b>	324
	\$	<b>279</b>	\$ 1,924

As of December 31, 2014, the VFPA has a total of \$9.87 million in letter of credit facilities (2013 – \$8.24 million). Two irrevocable standby letters of credit were issued to two separate Federal Government agencies for a total of \$6.4 million.

The fair value of the short-term borrowings approximates their carrying amounts.

The demand loan is secured by specific and general security agreements covering all assets of the subsidiary holding the mortgage, a first charge on properties and facilities, an assignment of insurance proceeds, subordination of amounts due to related parties and letters of credit from VFPA. The demand loan bearing interest at prime plus 0.125% interest, payable monthly, amortized over 20 years.

As of December 31, 2013, NFTI had \$1.6 million in short-term borrowings outstanding through its loan arrangement with CIBC. The Bankers' Acceptance was due on March 24, 2014.

### 13. EMPLOYEE FUTURE BENEFITS

The VFPA has three benefit plans (LVPA, LFRPA, 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 defined contribution plan (RRSP). The VFPA has a defined benefit pension plan, a supplemental pension plan, the VFPA defined contribution plans (RRSP) and other post-employment benefit plans. Under the defined contribution plan, employees may contribute certain amounts annually with the VFPA providing matching contributions. A defined benefit plan is a pension plan where retirement benefits are based on the employees' year of credited service and remuneration. The three 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.

Employees hired after March 1, 1999 are eligible for the VFPA RRSP. Under the VFPA RRSP, employees may contribute certain amounts annually, with the VFPA providing matching contributions.

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:

	2014	Registered Pension Plan 2013	2014	Supplemental Pension Plan 2013	2014	Other Plans 2013
<b>Change in fair value of plan assets</b>						
Balance, beginning of year	\$ 55,303	\$ 49,638	\$ 8,307	\$ 7,335	\$ -	\$ -
Employee contributions	242	258	26	35	-	-
Employer contributions	2,904	4,474	756	697	23	24
Return on plan assets	5,774	2,468	619	550	-	-
Non-investment expenses	(162)	(203)	-	-	-	-
Benefits paid	(1,463)	(1,332)	(318)	(310)	(23)	(24)
<b>Balance, end of year</b>	<b>\$ 62,598</b>	<b>\$ 55,303</b>	<b>\$ 9,390</b>	<b>\$ 8,307</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in accrued benefit obligation</b>						
Balance, beginning of year	\$ 59,168	\$ 55,224	\$ 12,214	\$ 11,016	\$ 1,409	\$ 1,303
Current service cost						
Employer	1,214	1,349	143	229	10	9
Employee	242	258	26	35	-	-
Interest cost on benefit obligation	2,845	2,527	581	500	67	59
Benefits paid	(1,463)	(1,332)	(318)	(310)	(23)	(24)
Actuarial loss (gain)	3,414	1,142	(2,217)	744	314	62
<b>Balance, end of year</b>	<b>\$ 65,420</b>	<b>\$ 59,168</b>	<b>\$ 10,429</b>	<b>\$ 12,214</b>	<b>\$ 1,777</b>	<b>\$ 1,409</b>
<b>Accrued benefit liability at December 31</b>	<b>\$ (2,822)</b>	<b>\$ (3,865)</b>	<b>\$ (1,039)</b>	<b>\$ (3,907)</b>	<b>\$ (1,777)</b>	<b>\$ (1,409)</b>
Actuarial liability experiences (gain)/loss	\$ (404)	\$ (940)	\$ (3,021)	\$ 477	\$ -	\$ -
Actuarial liability demographic assumptions (gain)/loss	(1,024)	4,568	(39)	617	9	128
Actuarial liability financial assumptions (gain)/loss	4,842	(2,486)	843	(350)	305	(66)
<b>Actuarial loss(gain)</b>	<b>\$ 3,414</b>	<b>\$ 1,142</b>	<b>\$ (2,217)</b>	<b>\$ 744</b>	<b>\$ 314</b>	<b>\$ 62</b>

