VANCOUVER AIRPORT AUTHORITY 2008 ANNUAL REPORT

vancouver 2010
OFFICIAL SUPPLIER

OFFICIAL AIRPORT OF THE VANCOUVER 2010
OLYMPIC AND PARALYMPIC WINTER GAMES

Known for its majestic natural beauty, diverse cultures and temperate climate, British Columbia is recognized worldwide as a top destination to live and visit. Where the Fraser River, B.C. Coastal Mountains and Pacific Ocean unite is Vancouver International Airport (YVR)—welcoming the world to British Columbia.

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VANCOUVER AIRPORT AUTHORITY

WHO WE ARE

Mission

To serve our community by building outstanding airports

Vision

YVR: A Premier Global Gateway

The Airport Authority: Local Champion, Global Operator

Values

Excellence in safety, security and environmental performance

Commitment to a low-cost, high-value airport

Innovation and creativity

Teamwork and loyalty

Operational excellence, with leading-edge service

Vancouver Airport Authority is a community-based, not-for-profit organization that has managed and developed Vancouver International Airport since 1992 under the provisions of a long-term lease with the Government of Canada. The Airport Authority has no shareholders and reinvests all earnings into airport development and service improvements.

The Airport Authority has 416 employees (as of year-end 2008) and a Board of 14 Directors. Nine Board members are appointed by eight nominating entities with key ties to the local community. Up to five additional Directors may be appointed by the Board from the community at large. The President and Chief Executive Officer also serves as a Director.

OUR ACCOUNTABILITY

The Airport Authority is committed to being open and accountable to you, our stakeholders, and providing comprehensive information about our sustainability initiatives and goals in all areas of our business: Governance, Economic, Environmental and Social.

This year we are taking a more sustainable approach to our reporting by offering our annual report online only. While providing comprehensive information about who we are and what we did in 2008, this annual report also contains embedded links to the detailed Governance, Economic, Environmental and Social reports.

The **2008 Governance Report** features information on our governance practices, our planning process, and our Directors.

The **2008 Economic Report** details our economic impact, financial planning and key issues for success. It also includes the Airport Authority's Audited Consolidated Financial Statements.

The **2008 Environmental Report** contains data on our environmental management programs, including aeronautical noise, air quality, contaminated sites, environmental impact assessments, hazardous materials, natural habitat, energy and resources, waste reduction and recycling as well as water quality.

The **2008 Social Report** presents information on our people and people practices, including health and safety, career development, our community investment program, and our stakeholder and community engagement initiatives and results.

YVR: WELCOMING THE WORLD

Known for its majestic natural beauty, diverse cultures and temperate climate, British Columbia is recognized worldwide as a top destination to live and visit.

Where the Fraser River, B.C. Coastal Mountains and Pacific Ocean unite is Vancouver International Airport (YVR)—welcoming the world to British Columbia.

Just 15 kilometres from downtown Vancouver and 115 kilometres from the Resort Municipality of Whistler —the two primary locations for the Vancouver 2010 Olympic and Paralympic Winter Games—YVR resides on Sea Island in the City of Richmond. Canada's second busiest airport, YVR welcomed 17.9 million people in 2008, facilitated more than 278,000 aircraft take-offs and landings on our runways and handled 211,300 tonnes of cargo.

YVR's facilities and services offer passengers an outstanding travel experience while our infrastructure allows for the handling of both large and small aircraft movements. YVR has 61 gates spanning the International, Domestic and South terminals combined with two parallel east-west runways and one crosswind runway. 70 airlines serve YVR including scheduled carriers, charters, code share and cargo carriers which afford travellers access to more than 110 destinations.

Vancouver International Airport welcomes visitors from around the world; providing the first impression of British Columbia with art and architecture reflective of our landscape and people. But outstanding facilities are only a part of what makes YVR one of the top airports in the world. Our people are critical to our success. It is the dedication of employees, volunteers and business partners that ensure Vancouver International Airport delivers the best possible experience to our customers.

2010 WINTER OLYMPIC AND PARALYMPIC GAMES

In 2008, Vancouver International Airport became the first official airport supplier in Olympic Games history. Our commitment to this sponsorship is echoed throughout our operations as we enhance facilities and processes to welcome the world before, during and after the 2010 Winter Games. Maintaining a safe, smooth and seamless travel experience for all visitors —whether travelling for the 2010 Winter Games or not—underscores all of our planning. Guiding YVR's preparations is the Airport Authority's 2010 Planning Department that works closely with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC) and other Sea Island business partners.

As a gateway to the 2010 Winter Games, YVR will contribute:

—Dedicated airport amenities and services for VANOC and Games activities

—Accreditation processing and departure screening facilities

—Expedited passenger arrivals, departures and baggage services

—Specialized training for airport staff

—Office space

—Parking and ground transportation services

GRAHAM CLARKE CHAIR

This year's Annual Report marks a departure from past reports.

Not a departure from our commitment to transparent, honest and timely communication, but, in keeping with our sustainability commitments, we are moving away from the glossy, printed annual report. Our primary delivery vehicle for this and future annual reports will be our corporate website, www.yvr.ca. This is one more small step in our goal of integrating sustainability into everything that we do here at YVR.

When the Airport Authority assumed operation of YVR, some 16 years ago, we made a commitment to British Columbians to build an outstanding airport. We have always defined outstanding to be more than just providing safe and secure runways and terminal buildings.

We see the airport as an economic facilitator—generating direct employment from expanding air services and multiplying our economic impact by providing the connectivity needed for trade and tourism. We think that the Airport Authority has an obligation to be a leader—a leader among airports in caring for our customers; a leader in our community through investment in community and charitable causes and championing community initiatives; and a leader in operating a business that is sustainable—one that considers and balances the economic, social, and environmental impacts of what we do.

We used a sustainability framework when preparing the airport's long term development plan, YVR: Your Airport 2027—20-Year **Master Plan**. With more than three years of public and stakeholder consultations, we submitted the draft **Master Plan** to the federal Minister of Transport, Infrastructure and

Communities for his approval of the accompanying Land Use Plan. With the Minister's approval in 2008, the **Master Plan** is now available online. The **Master Plan** will guide airport planning over the next 20 years, but it is not the end of the story. There will be more reviews and more consultations before we proceed with the next phases of airport development.

Returning to the airport's more immediate future, we all recognize that 2009 will be a year filled with challenge as we experience the effects of the current economic uncertainty. In these times, it is important for us not to lose sight of the positive. The Airport Authority is looking forward to welcoming the world for the 2010 Winter Olympics and Paralympic Winter Games and planning is well underway to ensure YVR is prepared for the Games. We want everyone travelling through YVR to have an exceptional experience in our outstanding facilities.

I would like to welcome two new directors who joined our Board in 2008 and thank two directors who left us. New to the Board are George Cadman, appointee of the Government of Canada, and Wilson Parasiuk, appointee of Metro Vancouver. On behalf of the Airport Authority, I would like to express my appreciation for the contributions made by Beth Johnson, who served as Metro Vancouver's appointee on the Board from 2002 to 2008, and Ron Stern, who served as the Government of Canada's appointee on the Board from 2005 to 2008.

Finally, I would like to close with an invitation. Members of the public told us that they missed being able to see airplanes and how the airport operated. We listened. In 2009 we will open a new public observation area in the Domestic Terminal where you can view aircraft, look through telescopes and find out about how airplanes work, while learning the history of the Sea Island and our sustainability initiatives.

Graham Clarke

Chair

Vancouver Airport Authority

LARRY BERG PRESIDENT&CEO

Airports are places where friends and families connect, where visitors are welcomed and where businesses grow.

Our business is creating and maintaining the many connections that occur each day at YVR. 17.9 million passengers visited YVR in 2008 – a record year – and at the heart of our airport are the people and businesses that keep YVR among the best in the world.

2008 saw two years in one: record growth in the first half and decline in the second. The economic slowdown affected countries and industries world-wide; the aviation industry and YVR were not immune. We saw some of our partners scale back their routes and, in the case of some carriers such as Oasis and Zoom airlines, cease operations.

To effectively manage our airport, we think and plan for the long-term in a 10- to 20-year environment. Our conservative, long-term approach to fiscal management ensures that we can adapt if uncertainties arise. It's one of the reasons we remain one of only five airports in the world to have an AA credit rating.

Amidst fluctuating global economies, maintaining our competitive advantage as a gateway of choice continues to be a priority for the Airport Authority. We take a broad based approach to sustain

photo: Tris Hussey

our strong financial position by seeking ways to keep our costs low and our services high. This approach includes keeping landing fees flat, trimming our operating costs, enhancing our non-aeronautical revenues and continuing our policy lobbying efforts to improve routes and services for our passengers.

The Airport Authority reached significant milestones in 2008 starting with the announcement of our sponsorship with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC). As the first official airport supplier in Olympic Games history, YVR is setting the stage for future host cities.

Preparation efforts for the arrival of the 2010 Winter Games began in 2008 and will continue throughout 2009. And with world-class sporting events occurring in the lead-up to the Games, our operations and planning will be put to the test. I'm confident that our team, planning and operations will ensure that travel before, during and after the Games is smooth and seamless.

Taking YVR's operations and management practices to a global level, our subsidiary YVR Airport Services Ltd. (YVRAS) had a record year of growth. We sold 50 percent of our shares in YVRAS to Citi Infrastructure Investors to actively pursue larger airports.

In 2008, we continued our commitment to customer care by improving the changes we set out in 2007. This dedication to our passengers was particularly evident in December, when Metro Vancouver experienced an unprecedented 89 centimeters of snow over the busy holiday travel season. Our airport stayed open throughout the snow storm thanks to the long hours and hard work of our employees, business partners and volunteers.

Looking forward, 2009 will mark the culmination of much planning and construction. Five of our major capital projects will be ready and operational by year-end including the Canada Line rapid transit project connecting YVR with Richmond and downtown Vancouver. The Airport Authority is one of the funding partners on this project, providing a key piece of infrastructure to benefit our community and our customers.

Our success this past year is a result of the cumulative effort by many. Thank you to the Board for their direction and guidance; to our business partners for their support; and to our employees whose dedication enables YVR to go beyond, everyday.

Larry Berg

President and
Chief Executive Officer

Vancouver Airport Authority

THE YVR EXPERIENCE

Vancouver Airport Authority is committed to ensure that every customer has the best possible experience at YVR.

CARING FOR OUR CUSTOMERS

In 2007 we announced 33 changes throughout the airport with the goal to provide individual care for every customer—no matter what time they arrive, what language they speak or how seasoned a traveller they are.

These changes included 24-hour customer care in the International Arrivals area and inside the Canada Border Services Agency (CBSA) Customs Hall; 24-hour terminal-wide access to translation services in 170 languages; 24-hour medical response; messaging service from the CBSA Customs Hall to the public greeting area; larger, brighter signs with pictograms and multiple languages; hourly walk-throughs of the CBSA Customs Hall; and 24-hour public safety patrols.