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

	2014	Registered Pension Plan 2013	2014	Supplemental Pension Plan 2013	2014	Other Plans 2013
Balance, beginning of year	\$ (9,216)	\$ (8,231)	\$ (5,106)	\$ (4,573)	\$ (312)	\$ (250)
Gains (losses) recognized in year	(308)	(985)	2,430	(533)	(315)	(62)
Balance, end of year	\$ (9,524)	\$ (9,216)	\$ (2,676)	\$ (5,106)	\$ (627)	\$ (312)

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

	2014	Registered Pension Plan 2013	2014	Supplemental Pension Plan 2013	2014	Other Plans 2013
<b>Plan expense</b>						
Current service cost	\$ 1,213	\$ 1,349	\$ 143	\$ 229	\$ 10	\$ 9
Non-investment expenses	162	203	—	—	—	—
Interest cost on benefit obligation	2,845	2,527	581	501	67	59
Expected return on plan assets	(2,667)	(2,310)	(406)	(340)	—	—
Expense for the year ended December 31	\$ 1,553	\$ 1,769	\$ 318	\$ 390	\$ 77	\$ 68

The actual return on plan assets was \$6,393,100 (2013 – \$3,018,900).

The VFPA RRSP employer contribution:

	2014	2013
Employer contributions	\$ 1,397	\$ 1,367

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:

		2014		2013
	Registered Pension Plan	Supplemental Pension Plan	Registered Pension Plan	Supplemental Pension Plan
Equity funds	36.3%	18.4%	39.3%	20.4%
Fixed income funds	53.3%	26.6%	49.5%	25.8%
Real estate funds	10.4%	5.2%	11.2%	6.2%
Refundable tax account	—	49.8%	—	47.6%
	100.0%	100.0%	100.0%	100.0%

### 13. EMPLOYEE FUTURE BENEFITS (CONTINUED)

#### (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").

	2014	EISPB 2013	2014	SPASE 2013
<b>Change in fair value of plan assets</b>				
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Employer contributions	57	56	75	74
Benefits paid	(57)	(56)	(75)	(74)
Balance, end of year	\$ -	\$ -	\$ -	\$ -
<b>Change in accrued benefit obligation</b>				
Balance, beginning of year	\$ 894	\$ 898	\$ 1,505	\$ 1,565
Current service cost				
Employer	-	-	8	11
Interest cost on benefit obligation	41	39	70	69
Benefit paid	(57)	(56)	(75)	(74)
Actuarial loss (gain)	16	13	92	(66)
Balance, end of year	894	894	1,600	1,505
Accrued liability at December 31	\$ (894)	\$ (894)	\$ (1,600)	\$ (1,505)
Actuarial Liability experiences (gain)/loss	\$ (17)	(7)	(22)	(77)
Actuarial liability demographic assumptions (gain)/loss	(6)	41	8	63
Actuarial liability financial assumptions (gain)/loss	39	(21)	106	(52)
Actuarial loss(gain)	\$ 16	\$ 13	\$ 92	\$ (66)

Change in OCI gain (loss) balances:

	2014	EISPB 2013	2014	SPASE 2013
Balance, beginning of year	\$ (155)	\$ (142)	\$ (644)	\$ (710)
Gains (losses) recognized in year	(15)	(13)	(92)	66
Balance, end of year	\$ (170)	\$ (155)	\$ (736)	\$ (644)

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

	2014	EISPB 2013	2014	SPASE 2013
<b>Plan expense</b>				
Current service cost	\$ -	\$ -	\$ 8	\$ 11
Interest cost on benefit obligation	41	41	70	69
Expense for the year ended December 31	\$ 41	\$ 41	\$ 78	\$ 80



**(c) LNFPA Plans**

The VNFPFA 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:

	2014	2013
<b>Change in fair value of plan assets</b>		
Balance, beginning of year	\$ 842	\$ 752
Expected return on plan assets	92	36
Employer contributions	87	81
Employee contributions	20	19
Non-investment expenses	(37)	(23)
Benefits paid	(23)	(23)
Balance, end of year	\$ 981	\$ 842