2008 saw further enhancements to our customer care initiatives. In partnership with Tourism British Columbia, an improved Customer Care Information Counter opened in the International Arrivals Greeting Area. Staffed 24 hours a day, seven days a week, the Information Counter offers customers access to what they need, when they need it.

To familiarize and help international travellers arriving at YVR, an arrivals video was created and deployed on in-bound Air Canada flights. The video offers new visitors to YVR a visual guide to navigating the terminal facilities—taking viewers from arrival at the gate, through the customs clearance process, to the baggage collection and connections process, with various customer care services available along the way. The **arrivals video** can also be viewed on our website.

Training our employees is a significant component of our customer service initiatives. More than 90 percent of Vancouver Airport Authority employees completed a customer care training course in 2008; in 2009, we are implementing the training program for our business partners and their employees.

As we prepare for the 2010 Olympic and Paralympic Winter Games, providing a smooth and seamless process for all of our customers is a top priority.

SIMPLIFIED TRAVEL

The Airport Authority knows that passengers want to get through YVR quickly and easily, and we're working to make airport processes simpler. Programs like offsite and onsite self-service check-in, cruise ship on-board check-in, U.S. Direct, automated border clearance with NEXUS, and expedited pre-board screening lanes put passengers on the FasTrack.

Utilizing technology such as off-airport check-in brings a new level of convenience to our customers. And as we prepare for the 2010 Olympic and Paralympic Winter Games, providing a smooth and seamless process for all of our customers is a top priority. To accommodate the anticipated increase in passengers throughout the 2010 Olympic and Paralympic Winter Games, we are providing dedicated security and screening for participants as well as off-site check-in and baggage services in Whistler and in Vancouver.

Another way to help with a smooth arrival process at YVR is a new pilot project called Automated Border Clearance. Set to launch in early 2009, Automated Border Clearance offers returning Canadian citizens and permanent residents use of a self-serve kiosk to clear the border upon return into Canada. In coordination with Canada Border Services Agency (CBSA), this new automated process will help returning Canadian residents to move quickly and easily through the Customs Hall.

SHOPS AND SERVICES

With 160 shops, services and restaurants, YVR's award-winning retail program offers travellers a unique shopping and dining experience. In 2008, we welcomed six official Olympic stores offering customers a variety of 2010 Winter Games branded gear from luggage, accessories and jewellery to umbrellas, clothing, sunglasses and more. Additional retail options launched in 2008 include a new duty-free store, conveniently located post-security in the U.S. Transborder area.

photo: John Walker, Canada Line Rapid Transit Inc.

2008 AWARDS AND ACHIEVEMENTS

AIRPORT OF CHOICE

— Named second top airport in the world by readers in Condé Nast Travel Magazine's 2008 Readers Choice Awards.

— No. 5 airport in the world (in the 15 million to 25 million passengers category), in Airports Council International's 2008 global airport survey of international passengers.

— No.2 airport in North America in a survey of international passengers conducted by U.K.-based Skytrax.

— No.8 among mid-sized airports (10 to 30 million) in the annual J.D. Power and Associates passenger satisfaction survey.

A GREAT PLACE TO WORK

— For the third consecutive year, one of B.C.'s top 40 places to work in a survey by Mediacorp Canada Inc.

— Airports Council International — North America award winner in the newsletter category for the Airport Authority's electronic employee newsletter, Connections.

BEST AIRPORT SERVICES

— Best Food and Beverage Program and Best Specialty Retail Program winner in the medium airport category in the Airports Council International — North America excellence in airport concession awards.

2008 DESTINATIONS

BRITISH COLUMBIA

DOMESTIC AND INTERNATIONAL

CARRIERS

- Aeromexico*
- Air Canada
- Air Canada Jazz
- Air China
- Air New Zealand
- Air North
- Air Pacific[2]
- Air Transat
- Alaska Airlines
- All Nippon Airways*
- American Airlines
- Asiana*
- Austrian Airlines*
- Belair
- BMI*
- British Airways
- Canadian North[S]
- Cargojet[C]
- Cathay Pacific Airways
- Central Mountain Air
- China Airlines
- China Eastern Airlines
- Condor
- Continental Airlines
- Delta Air Lines
- DHL Express[C]
- Enerjet
- EVA Air
- Federal Express[C]
- Frontier Airlines[2]
- Globespan Airways
- Harbour Air[S]
- Hawkair[S]
- Helijet Airways[H]
- Horizon Airlines
- Japan Airlines
- KD Air[S]
- Kelowna Flightcraft[S]
- KLM Royal Dutch Airlines
- Korean Air
- LAN Chile*
- LOT Polish Airlines*
- LTU
- Lufthansa German Airlines
- Martinair[2]
- Mexicana
- Nolinor Aviation[S]
- Northwest Airlines
- Oasis Hong Kong Airlines[1]
- Orca Airways[S]
- Pacific Coastal Airlines[S]
- Philippine Airlines
- Purolator Courier[C]
- Qantas Airways*
- Saltspring Air[S]
- Scandinavian Airlines*
- Seair Floatplanes[S]
- Singapore Airlines
- Skyservice Airlines
- SkyWest Airlines
- Sunwing Airlines
- Thai Airways*
- Thomas Cook Airlines
- Tofino Air[S]
- United Airlines/ United Express
- United Parcel Service[C]
- US Airways
- Voyageur[S]
- West Coast Air[S]
- WestJet Airlines
- Zoom Airlines[1]

S Departs South Terminal or Public Seaplane Facility

H Departs Helijet Airways Facilities

* Code share carrier only

C Cargo carrier

1 No longer in business as of year-end 2008

2 No longer serve YVR as of year-end 2008

VANCOUVER AIRPORT AUTHORITY

A Finance and Audit Committee

B Governance and Human Resources Committee

C Planning and Development Committee

D 2010 Olympic and Paralympic Games Task Force

E Compensation Study Task Force

DIRECTORS

Graham Clarke
CHAIR, DIRECTOR AT LARGE
Term Expiry: 2011 • Committees: B

Larry Berg
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Term Expiry: N/A

George Cadman
GOVERNMENT OF CANADA
Term Expiry: 2011 • Committees: B

Peter Dhillon
CITY OF RICHMOND
Term Expiry: 2011 • Committees: B, D

Rhys Eyton
INSTITUTE OF CHARTERED ACCOUNTANTS OF BRITISH COLUMBIA
Term Expiry: 2009 • Committees: A, E

Bruna Giacomazzi
DIRECTOR AT LARGE
Term Expiry: 2010 • Committees: C, E

Ruston Goepel
DIRECTOR AT LARGE
Term Expiry: 2010 •Committees: B, D

Grayden Hayward
THE VANCOUVER BOARD OF TRADE
Term Expiry: 2009 • Committees: A, E

Mary Jordan
DIRECTOR AT LARGE
Term Expiry: 2010 • Committees: A, E

Carol Alter Kerfoot
THE LAW SOCIETY OF BRITISH COLUMBIA
Term Expiry: 2009 • Committees: A, E

Philip Owen
CITY OF VANCOUVER
Term Expiry: 2011 • Committees: C, D

Wilson Parasiuk
METRO VANCOUVER [GVRD]
Term Expiry: 2011 • Committees: C

John Watson
ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF BRITISH COLUMBIA
Term Expiry: 2009 • Committees: B, E

Peter Webster
GOVERNMENT OF CANADA
Term Expiry: 2009 • Committees: C, D

THE EXECUTIVE COMMITTEE

Larry Berg
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Bob Cowan
SENIOR VICE PRESIDENT, ENGINEERING

Don Ehrenholz
VICE PRESIDENT, AIRPORT OPERATIONS

Tony Gugliotta[1]
SENIOR VICE PRESIDENT, FINANCE AND BUSINESS DEVELOPMENT

Paul Levy
VICE PRESIDENT, PLANNING, 2010 OLYMPIC AND PARALYMPIC WINTER GAMES

Michele Mawhinney
VICE PRESIDENT, HUMAN RESOURCES

Glenn McCoy[2]
VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER

Kevin Molloy
VICE PRESIDENT, SIMPLIFIED PASSENGER TRAVEL AND CHIEF INFORMATION OFFICER

Anne Murray
VICE PRESIDENT, COMMUNITY AND ENVIRONMENTAL AFFAIRS

Michael O'Brien
CORPORATE SECRETARY AND VICE PRESIDENT, STRATEGIC PLANNING AND LEGAL SERVICES

1 Tony Gugliotta assumed this role in November 2008. His previous position was Senior Vice President Marketing & Commercial Development.

2 Glenn McCoy left this role in November 2008.

AIRPORT PARTNERS

YVR is a community of aviation businesses, and operating the airport requires close collaboration with many partners. The Airport Authority works with various companies, organizations and government agencies to provide a safe, secure and smooth travel experience. These include:

—Airlines

—B.C. Ambulance Service (BCAS)

—Canada Border Services Agency (CBSA)

—Canadian Air Transport Security Authority (CATSA)

—Nav Canada

—Public Service Alliance of Canada (PSAC)

—Royal Canadian Mounted Police (RCMP)

—Retail and Commercial tenants

—Richmond Fire Rescue (RFR)

—Transport Canada

—U.S. Customs and Border Protection (USCBP)

In addition to these organizations, other Airport Authority partners also include flight kitchens, air freight forwarders and brokers, air cargo facilities and handlers, logistics and distribution companies, and other government agencies.

GOVERNANCE

When the Airport Authority assumed responsibility for YVR in 1992, it put in place governance rules and practices, which are reviewed and revised at least annually with the assistance of outside expert counsel, as needed, to keep up with best practices.

For further detail pertaining to the Airport Authority's governance practices, the **2008 Governance Report** outlines our comprehensive governance procedures, planning process and corporate governance report.

SUBSIDIARIES

YVR AIRPORT SERVICES LTD.

YVR Airport Services Ltd. (YVRAS), a subsidiary of Vancouver Airport Authority, markets the expertise, operating philosophies and leading-edge systems developed at YVR. In 2008, the Airport Authority announced its partnership with Citi Infrastructure Investors (CII), a division of Citigroup, to jointly pursue the sourcing and funding of potential airport opportunities through YVRAS. CII acquired 50 percent of the shares of YVRAS under the terms of agreement.

YVRAS' portfolio consists of 18 airports in seven countries: Canada, Chile, Cyprus, Dominican Republic, Jamaica, The Bahamas, and Turks and Caicos Islands. The YVRAS network of airports welcomed more than 29 million passengers in 2008. Visit **www.yvras.com** for detailed information about YVRAS airports and services.