**Change in accrued benefit obligations**

Balance, beginning of year	\$ 1,015	\$ 922
Current service cost	57	47
Interest cost on benefit obligation	51	44
Employee contributions	20	19
Benefits paid	(23)	(23)
Actuarial loss	118	6
Balance, end of year	1,238	1,015
Accrued benefit liability	\$ (257)	\$ (173)
Actuarial liability experiences gain	\$ (27)	\$ (15)
Actuarial liability demographic assumptions (gain)/loss	(1)	72
Actuarial liability financial assumptions (gain)/loss	146	(51)
Actuarial loss	\$ 118	\$ 6

**Change in OCI loss balances:**

	2014	2013
Balance, beginning of year	\$ (172)	\$ (167)
Losses recognized in year	(67)	(5)
Balance, end of year	\$ (239)	\$ (172)

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

	2014	2013
<b>Plan expense</b>		
Current service cost	\$ 57	\$ 47
Non-investment expense	37	23
Interest cost on benefit obligation	52	44
Expected return on plan assets	(42)	(36)
Expense for the year ended December 31	\$ 104	\$ 78

### 13. EMPLOYEE FUTURE BENEFITS (CONTINUED)

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

	2014	2013
Equity	36.3%	39.0%
Fixed income securities	53.5%	49.7%
Real estate funds	10.2%	11.3%
Total assets	100.0%	100.0%

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

	2014	2013
<b>Gains (losses) recognized in year</b>		
LVPA – registered pension plan	\$ (308)	\$ (984)
LVPA – supplemental pension plan	2,430	(533)
LVPA – other plans	(315)	(62)
LFRPA – EISPB	(15)	(13)
LFRPA – SPACE	(92)	66
LNFPA – defined benefit plan	(67)	(5)
	\$ 1,633	\$ (1,531)

#### (d) Actuarial assumptions

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

	2014	Registered Pension Plan 2013	2014	Supplemental Pension Plan 2013	2014	Other Plans 2013
Discount rate at beginning of year	4.75%	4.5%	4.75%	4.5%	4.75%	4.5%
Discount rate at end of year	4.00%	4.75%	4.00%	4.75%	4.00%	4.75%
Expected long-term rate of return of Plan assets	4.00%	4.75%	4.00%	4.75%	—	—
Inflation rate (future salary increases)	2.00%	2.25%	2.00%	2.25%	2.00%	2.25%

#### (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 14.5%/18.5%
Inflation rate	Increase/decrease by 1%	Increase/decrease by 15.4%/12.5%
Salary growth rate	Increase/decrease by 1%	Increase/decrease by 0.8%/0.8%
Rate of mortality	Increase/decrease all mortality rates by 10%	Decrease/increase by 1.7%/1.9%

The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Current	1% Increase	1% Decrease
Accrued benefit obligation	1,610	1,930	1,248
Current service cost	12	16	9
Interest cost	62	74	48

## 14. INTANGIBLE ASSETS

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

	2014	2013
<b>Opening</b>		
Cost	\$ 10,680	\$ 9,480
Accumulated depreciation	(7,909)	(6,959)
Net book value	2,771	2,521
<b>Movements in the year</b>		
Additions	264	1,200
Depreciation	(935)	(950)
Closing net book value	\$ 2,100	\$ 2,771

## 15. 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 \$1,025,095 for lease expenditures paid (2013 – \$957,114), and \$379,333 for sublease payments received (2013 – \$372,262).

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

	2014	2013
Within one year	\$ 898	\$ 715
After one year but not more than five years	818	1,008
More than five years	251	270
	\$ 1,967	\$ 1,993

One of the leased properties has been sublet by the VFPA. The lease and sublease expire in 2016. Sublease payments of \$689,166 are expected to be received during the future sublease years.