YVR AIRPORT SERVICES LTD. BOARD OF DIRECTORS

Fidel Andueza-Retegui
Larry Berg
Colin Campbell
Graham Clarke
J.G. Duthie-Jackson
Felicity Gates
Nick Geer
Barry Needham

YVR AIRPORT SERVICES LTD. EXECUTIVE

George Casey	President and Chief Executive Officer
Neville Weir	Vice President, Finance and Chief Financial Officer
Coleen Rogers	Vice President, Operations
Amit Rikhy	Vice President, Business Development
Ailish Boyle	Senior Director, Human Resources

YVR PROJECT MANAGEMENT

YVR Project Management (YVRPM) is a wholly owned subsidiary of Vancouver Airport Authority established in 2005 to oversee major expansion projects at YVR.

In 2008, YVRPM continued work on key projects such as the Security In Advance of Pre-Clearance project, which will improve the process for U.S.-bound passengers, and the five-gate C-Pier expansion project.

YVR PROJECT MANAGEMENT SENIOR MANAGEMENT

Ray Zibrik	President
Brian Boomars	Project Manager
Rick Stewart	Manager, Project Control
Nazim Jamal	Manager, Contracts

ECONOMIC

Canada's second busiest airport, YVR welcomed 17.9 million passengers in 2008—our highest number to date.

To maintain profitability and remain competitive, the Airport Authority identifies and actively pursues key issues for success such as land and cargo development opportunities, advocating for policy changes and proactively marketing the airport.

2008 saw worldwide economic challenges that affected many people and businesses. The Airport Authority is well-poised to meet these challenges in 2009 through our comprehensive planning and conservative approach to financial management. The soundness of the Airport Authority's financial planning is reflected in our consistently high credit ratings. Both Standard & Poor's and Dominion Bond Rating Service confirmed the Airport Authority's ratings at AA and AA (Low), respectively, in 2008.

For a detailed look at the Airport Authority's economic impact, key issues for success and Audited Consolidated Financial Statements, visit our **2008 Economic Report.**

FINANCIAL AND OPERATING HIGHLIGHTS

1998–2008

Year	Revenue (millions)	Operating Expenses (millions)	Ground Lease (millions)	Excess of Revenue over Expenditures (millions)	Net Assets (millions)	Capital Expenditures for the Year (millions)	Passengers (millions)	Aircraft Runway Take-offs and Landings (thousands)	Cargo Handled (thousands of tonnes)
2008	**373.8**	**236.4**	**65.6**	**81.8**	**934.0**	**233.1**	**17.9**	**278**	**211.3**
2007	368.3	212.2	65.6	89.5	852.2	289.7	17.5	274	225.4
2006	363.8	190.3	65.7	107.8	762.3	315.9	16.9	271	223.1
2005	329.8	176.7	78.7	74.4	654.6	137.6	16.4	275	222.6
2004	276.9	158.5	73.9	44.5	580.2	123.0	15.7	270	230.0
2003	246.0	154.1	66.3	25.6	535.6	55.0	14.3	250	215.8
2002	248.5	142.7	66.3	39.5	510.0	44.7	14.9	258	234.9
2001	266.9	138.5	67.8	60.6	470.5	97.8	15.5	274	228.7
2000	252.7	131.8	63.9	57.1	409.9	66.6	16.0	295	251.8
1999	234.8	125.2	60.3	64.8	352.8	92.8	15.8	324	269.1

SERVING OUR CUSTOMERS

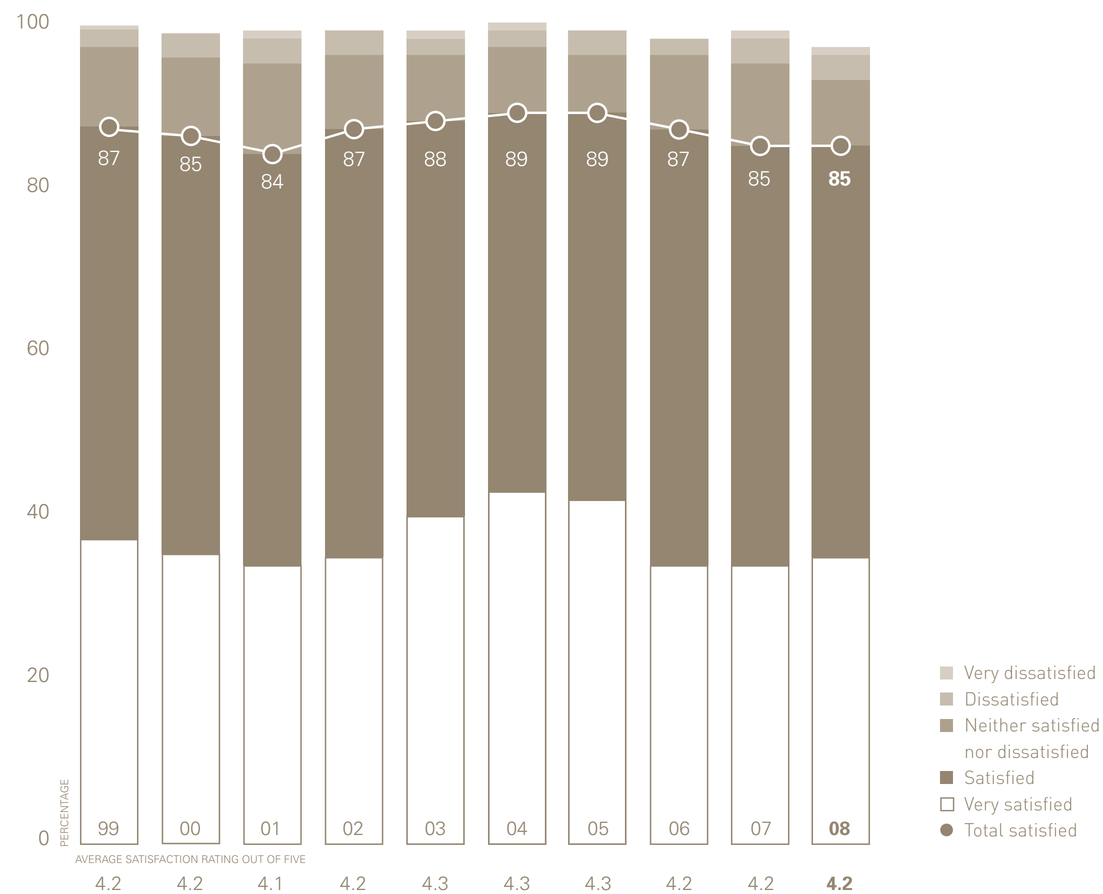
Caring for our customers and providing an outstanding airport experience are central to our business philosophy and economic success.

In 2008, we continued our focus on maintaining a leadership role in how we serve each and every visitor to our airport.

The Airport Authority uses quarterly customer satisfaction surveys conducted by an independent consulting firm to track customer service at YVR. In surveys of more than 2,900 passengers in 2008, YVR was awarded an average satisfaction rating of 4.2 out of 5.

OVERALL CUSTOMER SATISFACTION RATINGS

1999–2008



FACILITIES TO WELCOME THE WORLD

Providing the necessary services and facilities positions YVR as a global gateway; welcoming the world today and in the future is central to the Airport Authority's capital plan.

In 2008, we undertook or continued a number of capital projects, with expenditures totaling $233.1-million.

CANADA LINE

The Airport Authority is a funding partner with TransLink and the provincial and federal governments in the Canada Line rapid transit project connecting YVR with Richmond and downtown Vancouver. Work is substantially complete on the YVR portion of the system with station construction set for completion in early 2009.

LINK BUILDING

The $117-million Link Building connects the Domestic and International terminals while providing check-in capacity to support the International Terminal expansion and a new baggage transfer facility for International to Domestic connecting baggage. The Link Building was completed in 2008.

HOLD BAGGAGE SCREENING

The Airport Authority continues to enhance the performance and capacity of Transborder, International and interim Domestic Hold Baggage Screening systems to screen baggage carried in the hold of aircraft. These systems were substantially completed in 2008.

INTERNATIONAL TERMINAL CAPACITY ENHANCEMENTS

The Airport Authority enhanced the International Terminal to increase the capacity of pre-board screening, the Customs and Immigration Hall, the international to domestic transfer corridor and the international inbound baggage claim area. The majority of work on these systems was completed in 2008 with construction of the new transfer corridor continuing into 2009.

TAXIWAY VICTOR

Taxiway Victor is a new taxiway linking the north and south runways, and is part of our airside pavement capital plan to accommodate terminal expansion and new, larger aircraft such as B777s, A340s and A380s. The southern half of the taxiway was completed in 2006 with the remaining portion completed in 2008.

C-PIER EXPANSION

YVR's C-Pier facilities are some of the oldest at the airport and served approximately nine million domestic passengers in 2008. Work on a five-gate expansion of C-Pier is currently underway with the entire apron paving work and more than half the building's expansion completed in 2008. This facility is scheduled to open to the public in 2009.

APRON 3 UPGRADE

This project re-built an old section of pavement on the south side of the airport to accommodate expansions by London Aviation Centre Ltd. (LAC) and WestJet. LAC has a dedicated taxilane to serve their new apron and hangar facility while WestJet and fixed base operators have new specified areas to park and stage aircraft. This work was completed in 2008.

LINK 2

The Link 2 Project completes the re-development of the area between the Domestic and International terminals which began with the Link Project. Link 2 will improve access to C-Pier including sloped moving walkways between the Domestic Terminal concourse and the lower level of C-Pier. The project will also provide additional office space for Airport Authority employees and is scheduled for completion in 2009.

DOMESTIC TERMINAL LEVEL 3-4 ENHANCEMENTS

To accommodate Hold Baggage Screening (HBS) equipment to screen baggage carried into the hold of aircraft, the Domestic Terminal was expanded to the west leaving space above the HBS open for development. The new space includes a sterile corridor to allow passengers to travel easily and make connecting flights between the airport's gates while remaining post security. An expanded retail area will offer new dining and shopping options as well as a public observation area and interactive exhibit on Level 4. This first phase of the project is scheduled for completion in 2009. A second phase will begin after the 2010 Winter Games and will be completed by year end.

SECURITY IN ADVANCE OF PRECLEARANCE

The Security in Advance of Preclearance Project involves reconfiguring passenger processing through the Transborder departure area of the International Terminal. Work continues on this project with completion set for 2009.

INTERNATIONAL ARRIVALS AREA

In 2008, the Airport Authority completed the first two phases of an upgrade to the international arrivals area. The project incorporates an enhanced Customer Care Information Counter, raised ceilings, upgraded lighting, heating, ventilation and enhanced wayfinding. Improved services for arriving passengers will be added including visual paging, live video feeds and translation services via phone. The final phase of the project will be completed in 2009.

FINANCIAL REVIEW

THE AIRPORT AUTHORITY EARNS REVENUE FROM THREE MAIN SOURCES:

- Aeronautical revenue – the Airport Authority collects landing and terminal fees to recover the operating and capital costs related to airline operators. This revenue amounted to $129.0-million in 2008, slightly down from $129.4-million in 2007. There were no aeronautical rate increases in 2008.
- Non-aeronautical revenue – this includes revenue from concessions, such as duty free and car rentals, as well as car parking, grants and terminal and land rents. Revenue from these sources increased to $152.1-million in 2008, up from $141.7-million in 2007, due mainly to the increase in concession fixed rents and new retail stores in the newly opened West Wing.
- Airport Improvement Fee (AIF) – the revenue earned from aeronautical and non-aeronautical sources is not sufficient to cover both the costs of operating the airport and the required capital projects. To fund these capital projects, the Airport Authority collects an AIF. Total revenue earned from the fee in 2008 was $92.6-million, down from $97.2-million in 2007. The decrease was due to a 2007 adjustment that increased revenue submitted from a major carrier. The adjustment was partially reversed in 2008.

Non-AIF revenue goes toward covering the costs of operating the airport, which includes salaries, wages and benefits, materials, supplies and services, and payments in lieu of taxes and insurance. In 2008, these costs increased to $129.3-million from $117.2-million in 2007. These increases were due mainly to the full year of maintaining the new facilities that came into service in 2007, and new facilities in 2008, as well as wage rate increases under the collective agreement.

The Airport Authority uses a portion of its non-AIF revenue to pay rent to the federal government, which on a cash basis amounted to $64.4-million in 2008, down from $71.8-million in 2007.

The total cash needed to pay for capital projects can exceed the amount available after payment of operating costs, ground lease and interest costs. In these situations, debt financing is required. The Airport Authority takes a conservative approach to debt levels and strives to achieve a reasonable balance between debt and sources of revenue. Debt carries an annual interest payment, which in 2008 amounted to $31.6-million, up from $28.5-million in 2007. The increase was due to the full year interest expense on the $200-million issuance of debentures in November 2007, which was used to repay the $150-million floating rate notes. Additionally, the Airport Authority relied upon its bank facility, which is described below.

As required under generally accepted accounting principles, in the statement of operations, the cost of capital projects is spread over the useful life of the projects, as opposed to being recognized as total cash paid for the projects in the current year. This spreading of cost over the useful life is reflected as amortization on the statement of operations, which is a non-cash charge. Total amortization in 2008 amounted to $75.4-million.

The Airport Authority realized $15.1-million in dividend revenue as a result of the sale of 50 percent of the shares of YVR Airport Services to Citi Infrastructure Investors. These gains were partially offset by an additional $5.2-million write-down on the Airport Authority's holdings of asset back commercial paper due to deteriorating credit market conditions.

Total excess of revenue over expenses, which includes amortization, was $81.8-million in 2008, down from $89.5-million in 2007. When amortization, a non-cash item, is removed, the Airport Authority generated $144.5 million of net cash flow, prior to its investment in capital projects as described below.

During 2008, the Airport Authority invested $233.1-million in capital projects. The capital projects included the Pier C Expansion, the airport portion of the Canada Line, construction of the Link Building between the International and Domestic terminals, and hold baggage screening enhancements.

In order to pay for these capital projects, the following amounts were used:

— Net cash flow (excluding AIF) of $55.6 million.

— Net AIF in the amount of $88.9-million.

— Cash available from the previous year in the amount of $50.3-million, which had been set aside to fund capital projects in 2008.

These amounts in total were insufficient to pay for the 2008 capital project costs. During the course of 2008, the Airport Authority borrowed $38.3 million on its bank facility to fund capital expenditures.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of dollars)
As at December 31, 2008 with comparative figures for 2007

	2008	2007
ASSETS		
Current assets:		
Cash and short-term investments	$ –	$ 50,283
Accounts receivable (NOTE 3)	24,379	27,233
Other receivables	2,181	4,067
Current portion of net investment in lease (NOTE 4)	375	307
Current portion of prepaid ground lease (NOTE 18(a))	16,074	1,236
Other current assets	8,911	6,311
	51,920	89,437
Net investment in lease (NOTE 4)	9,785	10,160
Long-term receivables (NOTE 5)	641	913
Investments (NOTE 6)	52,570	52,570
Capital assets (NOTE 7)	1,558,832	1,401,199
Other long-term assets (NOTE 8)	7,368	2,717
Prepaid ground lease (NOTE 18(a))	–	16,074
Other long-term investments (NOTE 20(d))	21,265	26,425
	$ 1,702,381	$ 1,599,495
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bank indebtedness (NOTE 9)	$ 38,325	$ –
Accounts payable and accrued liabilities	76,438	69,662
Current portion of deferred revenue	4,803	839
Current portion of deferred ground lease payments (NOTE 10)	2,053	2,053
Current portion of other long-term liabilities (NOTE 11)	1,000	1,000
	122,619	73,554
Deferred revenue	4,175	5,010
Other long-term liabilities (NOTE 11)	1,000	23,809
Deferred ground lease payments (NOTE 10)	12,317	14,370
Deferred capital contributions (NOTE 12)	81,568	84,103
Debentures (NOTE 13)	546,688	546,441
	768,367	747,287
Net assets:		
Invested in capital assets (NOTE 14)	930,576	770,655
Unrestricted net assets	3,438	81,553
	934,014	852,208
	$ 1,702,381	$ 1,599,495

Commitments and contingencies (NOTE 18)
Guarantees (NOTE 21)
See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands of dollars)
Year ended December 31, 2008 with comparative figures for 2007

	2008	2007
Revenue:		
Landing fees	$ 36,189	$ 36,361
Terminal fees	92,857	93,017
Concessions	68,668	62,878
Airport improvement fees	92,585	97,239
Car parking	30,903	29,952
Rentals, fees and miscellaneous	39,334	36,707
Grant revenue (NOTES 12 AND 15)	13,221	12,182
	373,757	368,336
Expenses:		
Salaries, wages and benefits	38,501	34,948
Materials, supplies and services	73,180	65,687
Payment in lieu of taxes, insurance and other	17,667	16,576
Amortization	75,436	66,459
	204,784	183,670
Other expenses:		
Ground lease (NOTE 18(a))	65,619	65,619
Interest and financing charges	31,562	28,547
	97,181	94,166
Excess of revenue over expenses before undernoted items	71,792	90,500
Dividend revenue (NOTE 6)	15,106	2,500
Foreign exchange gain on other long-term liabilities (NOTE 11(a))	68	3,830
Loss on fair value of other long-term investments (NOTE 20(c))	(5,160)	(7,345)
Excess of revenue over expenses	$ 81,806	$ 89,485

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(In thousands of dollars)
Year ended December 31, 2008 with comparative figures for 2007

	Invested in capital assets (NOTE 14)	Unrestricted	2008	2007
Balance, beginning of year	$ 770,655	$ 81,553	$ **852,208**	$ 762,342
Transitional adjustment on adoption of financial instrument standards (NOTE 2(c))	–	–	–	381
Excess (deficiency) of revenue over expenses	(69,206)	151,012	**81,806**	89,485
Net change in invested in capital assets (net)	229,127	(229,127)	–	–
Balance, end of year	$ 930,576	$ 3,438	$ **934,014**	$ 852,208

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of dollars)
Year ended December 31, 2008 with comparative figures for 2007

		2008		2007
Operations:				
Excess of revenue over expenses	$	81,806	$	89,485
Items not involving cash:				
Amortization of capital assets		75,436		66,459
Amortization of deferred capital contributions		(6,230)		(5,618)
Amortization of discount on bonds and deferred financing costs		247		531
Amortization of lease inducement and leasehold interest		392		283
Foreign exchange gain on other long-term liabilities		(68)		(3,830)
Loss (gain) on disposal of capital assets		(15)		6
Loss on fair value of other long-term investments (note 20(c))		5,160		7,345
Changes in non-cash operating working capital (note 22(a))		10,881		(13,832)
		167,609		140,829
Financing:				
Increase in bank indebtedness		38,325		–
Repayment of notes payable		–		(150,000)
Issuance of debentures		–		200,000
Increase in deferred financing fees		–		(981)
Repayment of other long-term liabilities		(21,741)		–
Deferred capital contributions		3,695		29,526
Deferred ground lease payments		(2,053)		(2,053)
		18,226		76,492
Investments:				
Increase in long-term investments		–		(33,770)
Additions of capital assets		(233,069)		(289,733)
Proceeds on disposal of capital assets		15		8
Increase in investments		–		(5,500)
Increase in other long-term assets		(3,643)		–
Decrease in long-term receivables		272		250
Decrease in net investment in lease		307		248
		(236,118)		(328,497)
Decrease in cash		(50,283)		(111,176)
Cash, beginning of year		50,283		161,459
Cash, end of year	$	–	$	50,283

Cash is defined as cash and short-term investments.

Supplementary cash flow information (note 22(b))

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

1. OPERATIONS:

The Vancouver Airport Authority (the "Airport Authority") is incorporated under Part II of the Canada Corporations Act as a not-for-profit corporation. The Airport Authority is governed by a Board of Directors, of whom nine members are appointed by the Government of Canada and various government and professional bodies, up to five directors are appointed by the Board from the community at large, and one seat on the Board is held by the President and CEO of the Airport Authority.

The Airport Authority operates the Vancouver International Airport (the "Airport") pursuant to a lease of most of Sea Island, Richmond, British Columbia, from the Government of Canada (the "Ground Lease").

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Presentation and basis of accounting:

These non-consolidated financial statements have been prepared in accordance with the significant accounting policies described herein pursuant to the Trust Indenture Agreement (the "Trust Indenture") dated December 6, 1996, one Supplemental Indenture dated November 14, 2006, two dated December 7, 2006 and one dated November 14, 2007. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles (GAAP) because the Airport Authority's wholly-owned subsidiaries are accounted for using the cost method. The Airport Authority also distributes audited consolidated financial statements prepared for the same period in accordance with Canadian GAAP.

(b) Changes in accounting policies:

On January 1, 2008, the Airport Authority adopted accounting policies required under the newly issued standards by the Canadian Institute of Chartered Accountants ("CICA") relating to the following:

(i) Section 1506, *Accounting Changes,* revises current standards on changes in accounting policy, estimates or errors. An entity is permitted to change an accounting policy only when it results in financial statements that provide reliable and more relevant information or results from a requirement under a primary source of Canadian GAAP. The guidance also addresses how to account for a change in accounting policy, estimate or corrections of errors, and establishes enhanced disclosures about their effects on the financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES: [CONTINUED]

(b) Changes in accounting policies: [CONTINUED]

(ii) Section 3862, *Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation,* revise the current standards on financial instrument disclosure and presentation and require more extensive disclosure with an emphasis on risks associated with both recognized and unrecognized financial instruments to which an entity is exposed during the year and at the balance sheet date, and how an entity manages these risks (note 20(b)).

(iii) Section 3031, *Inventories,* provides additional guidance on the measurement and disclosure requirements for inventories; significantly, the new standard allows the reversals of previous write-downs to the net realizable value when there is a subsequent increase in the value of inventories. This accounting standard was applied and there were no material impacts on adoption of the new standard.