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:

	2014	2013
Within one year	\$ 108,283	\$ 113,422
After one year but not more than five years	398,254	389,113
More than five years	2,264,548	2,264,804
	\$ 2,771,085	\$ 2,767,339

Contingent-based rents recognized in the consolidated statement of comprehensive income were \$18,845,154 (2013 – \$18,627,511).

## 16. COMMITMENTS

Capital projects, which are authorized or committed at year end, where the expenditures are estimated to exceed \$1 million as at December 31, 2014 are as follows:

	Spending to date	Commitments at year end	Total authorized cost
Container expansion	\$ 316,147	\$ 6,888	\$ 425,063
Land acquisition and development	17,117	7,439	114,416
Other infrastructure improvement	22,563	4,162	65,033
	\$355,827	\$ 18,489	\$ 604,512

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.

## 17. 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 2014, 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 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 2014, \$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 Expansion. Should the VFPA fail to meet this obligation, 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.

### (b) Payments in lieu of taxes

The *PILT Act* prescribes how the Federal Government and its agents should determine what PILT to pay, based on the value of unoccupied federal lands, if the federal entity decides to pay PILT. The *PILT Act* also provides that any Taxing Authority may make a request for review to the PILT Dispute Advisory Panel if they are in disagreement with the PILT they have received. The Dispute Advisory Panel has a mandate to provide advice to the Minister of Public Works and Government Services Canada ("PWGSC") and certain agents managing federal lands with respect to the resolution of disputes concerning PILT between the Federal Government and Canadian taxing authorities.

In 2013, VFPA and local port cities settled disputed PILT payments for years 2009 to 2012 and the request for review of 2009 PILT payments by the Dispute Advisory Panel has been dismissed. 2013 PILT payments were made without dispute; 2014 PILT payments have also been made and local port cities have 90 days after receipt of VFPA's payment to file a dispute to make a request for review to the Dispute Advisory Panel, unless an extension of this timeframe is agreed to by the Chair of the Dispute Advisory Panel for extenuating circumstances beyond the control of the Taxing Authority. It is management's judgement that given the good level of alignment between PILT requests and VFPA's 2014 PILT payments, there is no concern that payments will be challenged.

## 18. PROVISIONS

	Environmental restoration	Sand royalties	Onerous contracts	Claims	Local channel and other contributions	Total
Balance, January 1 2014	\$ 7,176	\$ 6,088	\$ 225	\$ 425	\$ 2,854	\$ 16,768
Provisions made during the year	1,042	—	—	—	—	1,042
Provision used during the year	(454)	—	(84)	—	(1,951)	(2,489)
Provisions reversed during the year	—	—	—	(24)	—	(24)
Unwinding of discount	90	—	—	—	—	90
<b>Balance, December 31, 2014</b>	<b>\$ 7,854</b>	<b>\$ 6,088</b>	<b>\$ 141</b>	<b>\$ 401</b>	<b>\$ 903</b>	<b>\$ 15,387</b>
Less current	1,248	6,088	81	401	903	8,721
	<b>\$ 6,606</b>	<b>\$ —</b>	<b>\$ 60</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6,666</b>

### (a) Environmental restoration

The VFPA incurs various environmental liabilities relating to its activities. A provision is recognized for the present value of costs to be incurred for the restoration thereof.

### (b) Sand royalties

Pursuant to a 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 has been reached, however certain obligations still need to be met before the Province grants a full release. Until then, VFPA recognizes a provision for the royalties.

### (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 committed to contribute to a number of community projects, including local channel dredging contribution.