Future changes in accounting policy:

(i) The CICA has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards ("IFRS") effective January 1, 2011. The Airport Authority is evaluating the impact of a decision to apply IFRS to its finanacial statements.

(ii) In December 2006, the CICA issued Handbook Section 1535¸ *Capital Disclosures* which specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. This new standard is effective for the Airport Authority's financial statements commencing January 1, 2009.

(iii) In February 2008, CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*. CICA 3064, which replaces Section 3062, *Goodwill and Intangible Assets*, and Section 3450, *Research and Development Costs*, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Airport Authority's financial statements commencing January 1, 2009.

The Airport Authority is assessing the impact of these new standards on its financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES: [CONTINUED]

(c) Financial instruments: [CONTINUED]

On January 1, 2007, the Airport Authority adopted CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement,* Section 3861, Financial Instruments – *Disclosure and Presentation*, and Section 3865, *Hedges*. These standards were retroactively applied, but prospectively presented (through a transitional adjustment to opening net assets).

Financial assets are classified as one of the following: held for trading, available-for-sale, loans and receivables or held-to-maturity. Financial liabilities are classified as held for trading or other liabilities. Financial assets and liabilities held for trading are measured at fair value with gains and losses recognized in the non-consolidated statement of operations. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost. Financial assets available-for-sale are measured at fair value with changes in fair value recognized in the non-consolidated statement of changes in net assets until realized. All derivatives, including embedded derivatives are generally classified as held for trading.

The standards permit designation of any financial instrument as held for trading upon initial recognition. This designation requires that the fair value of the financial instrument be reliably measured.

INVESTMENTS:

All of the Airport Authority's cash and short and other long-term investments held on January 1, 2007 or acquired subsequently are designated as held for trading investments under the standards. Purchases and sales of investments are recorded on a trade date basis. Held for trading investments are measured at fair value with realized and unrealized gains and losses included on the non-consolidated statement of operations. Further information with regard to the Airport Authority's holdings of non-bank sponsored Asset Backed Commercial Paper (ABCP) is set out in note 20(c).

FINANCING COSTS AND THE EFFECTIVE INTEREST RATE METHOD

The standards require the Airport Authority to recognize all transaction costs relating to the acquisition of financing in the non-consolidated statement of operations or to be included in the debt balances and recognized as an adjustment to interest expense over the life of the debt. The Airport Authority capitalizes transaction costs. The Airport Authority is also required to use the effective interest rate method to recognize debenture interest expense meaning the expense amount to be recognized varies over the life of the debt based on the principal outstanding.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES: [CONTINUED]

(c) Financial instruments: [CONTINUED]

Previously, deferred financing costs were amortized on a straight-line basis and recorded as an interest expense.

As at January 1, 2007, the Airport Authority reclassified deferred financing costs of $2,728,000 as an offset to notes payables and debentures. As a result of reflecting the effective interest method, opening net assets increased by $381,000, with a corresponding decrease in notes payable of $1,000 and debentures of $380,000.

DERIVATIVES:

Upon adoption of the standards, the Airport Authority reviewed all its outstanding contracts subsequent to the elected transition date of January 1, 2003 in accordance with Section 3855 to determine if any were derivatives or contained embedded derivatives. As at December 31, 2008 and 2007, the Airport Authority had no such embedded derivatives.

(d) Cash and short-term investments:

Cash and short-term investments include securities that, on acquisition are designated as held for trading, have an initial term to maturity of three months or less.

(e) Inventory:

Inventory, which is included in other current assets, is valued at the lower of cost and net realizable value. The Airport Authority did not write down or reverse any previous write downs on its inventories. The cost of inventories recognized as an expense during the year ended December 31, 2008 was $1,652,000.

(f) Capital assets:

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Buildings and other structures	2.5% to 10%
Runways and other paved surfaces	3.3% to 33%
Machinery and equipment	6.7% to 20%
Furniture and fixtures	6.7% to 20%
Computer equipment and software	10% to 100%

The art collection is recorded at cost with no amortization.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES: [CONTINUED]

(g) Deferred financing costs:

Deferred financing costs, offset against the debentures issued, represent the unamortized cost of the issue of the debentures, including the related discount. Amortization is provided using the effective interest method over the term of the related debenture.

(h) Deferred revenue:

Deferred revenue represents premiums received from tenants of preferential locations, prepaid rents and licenses received from tenants and operators in advance, which is deferred and amortized over the terms of the related agreements.

(i) Revenue recognition:

The Airport Authority follows the deferral method of accounting for contributions whereby unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The Airport Authority does not receive any endowment contributions. Grants received to offset specific operating costs are recorded as revenue. Grants towards capital are deferred and brought into income on a basis consistent with the amortization of the related capital assets.

Revenue is recognized as follows:

- Aeronautical charges, which consist of landing and terminal fees, are recognized as revenue when airport facilities are utilized.
- Concession revenue is recognized based on the greater of agreed percentages of reported concessionaire sales and specified minimum rentals over the terms of the respective leases.
- Revenue from Airport Improvement Fees (AIF), which is collected from passengers by air carriers, is recognized based on monthly remittances from air carriers.
- Car parking revenue is recognized when airport facilities are utilized.
- Rental revenue is recognized over the terms of the respective leases.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES: [CONTINUED]

(j) Ground lease expenses:

Ground lease expenses are charged to operations on an accrual basis.
The ground lease has been accounted for as an operating lease.

(k) Taxes:

Income arising from the operation of the Airport Authority is exempt from federal and provincial income taxes.

A payment in lieu of taxes is made for municipal services.

(l) Employee future benefits:

The Airport Authority has a contributory defined benefit pension plan which covers employees of the Airport Authority who, immediately prior to joining the Airport Authority, were employees of the Federal Public Service; a defined contribution plan which covers new employees who have joined the Airport Authority since June 1992; and an unfunded defined contribution plan which covers its senior executives.

The Airport Authority accrues its obligations under these plans as the employees render the service necessary to earn the employment benefits.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value.

Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the defined pension plan is 9 years.

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES: [CONTINUED]

(m) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of accrued revenue, allowance for doubtful accounts, net recoverable value of assets, useful lives for amortization, accrued liabilities, valuation of ABCP and provisions for contingencies. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE:

Current	$ 23,742
Aged 31– 60 days	507
Aged 61– 90 days	192
Aged 90 + days	571
Less allowance for doubtful accounts	(633)
	$ 24,379
Allowance for doubtful accounts, January 1, 2008	$ 482
Write off of specific account	(667)
Addition to allowance for doubtful accounts	818
Allowance for doubtful accounts, December 31, 2008	$ 633

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

4. NET INVESTMENT IN LEASE:

During 2002, the Airport Authority acquired a cargo facility for cash consideration of $11,254,000 which was then leased back to the vendor under an agreement expiring December 31, 2019. The Airport Authority's net investment in the direct financing lease consists of:

		2008		2007
Minimum lease payments receivable	$	19,046	$	20,667
Unearned income		(8,886)		(10,200)
		10,160		10,467
Less current portion		375		307
	$	9,785	$	10,160

At December 31, 2008, the future minimum lease payments receivable under the direct financing lease are as follows:

2009	$	1,646
2010		1,670
2011		1,696
2012		1,721
2013 and thereafter		12,313
	$	19,046

5. LONG-TERM RECEIVABLES:

The Airport Authority has long-term repayment schedules over 3 years with tenants for repayments of leasehold improvements. The Airport Authority receives interest calculated at approximately 8.5% annually.

		2008		2007
Long-term receivables	$	913	$	1,163
Less current portion		272		250
	$	641	$	913

The current portion of long-term receivables is included in accounts receivable.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

6. INVESTMENTS:

The amount comprises investments in its wholly owned subsidiary Vancouver Airport Enterprises Limited ("VAEL") which through its 50% investee company (2007 - 100% subsidiary), YVR Airport Services Ltd. ("YVRAS"), invests in and manages a number of airports across Canada and around the world, and through YVR Project Management Ltd. ("YVRPM"), which provides capital project management services.

On January 1, 2007, YVRAS and CDC Airport Investments (Canada) Ltd. ("CAIC") completed a short form amalgamation and continued as YVRAS. The issued and outstanding common and preference shares of YVRAS were cancelled effective January 1, 2007. CAIC share capital structure continued with a total of 13,631,000 issued and outstanding common shares owned by VAEL. YVRAS became a wholly owned subsidiary of VAEL. Prior to the completion of the 2006 fiscal year, both CAIC and YVRAS had to effect temporary name changes to facilitate the short form amalgamation.

In March 2007, the Airport Authority invested an additional $5,500,000 in VAEL. These funds, through YVRAS, were used to increase its control of TradePort International Corporation from 62.33% to 100%. As part of the financing arrangement of this transaction, the Airport Authority received a $2,500,000 dividend indirectly from YVRAS in 2007.

On April 4, 2008, VAEL exchanged 19,131,000 class B Common shares of YVRAS for the following:

(a) 1,080 class A Common shares without par value; and

(b) 865 preferred shares without par value, with redemption value of $100,000 per share.

On May 21, 2008, YVRAS issued 1,080 class B Common shares from treasury to CIP Airports Ltd. ("CII"), providing CII a 50% joint ownership in YVRAS.

On May 22, 2008, the Airport Authority received a dividend of $15,106,000 from VAEL.

The share exchange and issuance of YVRAS shares to CII do not impact the non-consolidated financial statements of the Airport Authority.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

7. CAPITAL ASSETS:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Buildings and other structures	$ 1,059,798	$ 269,087	$ 790,711	$ 678,998
Runways and other paved surfaces	360,806	104,524	256,282	250,649
Machinery and equipment	70,795	20,618	50,177	18,892
Furniture and fixtures	22,834	15,557	7,277	8,187
Computer equipment and software	69,847	44,803	25,044	26,919
Art collection	5,226	–	5,226	4,823
Construction-in-progress	424,115	–	424,115	412,731
	$ 2,013,421	$ 454,589	$ 1,558,832	$ 1,401,199

8. OTHER-LONG TERM ASSETS:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
(a) Lease inducement	$ 3,000	$ 623	$ 2,377	$ 2,717
(b) Leasehold interest	5,043	52	4,991	–
	$ 8,043	$ 675	$ 7,368	$ 2,717

(a) On March 1, 2007, the Airport Authority agreed to provide a concession operator a $3,000,000 rent credit, payable at $1,000,000 per year in each of 2008, 2009, and 2010. This lease inducement is recognized against revenue evenly over the life of the lease term of 8 years and 10 months.

As at December 31, 2008, the lease inducement asset of $2,377,000 is included in other long-term assets on the non-consolidated statement of financial position, $340,000 has been recognized as an offset to revenue, and the remaining $2,000,000 rent credit is accrued as part of other long-term liabilities (note 11(b)).

(b) In June 2008, the Airport Authority acquired a leasehold interest on Sea Island for $3,643,000; accordingly, the Ground Lease with Transport Canada was amended to include this site. As part of this Ground Lease amendment, the Airport Authority agreed to decommission and demolish the building on this land. The estimated cost of decommissioning and demolishing the building of $1,400,000 has been included in the acquisition cost of the leasehold interest and the related liability has been included in accrued liabilities. The leasehold interest is being amortized over the remaining term of the Ground Lease, which expires on June 30, 2052.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

9. BANK INDEBTEDNESS:

		2008		2007
Bank operating line	$	3,114	$	–
Bankers' acceptances		35,211		–
	$	38,325	$	–

The Airport Authority has available an unsecured bank operating line of $200,000,000 (2007 – $200,000,000).

The bankers' acceptances have fixed rates of interest varying from 1.95% to 3.49% with maturity dates from February 23, 2009 to June 19, 2009.

10. DEFERRED GROUND LEASE PAYMENTS:

Between July 2003 and June 2005, the Airport Authority deferred a total of $20,529,000 of ground lease payments due to Transport Canada under an arrangement whereby Transport Canada provided temporary relief to Canadian airports, which suffered declines in passenger traffic resulting from international events in 2001 through 2003.

Repayments are interest free over a ten-year period, commencing January 1, 2006. As at December 31, 2008, the Airport Authority has repaid a total of $6,159,000 (2007 – $4,106,000) of rent deferrals to Transport Canada (note 18(a)).

11. OTHER LONG-TERM LIABILITIES:

		2008		2007
(a) Due to VAEL (USD $22,000)	$	–	$	21,809
(b) Lease inducement liability (see note 8(a))		2,000		3,000
		2,000		24,809
Less current portion of other long-term liabilities		1,000		1,000
	$	1,000	$	23,809

(a) As a result of the issuance of additional shares of YVRAS (note 6), the promissory note on acquisition of CAIC of USD $22,000,000, with original due dates of USD $17,000,000 in 2009 and USD $5,000,000 in 2011, was repaid in full on May 21, 2008. A foreign exchange gain of $68,000 (2007 – $3,830,000) was recognized.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

12. DEFERRED CAPITAL CONTRIBUTIONS:

		2008		2007
CATSA	$	100,249	$	97,554
Other		1,707		707
		101,956		98,261
Accumulated amortization		(20,388)		(14,158)
	$	81,568	$	84,103

The Airport Authority receives funding from CATSA towards certain security infrastructure upgrades. The funds received are deferred and brought into income as grant revenue consistent with the amortization of the related capital assets.

13. DEBENTURES:

		2008		2007
Amended Series B 7.425%, due December 7, 2026	$	150,000	$	150,000
Series D 4.424%, due December 7, 2018		200,000		200,000
Series E 5.020%, due November 13, 2015		200,000		200,000
		550,000		550,000
Less unamortized deferred financing costs		3,312		3,559
	$	546,688	$	546,441

The Series B debentures are issued under the Trust Indenture dated December 6, 1996. The Airport Authority received approval from holders of the Series B debentures to make changes to the Trust Indenture by way of a Supplemental Indenture dated December 7, 2006. These changes include increasing the limitation on guarantees and investments, and updating accounting terminology. To permit these changes, the debenture holders required that the Airport Authority increase the coupon on its Series B debentures by 0.05% to 7.425%.

The Series D and Series E debentures are issued under Supplemental Indentures dated December 7, 2006 and November 14, 2007, respectively. The Series E debentures were issued November 14, 2007 to refinance the maturity of $150,000,000 in floating rate notes ("FRNs"), with the remaining $50,000,000 being used to finance capital expenditures and to meet general corporate requirements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

13. DEBENTURES: [CONTINUED]

The effective interest rates on the Series B, D and E debentures are 7.530%, 4.484% and 5.094%, respectively.

The debentures are direct, unsecured and subordinated obligations of the Airport Authority. Interest is payable semi-annually in arrears in June and December for Series B and D and in May and November for Series E. The debentures are redeemable at the option of the Airport Authority, in whole or in part, at any time. The redemption price is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond plus a premium. The premium is 0.15% for the Series B debentures, 0.125% for the Series D debentures, and 0.20% for the Series E debentures.

While the debentures are outstanding, the Airport Authority is required to maintain an interest coverage ratio of not less than 1.25:1. Any further new issues of debt with a maturity of 12 months or longer are subject to a minimum interest coverage ratio of 1.75:1 on a pro-forma basis. The Trust Indenture also places certain limitations on the Airport Authority in the areas of encumbrances of assets, sales of assets and acquisitions of corporations.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

14. INVESTED IN CAPITAL ASSETS:

(a) Invested in capital assets is determined as follows:

		2008		2007
Capital assets	$	1,558,832	$	1,401,199
Amounts financed by:				
Deferred capital contributions		(81,568)		(84,103)
Debentures		(546,688)		(546,441)
	$	930,576	$	770,655

(b) Deficiency of revenue over expenses:

		2008		2007
Amortization of deferred capital contributions	$	6,230	$	5,618
Amortization of capital assets		(75,436)		(66,459)
	$	(69,206)	$	(60,841)

(c) Net change in invested in capital assets:

		2008		2007
Purchase of capital assets	$	233,069	$	289,733
Amounts funded by deferred capital contributions		(3,695)		(29,526)
Proceeds from disposal of capital assets		(15)		(8)
Gain (loss) on disposal of capital assets		15		(6)
Deferred financing fees		–		981
Amortization of deferred financing fees		(241)		(525)
Amortization of discount on debentures		(6)		(6)
Repayment of FRNs		–		150,000
Issuance of debentures		–		(200,000)
	$	229,127	$	210,643

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

15. OPERATING CONTRIBUTIONS:

During 2002, the Airport Authority entered into a policing contribution agreement with CATSA. CATSA contributed to the costs of policing incurred by the Airport Authority. Effective April 1, 2008, this agreement was transferred from CATSA to Transport Canada. Contributions are determined annually by Transport Canada up to a maximum amount not to exceed the actual allowable costs incurred by the Airport Authority in providing these services. This agreement is to be extended annually as required and recorded as grant revenue.

16. AIF — USE OF FUNDS:

The AIF is collected on the airline ticket by air carriers under an agreement between several Canadian airport authorities, air carriers and the Air Transport Association of Canada. Under this agreement, consistent with past practice and policy, the AIF is to be used to pay for the capital and related financing costs of airport infrastructure development as jointly agreed with the air carriers. During the year, the Airport Authority recorded $91,673,000 (2007 – $96,356,000) main terminal AIF revenue, and main terminal AIF eligible capital expenditures totaled $229,314,000 (2007 – $260,193,000). To December 31, 2008, the cumulative AIF revenue totaled $946,438,000 (2007 – $854,765,000), and cumulative AIF eligible expenditures totaled $1,962,313,000 (2007 – $1,732,999,000).

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

17. EMPLOYEE FUTURE BENEFITS:

(a) Funded pension plans:

DEFINED CONTRIBUTION PLANS:

The Airport Authority participates in a Registered Retirement Savings Plan (RRSP) which covers employees who have joined the Airport Authority since June 1992. Employees covered by this plan are required to contribute 6% of their earnings and the Airport Authority contributes equal amounts. Total contributions included in the pension expense for 2008 were $1,405,000 (2007 – $1,267,000).

The Airport Authority participates in a defined contribution plan, which covers some of the senior executives who are also in an unfunded supplementary plan discussed in (b) below. Pension expense for the supplementary plan for As at December 31, 2008 was $10,000 (2007 – $10,000). Some senior executives are also provided a Retirement Compensation Arrangement (RCA). Contributions to the RCA in 2008 totaled $1,274,000 (2007 – $2,300,000).

DEFINED BENEFIT PLAN:

The Airport Authority's and YVRAS' contributory defined benefit pension plan covers employees of the Airport Authority and YVRAS who, immediately prior to joining the Airport Authority or YVRAS, were employees of the Federal Public Service and were accruing pension benefits under the Public Service Superannuation Act. The pension plan provides benefits based on length of service and the best six years' average earnings.

The Airport Authority measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year, using a measurement date of October 31. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2007. The next valuation will be as of December 31, 2008, the results of which are expected to be available during the year ending December 31, 2009.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

17. EMPLOYEE FUTURE BENEFITS: [CONTINUED]

(a) Funded pension plans: [CONTINUED]

DEFINED BENEFIT PLAN: [CONTINUED]

Information regarding the Airport Authority's defined benefit pension plans is as follows:

		2008		2007
Accrued benefit obligation:				
Balance, beginning of year	$	**41,308**	$	43,149
Current service cost		**1,347**		1,380
Interest cost		**2,428**		2,303
Benefits paid		**(868)**		(1,316)
Actuarial gain		**(13,760)**		(4,208)
Balance, end of year		**30,455**		41,308
Fair value of plan assets:				
Balance, beginning of year		39,014		37,158
Actual return on plan assets		(6,933)		1,916
Employer contributions		1,473		982
Employee contributions		280		274
Benefits paid		(868)		(1,316)
Balance, end of year		32,966		39,014
Surplus (deficiency) of plan assets		**2,511**		(2,294)
Unamortized net actuarial loss		**264**		4,354
Unamortized transitional obligation		**(739)**		(1,108)
Accrued benefit asset	$	**2,036**	$	952

The accrued benefit asset is included in other current assets.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

17. EMPLOYEE FUTURE BENEFITS: [CONTINUED]

(a) Funded pension plans: [CONTINUED]

DEFINED BENEFIT PLAN: [CONTINUED]

Plan assets (measured as of the measurement date of October 31 each year) comprise:

	2008	2007
Asset category:		
Equity shares	59.6%	54.2%
Debt securities	37.8%	30.8%
Cash and short-term investments	2.6%	15.0%
Total	100.0%	100.0%

The significant assumptions used are as follows (weighted average):

	2008	2007
Accrued benefit obligation as of December 31:		
Discount rate	8.25%	5.75%
Rate of compensation increase	4.00%	4.00%
Benefit costs for years ended December 31:		
Discount rate	5.75%	5.25%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	4.00%	4.00%

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

17. EMPLOYEE FUTURE BENEFITS: [CONTINUED]

(a) Funded pension plans: [CONTINUED]

DEFINED BENEFIT PLAN: [CONTINUED]

The elements of the Airport Authority's and YVRAS' defined benefit plan costs recognized in the year are as follows:

		2008		2007
Current service cost, net of employees' contributions	$	1,067	$	1,106
Interest cost		2,428		2,303
Actual return on plan assets		6,933		(1,916)
Actuarial gain		(13,760)		(4,208)
Employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs		(3,332)		(2,715)
Adjustments to recognize the long-term nature of employee future benefit costs:				
Difference between expected return and actual return on plan assets for the year		(9,695)		(684)
Difference between actuarial gain recognized for year and actual actuarial for year and actual actuarial gain on accrued benefit obligation for year		13,785		4,654
Amortization of the transitional obligation		(369)		(369)
Defined benefit costs recognized	$	389	$	886

Total cash payments:

Total cash payments for employee future benefits for the year ended December 31, 2008, consisting of cash contributed by the Airport Authority to its funded pension plans (the defined benefit plan, defined contribution plans and RCA) were $4,161,000 (2007 – $4,559,000).