## 19. FINANCE COSTS

	2014	2013
<b>Interest expense</b>		
Series A debentures	\$ 4,630	\$ 4,630
TFN agreement	263	263
Secured mortgage	9	11
Loan facility	40	42
Total interest	<b>4,942</b>	4,946
<b>Finance costs</b>		
Series A debentures	81	77
RBC credit facility	127	133
Unwinding discount on provision	90	76
<b>Total interest and finance costs</b>	<b>\$ 5,240</b>	\$ 5,232



## 20. 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 2014 and to date.

	North Shore trade area	Current year South Shore trade area	Roberts Bank rail corridor	Total	North Shore trade area	Total to date South Shore trade area	Roberts Bank rail corridor	Total
Gateway infrastructure fee (revenue)	\$ 3,281	\$ 2,119	\$ 2,743	\$ 8,143	\$ 8,922	\$ 5,999	\$ 7,820	\$ 22,741
Gateway infrastructure program (expenditures)	11,623	18,466	10,861	40,950	37,720	55,476	40,253	133,449
Industry funded portion (90%)	10,461	16,619	9,775	36,855	33,948	49,928	36,228	120,104
VFPA portion (10%)	1,162	1,847	1,086	4,095	3,772	5,548	4,025	13,345

## 21. KEY MANAGEMENT PERSONNEL

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

		2014 Salaries and fees
<b>Board of Directors</b>		
Bancroft-Jones, Anne	Director, VFPA, Chair, CPC	\$ 55
Chapman, Tim	Director, VFPA	34
Johal, Satnam	Director, VFPA	37
Kwan, Eugene	Director, VFPA, Vice Chair (from June 26, 2014)	44
Landry, Paul	Director, VFPA	40
Loberg, Carmen	Director, VFPA	48
Longworth, Tom	Director, VFPA	48
Neeser, Craig	Director, VFPA, Chair	114
Priddy, Penny	Director, VFPA	46
Readman, Dean	Director, CPC	—
Szel, Marcella	Director, VFPA, Vice Chair (to June 25, 2014)	29
Turner, Richard	Director, VFPA	39
		\$ 534

2014 total salaries and fees for Board of Directors is \$534,000 (2013 – \$540,000).

		2014			
		Salaries and fees	Other benefits	Post-employment benefits	Total
<b>Key management personnel</b>					
Baydala, Allan	Officer, Chief Financial Officer, VFPA; Director & Officer, PMVV, PMVH, PMVE, NFTI and CPC	\$ 344	\$ 24	\$ 39	\$ 407
Case, Sandra	VP Human Resources & Labour Relations	266	23	9	298
Corsie, Tom	VP, Real Estate, VFPA; President, CPC & Director, MSH	286	28	18	332
Silvester, Robin	Officer, President & CEO, VFPA; President & CEO and Director & Officer of PMVV, PMVH, PMVE and NFTI	751	39	74	864
Stewart, Cliff	VP, Infrastructure	322	25	22	369
Wilson, Duncan	VP, Corporate Social Responsibility	253	22	18	293
Xotta, Peter	VP, Planning & Operations	324	24	57	405
		\$ 2,546	\$ 185	\$ 237	\$ 2,968

Included in accounts payable and accrued liabilities are \$836,675 of wages, salaries and benefits due and payable to the key management personnel group in 2014.

2014 total remunerations and benefits for key management personnel is \$2,968,000 (2013 – \$2,937,000).

## 22. 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, 2014 was \$6.5 million. As at December 31, 2014, 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 3 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 4 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 contributes toward the Deltaport Causeway Overpass Project.

To date, VFPA has submitted claims for eligible expenses of \$105.1 million in relation to the APGCTIF to the Federal Government. As at December 31, 2014 \$14.1 million remains outstanding as a receivable from the Federal Government.

Total capital grant claims submitted to the Federal Government for the year ended December 31, 2014 for all projects totalled \$50.8 million.

## 23. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, VFPA executed an agreement with the Province of British Columbia for the lease of airspace, land and waterlots. In exchange for this lease and other conditions to be satisfied, VFPA will be released from its obligation to pay the Province of British Columbia sand royalties of \$6.1 million (refer to Note 18b) once all conditions have been met and the agreement executed by all parties.

## OUR MISSION

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

## OUR VISION

To be recognized as a world-class gateway by efficiently and sustainably connecting Canada with the global economy, inspiring support from our customers and from communities locally and across the nation.

## 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.

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