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

17. EMPLOYEE FUTURE BENEFITS: [CONTINUED]

(b) Unfunded pension plans:

The Airport Authority participates in supplementary plans for its senior executives, along with some of the senior management and YVRAS executives.

Pension expense for 2008 was $403,000 (2007 – $807,000). Based on an actuarial report prepared as at December 31, 2007, the accrued benefit obligation as at December 31, 2008 was $4,783,000 (2007 – $5,505,000).

18. COMMITMENTS AND CONTINGENCIES:

(a) Ground Lease:

The Ground Lease governs both the economic and day-to-day relations between the Airport Authority and the Government of Canada for a term ending June 30, 2052. The lease provides the option to extend the term for a further twenty years.

The Ground Lease requires that the Airport Authority operate the Airport as a "first class international airport" and that, as the operator, the Airport Authority exercise sound business judgment.

Under the Ground Lease, Transport Canada is required to assume all costs associated with environmental remediation in the event an order is issued by an appropriate government agency requiring the clean-up of any noxious or hazardous substance when such substance was present prior to the commencement of the Ground Lease on July 1, 1992. Transport Canada has taken the position that payment is contingent upon the actual issue of a direction from a government agency requiring the clean-up. The Airport Authority is of the view that compliance with the law, the Ground Lease and the general duty to the environment are the tests. These matters are under active discussion.

On May 9, 2005, the Government of Canada announced the adoption of a new rent policy that resulted in reduced rent for Canadian airport authorities, including the Airport Authority. This reduced rent formula is being phased in over a period of four years, beginning in 2006, during which the rent is fixed. Subsequent to 2009, the rent will be based on percentages of gross revenue on a progressive scale.

During the four year period, rent expense will be recorded on a straight-line basis. As a result, the ground lease payments made in excess of the ground lease expense during the year have been recorded as a prepaid ground lease expense. At December 31, 2008, the amount of prepaid ground lease was $16,074,000 (2007 – $17,310,000).

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

18. COMMITMENTS AND CONTINGENCIES: [CONTINUED]

(a) Ground Lease: [CONTINUED]

Projected lease expense and payments (including repayments of deferred ground lease payments – note 10) under the amended ground lease for the next five years, are estimated as follows:

	Lease expense	Lease payments
2009	$ 65,619	$ 51,598
2010	37,173	39,226
2011	39,439	41,492
2012	42,221	44,274
2013	44,704	46,757

(b) Capital and operating commitments:

In connection with the construction of certain capital projects, the Airport Authority has capital commitments outstanding as at December 31, 2008 of approximately $106,312,000 (2007 – $52,671,000). In connection with operating the Airport, the Airport Authority has total operating commitments, as at December 31, 2008, of approximately $39,218,000 (2007 – $13,400,000). These commitments extend for periods of up to five years.

(c) Canada Line Rapid Transit Line Inc. ("CLCO") (formerly Richmond Airport Vancouver Rapid Transit Line):

On January 24, 2005, the Airport Authority entered into an agreement with the South Coast British Columbia Transportation Authority ("SCBC") (formerly Greater Vancouver Transportation Authority) and CLCO, which is a wholly owned subsidiary of the SCBC, with respect to the funding and construction of the Canada Line rapid transit project (the "Project"). The Project involves the design, construction, implementation and operation of a rail-based rapid transit line running from central Richmond to the Vancouver Airport (the "YVR Connector") and downtown Vancouver. As part of the funding agreement, the Airport Authority has committed to fund up to $300,000,000 (in 2003 dollars) towards the YVR Connector and common costs.

The agreement provides for the Airport Authority to develop, design and construct the YVR Connector. The YVR Connector will be owned by the Airport Authority. Upon completion of construction, the Airport Authority will lease the YVR Connector to SCBC, or a private partner, on terms satisfactory to the Airport Authority and SCBC.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

18. COMMITMENTS AND CONTINGENCIES: [CONTINUED]

(c) Canada Line Rapid Transit Line Inc.: [CONTINUED]

The Airport Authority has contributed a total of $265,520,000 (2007 – $218,700,000) to CLCO towards the Project costs, which reduced the remaining contribution obligations of the Airport Authority. The amounts have been capitalized as construction-in-progress.

(d) Legal claims:

In the normal course of operations, the Airport Authority becomes involved in various claims and legal proceedings.

While the final outcome with respect to these claims and legal proceedings cannot be predicted with certainty, management believes that their resolution of these proceedings will not have a material adverse effect on the Airport Authority's financial position or the results of its operations.

19. ECONOMIC DEPENDENCE:

The Airport Authority derives approximately $50,354,000 (2007 – $47,900,000) in aeronautical fees and rents from one airline and $25,951,000 (2007 – $21,141,000) in concession revenue from one concession operator.

20. FINANCIAL INSTRUMENTS:

(a) Fair value of financial instruments:

The Airport Authority's financial instruments include cash and short-term investments, accounts receivable, other receivables, long-term receivables, bank indebtedness and accounts payable and accrued liabilities for which the carrying amounts approximate fair values. The fair value of other long-term investments is discussed below in note 20(c).

The fair value of the debentures at December 31, 2008 is estimated to be $529,000,000 (2007 – $587,000,000). To determine an estimated fair value of the debentures, the Airport Authority maintains a financial model which uses current market interest rates based upon the applicable Government of Canada bond yield plus a corporate spread based upon the Airport Authority's credit rating.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

20. FINANCIAL INSTRUMENTS: [CONTINUED]

(b) Risk management:

The Airport Authority primarily has exposure to credit, currency, interest rate and liquidity risk on its financial instruments.

(i) Credit risk:

The Airport Authority is subject to credit risk through its financial assets. Ongoing credit valuations are performed of these accounts and valuation allowances are maintained for potential credit losses. The credit quality of financial assets can be assessed by reference to external credit ratings or historical information about the customer. The Airport Authority held security deposits in the amount of $1,513,000 as at December 31, 2008. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. Detailed accounts receivable aging and allowance for doubtful accounts are detailed in note 3.

The Airport Authority's revenue is dependent on the domestic, transborder and international air transportation industry. Due to this diversification, the concentration of credit risk is considered to be minimal. The Airport Authority believes that the cessation of operations of an airline would not have a material long-term effect on the Airport Authority's revenue or operations.

During the year ended December 31, 2008, the Airport Authority did not realize any material gains or losses on its financial liabilities measured at amortized cost. The Airport Authority recorded bad debts of $667,000 related to a concessionaire that filed for bankruptcy.

As at December 31, 2008, the Airport Authority did not hold any short-term investments and therefore was not exposed to credit risk on investments, other than the non-bank sponsored ABCP discussed in note 20(c).

(ii) Currency risk:

The Airport Authority has minimal transactions denominated in foreign currencies.

The Airport Authority recognized a foreign exchange gain of $68,000 (2007 – $3,830,000) on its US denominated long-term liability which was repaid during the year (note 11(a)).

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

20. FINANCIAL INSTRUMENTS: [CONTINUED]

(b) Risk Management [CONTINUED]

(iii) Interest rate risk

The Airport Authority is exposed to interest rate risk on its bank operating line which is charged at a rate of prime. During the year, the bank operating line was utilized on a daily average of $1,031,000 (2007 – $783,000). An increase of 1% in the prime rate, during the year, would have increased interest expense by approximately $10,000 (2007 – $8,000). The balance of outstanding debt is issued by way of bankers' acceptances (note 9) and debentures (note 13) which have fixed interest rates for their term and therefore changes in interest rates do not significantly impact interest payments may impact their fair values. The other long-term liabilities are non-interest bearing.

(iv) Liquidity risk:

The Airport Authority manages liquidity risk by maintaining adequate cash or available credit facilities. Cash flow projections are continually updated and reviewed by management to ensure a sufficient continuity of funding.

(c) Other long-term investments:

At December 31, 2008, the Airport Authority held investments in non-bank sponsored ABCP with maturity values totaling $34,300,000 which are included in other long-term investments. The original maturity of these trusts ranged from August 16, 2007 to October 1, 2007; however, none were redeemed at maturity. At December 31, 2008, no active market existed for the ABCP requiring management to determine an estimate of value by constructing valuation models as described below.

On September 6, 2007, a Pan Canadian Committee (the "Committee") consisting of a panel of major Montreal Proposal ABCP investors was formed. The Committee subsequently retained legal and financial advisors to oversee the restructuring process. On January 21, 2009, the Committee announced that the restructuring Plan affecting $32 billion of third party ABCP was completed. Pursuant to the terms of the Plan, holders of affected ABCP will have their short term commercial paper exchanged for longer term FRNs whose maturities match those of the assets previously contained in the underlying conduits.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

20. FINANCIAL INSTRUMENTS: [CONTINUED]

(c) Other long-term investments: [CONTINUED]

There continues to be uncertainty in estimating the amount and timing of cash flows from the restructuring. Management has used information for the valuation of ABCP from the "Eighteenth Report of the Monitor" and the "Nineteenth Report of the Monitor" published by the Committee and has estimated the fair value of these securities by estimating future cash flows for each series of FRNs given available market conditions data taking into account known and assumed credit ratings for each series of FRNs at December 31, 2008.

As a result of the valuation, the Airport Authority has recognized a loss on fair value of $5,160,000 for the year ended December 31, 2008 (2007 – $7,345,000) against the carrying value of the ABCP.

While management believes that its valuation technique is appropriate in the circumstances, once a secondary market develops and pricing information becomes available, the value of the FRNs could be affected in subsequent periods. The resolution of these uncertainties could be such that the ultimate fair value of these investments may vary from management's current best estimate and any such difference could affect the Airport Authority's financial results.

Significant assumptions used to value the affected ABCP include the discount rate used. Using the methodology described above, a 1% increase in the discount rates used in the valuation would result in an additional loss of fair value of $1,448,000 against the carrying value of the ABCP.

The Airport Authority does not expect a material adverse impact on its business as a result of its investment in the restructured FRNs.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

21. GUARANTEES:

(a) YVR Airport Services (Cyprus) Limited ("YVRAS Cyprus"), one of the Airport Authority's related companies, made an investment in Hermes Airports Limited ("Hermes"), which holds the concession to develop and operate two airports in Cyprus (Pafos and Larnaka) over a period of twenty five years commencing May 13, 2006.

YVRAS Cyprus has an 11.0% interest in Hermes, which was funded by an equity bridge facility established by Hermes. The security for this facility was provided by each shareholder in Hermes. YVRAS Cyprus share is secured by an irrevocable letter of credit guaranteed by the Airport Authority. The amount of this guarantee is EUR 6,655,000 (CAD $11,344,000).

(b) The Airport Authority has entered into a sponsorship agreement with the Vancouver Organizing Committee ("VANOC") for the 2010 Olympic and Paralympic Winter Games. Under this agreement, the Airport Authority has agreed to provide a sum of $3,000,000 value in kind services to VANOC through to December 31, 2012. The Airport Authority has also entered into an agreement for the operation of six Olympic Stores and twelve modular retail outlets. As part of this agreement, 50% of all revenues earned from these stores and units are paid to VANOC, with a minimum guarantee of $740,000, which is included in the $3,000,000 value to be provided to VANOC as part of the sponsorship agreement.

(c) In certain circumstances, the Airport Authority has agreed to provide compensation to the security contractor providing security escorts to construction contractors working at the Airport should the construction contractor default on payments to the security contractor. The Airport Authority would then have the right to recover such compensation from the construction contractor.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS [CONTINUED]

(tabular amounts in thousands of dollars)
Year ended December 31, 2008

22. SUPPLEMENTARY CASH FLOW INFORMATION:

(a) Changes in non-cash operating working capital:

		2008		2007
Accounts receivable	$	1,854	$	(3,521)
Other receivables		1,886		2,375
Other current assets		(2,600)		(1,200)
Prepaid ground lease		1,236		(6,182)
Accounts payable and accrued liabilities		5,376		(4,442)
Deferred revenue		3,129		(862)
	$	10,881	$	(13,832)

(b) Other supplementary information:

		2008		2007
Supplementary information:				
Interest expense paid	$	30,055	$	26,760
Interest income received		749		2,338
Non-cash transactions:				
Decomissioning costs on leasehold interest (note 8(b))		1,400		–
Lease inducement provided (credited) to a concession operator (note 11(b))		(1,000)		3,000
Financing costs accounted for under effective interest method		–		381

23. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for year end December 31, 2008.

OUR ENVIRONMENT

The Airport Authority is committed to operating YVR in a manner that minimizes its impact on both the natural and urban environment.

Our comprehensive Environmental Management Plan identifies targets and initiatives as well as policies and programs to reduce emissions, energy use and waste generation.

In 2008, the plan was reviewed and substantially updated to incorporate the Airport Authority's strategic priorities and initiatives that will be implemented from 2009 through 2013.

The Airport Authority consistently monitors and measures environmental performance among key areas such as aeronautical noise, air quality and climate change, contaminated sites, environmental impact and sustainable building design, hazardous materials, natural habitat, energy and resources, waste and water quality.

Detailed environmental targets and results can be found in our **2008 Environment Report.**

2008 ENVIRONMENTAL PERFORMANCE INDICATORS SUMMARY TABLE

	MEASURE	2008 TARGET	2008 RESULT
AERONAUTICAL NOISE Objective: Minimize aircraft noise disturbance on the community.	Number of violations of published noise abatement procedures	0	0
	Status of planned initiatives from 2004-2008 YVR Noise Management Plan	Complete 100% of Year 5 initiatives	100%
ENVIRONMENTAL IMPACT ASSESSMENT Objective: Integrate environmental measures into design, construction and operation of all new projects.	Percentage of construction projects reviewed by the Environment Department	100%	100%
HAZARDOUS MATERIALS Objective: Minimize pollution that results from airport-related activities.	Number of fuel spills exceeding 100 litres	0	0
RECYCLING Objective: Decrease the amount of solid waste sent for disposal.	Total waste diverted from landfill from Airport Authority facilities, satellite locations and construction projects	Greater than 50% waste diversion	96%
WATER QUALITY Objective: Minimize pollution that results from airport-related activities.	Water samples exceeding Canadian Glycol Guideline of 100 parts per million of glycol	0	5

SOCIAL

Our people are critical to the success of YVR and the Airport Authority.

OUR PEOPLE

The Airport Authority employed 416 people in 2008, of whom 308 are members of the Public Service Alliance of Canada (PSAC).

The Airport Authority strives to create a workplace where employees truly enjoy and are fulfilled by their jobs. We invest in our team through skills development, employee recognition and health and wellness, and endeavour to create a work environment that supports and develops our employees.

For the third consecutive year, Vancouver Airport Authority was recognized as one of B.C.'s Top 40 Employers.

WORKFORCE DIVERSITY

The Airport Authority wants a workforce that reflects the vibrancy and diversity of the communities we serve. We comply with the Employment Equity Act and take measures to ensure fair employment practices across our organization. Demographic data are taken from a survey supplied to each employee to complete voluntarily in confidence. As such, numbers are based upon employees' self-identification as a member of a designated group.

Numbers are reported in June of each year for the previous year; therefore, the most recent statistics available are from 2007.

AIRPORT AUTHORITY DEMOGRAPHICS VS. LABOUR MARKET DEMOGRAPHICS (2006-2007)

DESIGNATED GROUP	AIRPORT AUTHORITY		METRO VANCOUVER NATIONAL LABOUR MARKET*	UNDERREPRESENTED GROUPS	
	2006	**2007**		**2006**	**2007**
Women	33.2%	34.2%	30.2%	——	——
Aboriginal Peoples	1.1%	1.1%	1.3%	-0.2%	-0.2%
Persons with Disabilities	1.4%	1.1%	3.9%	-2.5%	-2.8%
Members of Visible Minorities	22.3%	23.0%	22.7%	——	——

*Information on women, aboriginal peoples and members of visible minorities in the labour market based on Metro Vancouver data collected through the 2001 census. Information on persons with disabilities in the labour market based on national data collected through the 2001 Participation Limitation Survey (PALS).

HEALTH AND SAFETY

Ensuring the continued safety of the Airport Authority's customers and employees is paramount.

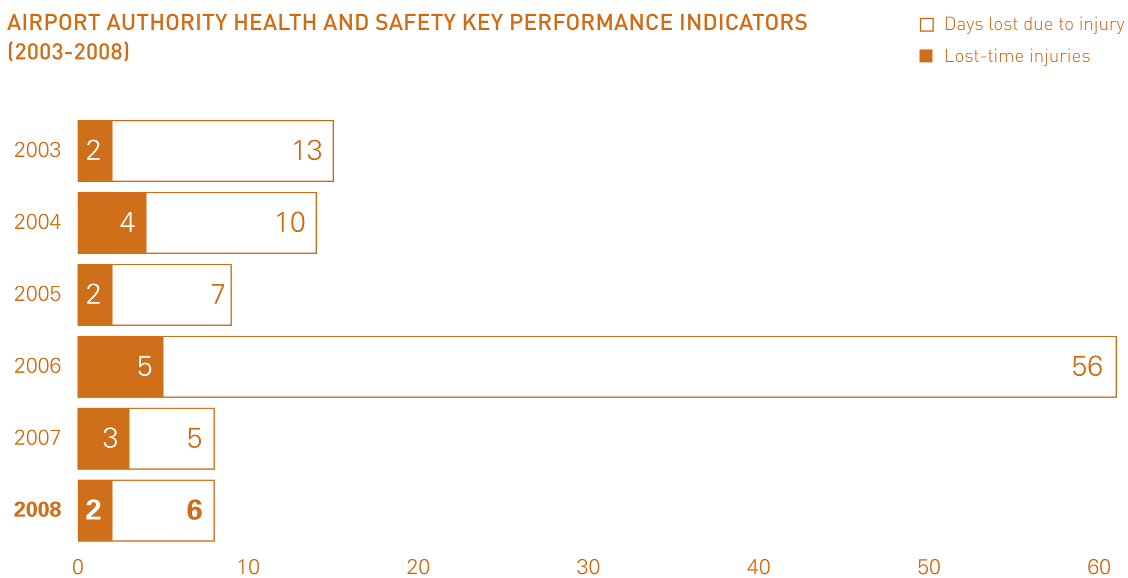
We adhere to the highest standards for employee health and wellness and work to build a safety-oriented workplace culture. The Airport Authority regularly assesses, tests and enhances its comprehensive safety and emergency plans to ensure that the utmost safety measures are employed at YVR.

In 2008, the Airport Authority conducted a live simulation exercise to test and practice our emergency plans. The exercise involved airlines, Canada Coast Guard, Richmond RCMP, Richmond Fire Rescue, Canada Border Services Agency and Vancouver Coastal Health Authority and more than 100 volunteers.

LOST-TIME INJURIES

One of the ways we measure our health and safety performance is by tracking any injuries that occurred at work which resulted in an employee missing work. 2008 saw two lost-time injuries at YVR. Our target for each of these indicators is zero.

AIRPORT AUTHORITY HEALTH AND SAFETY KEY PERFORMANCE INDICATORS (2003-2008)



OUR COMMUNITIES

As a community-based organization, Vancouver Airport Authority values the relationships with our surrounding communities. We support our communities through donations, sponsorships and gifts-in-kind.

In 2008, the Airport Authority provided $504,000 to 78 charities or community organizations through our community investment program and contributed an estimated $56,000 of in-kind donations to 35 organizations.

Major contributions include B.C. Creative Achievements Awards for Aboriginal Art, HSBC Celebration of Light fireworks festival, an employee-driven United Way campaign and YVR Golf for Kids tournament and auction. The 2008 employee-driven United Way campaign raised more than $86,000 which was matched by the Airport Authority for a total donation of $172,806.

In addition to supporting our communities, the Airport Authority recognizes that being a good neighbour means keeping business partners and surrounding communities informed about airport operations and activities that affect them. Through various forms of communication that include publications, presentations to municipal councils and community groups, media relations and community events, we are committed to engaging our stakeholders and providing open, honest and timely communications.

To learn more about our people practices including health and safety, employee recognition and investment, employment equity or our community involvement, visit our **2008 Social Report.**

FEEDBACK

YVR is your airport and every British Columbian is a stakeholder. We welcome your comments and suggestions—on this report or any aspect of our business.

AIRPORT AUTHORITY CONTACT INFORMATION

Airport Operations—General Enquiries	604.207.7077
Administrative Offices	604.276.6500
Cargo & Business Development	604.303.4289
Community Relations	604.276.6772
Customer Service & Facilities	604.276.6373
Engineering	604.276.6780
Environment	604.276.6656
Ground Transportation Information	604.207.7077
Human Resources Employment Information	604.276.6506
Information Technology (IT) Help Desk	604.303.4830
Legal Services	604.276.6655
Lost & Found	604.276.6104
Maintenance Services	604.276.6823
Marketing (Airport & Passenger)	604.276.6008
Media Relations	604.880.9815
Noise Information	604.207.7097
Parking & Ground Transportation Administration	604.276.7739
Purchasing & Contract Services	604.276.6633
Retail & Passenger Services	604.303.3447
Simplified Passenger Travel	604.276.6701
Strategic Planning	604.276.6655

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