Building a better gateway.

ANNUAL REPORT 2014

ST. JOHN'S
International Airport Authority

TABLE OF CONTENTS

WHO WE ARE

St. John's International Airport Authority is a private, not-for-profit corporation that exists to provide a safe and efficient transportation facility at Newfoundland and Labrador's premier gateway.

We generate our own revenue, raise our own capital, pay municipal taxes, and pay rent to the Federal Government on an annual basis to operate the airport on behalf of the community we serve. We are committed to offering an outstanding airport experience for our passengers and enhancing the economic and social well-being of our community.

VISION STATEMENT

We will create an exceptional airport experience at Newfoundland and Labrador's premier gateway

community leader | enabling prosperity


ST. JOHN'S
INTERNATIONAL

A MESSAGE FROM OUR CHAIR & CEO

2014 was another successful, milestone year for St. John's International Airport. For the fifth year in a row, the Airport experienced a record number of passengers travelling through its gates, reaching close to 1.6 million passengers. This was made possible through the expansion of airline services offered by our airline partners, including the expansion of key strategic routes and the introduction of new, exciting destinations. A 10-Year Airport Improvement and Expansion Plan with a corresponding Financial Plan was also announced that will allow the Airport to better meet the travel needs of our region while ensuring a strong financial position is maintained. We are building a bigger and better gateway for our province, one that will support the continued economic and social development of our region.

DUBLIN LAUNCH

MOST SUCCESSFUL LAUNCH IN WESTJET'S HISTORY

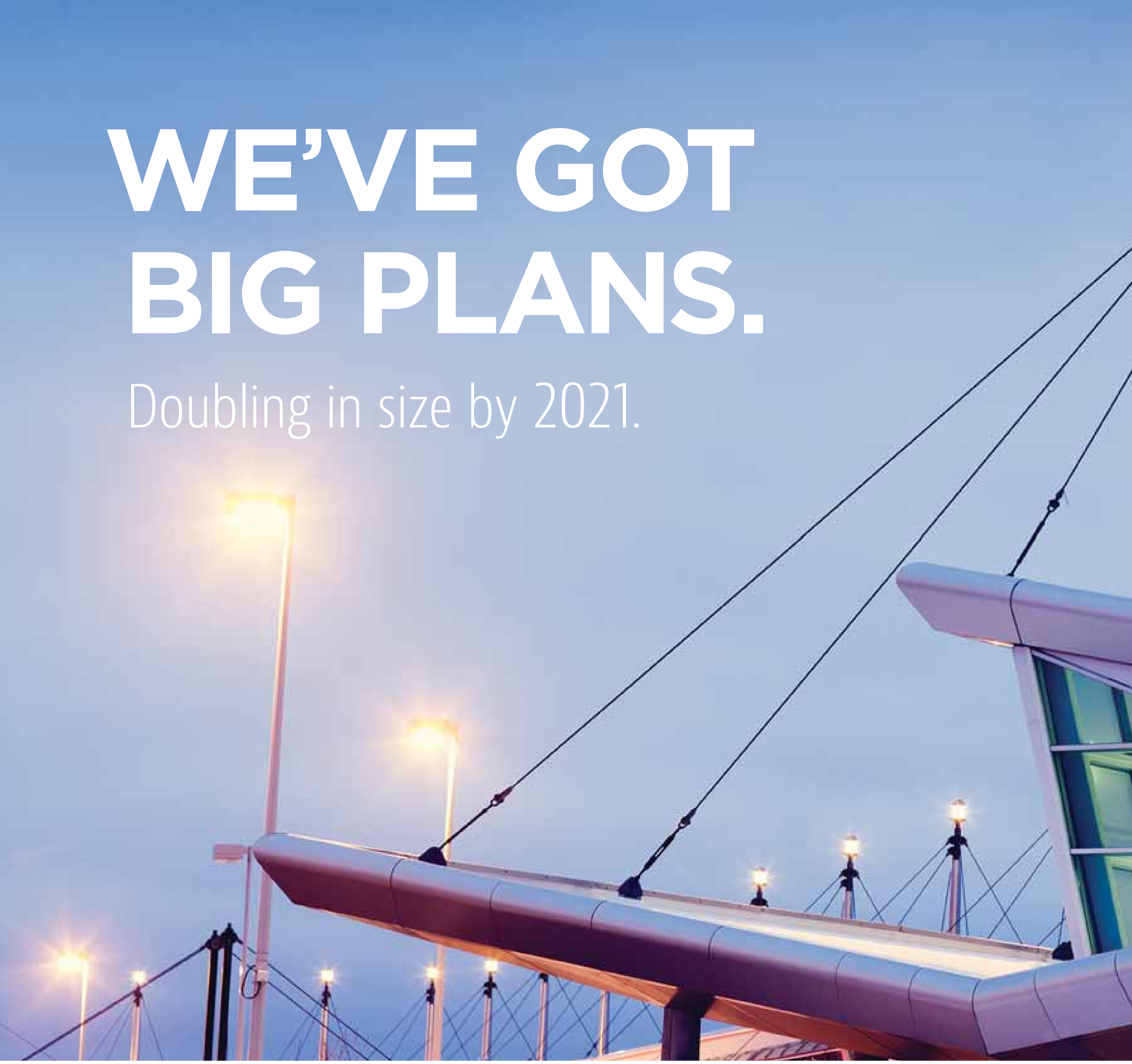
RECORD-BREAKING PASSENGER GROWTH

Over the last number of years, Newfoundland and Labrador has had one of the fastest growing economies in the country, and this has been reflected in the volume of people travelling through our Airport for both business and leisure. Over the last five years, St. John's International Airport has grown at a rate that is twice the national average, with an average annual growth rate of 4.3 per cent. Passenger volumes continued to be strong throughout 2014. During the summer period alone, we saw 700,000 passengers travel through our Airport, a volume that is greater than the population of our entire province. By the end of the year, our passenger traffic had grown by six per cent compared to the previous year.

Airlines have recognized the significant opportunities in our region and have invested in expanded services and new routes to new destinations. Between 2009 and 2013, our Airport was among the top three airports in Canada for growth in the number of airline seats available for purchase (23 per cent growth). Airline seat capacity continued to grow in 2014 by a further nine per cent, allowing even more people to travel to and from the province.

WE'VE GOT BIG PLANS.

Doubling in size by 2021.



NEW & EXPANDED AIR SERVICES

Substantial progress was made last year in our efforts to establish additional and improved links with Europe. We were delighted when WestJet announced that it chose to launch its first transatlantic service from our Airport. The new route between St. John's and Dublin, Ireland proved to be the most successful launch of a new air service in the airline's history. While the St. John's market was certainly enthusiastic about this new service, our Airport also served as a connecting point for passengers from all across Canada travelling to and from Dublin. As a result, direct flights were added to and from Toronto and Ottawa, adding much-needed capacity to these key Canadian markets.

Dublin represents the second European destination served from St. John's International Airport and operates six months of the year. In 2014, Air Canada announced that it was extending its seasonal London Heathrow service to a year-round service, thereby providing the only year-round direct link to Europe. This expanded service is particularly important for the continued growth of the oil and gas industry in our region, as well as supporting increased trade and tourism activity for the entire province.

BUILDING A BETTER GATEWAY

Offering passengers an exceptional airport experience is integral to everything we do. Maintaining this high standard of customer service has led to the development of our 10-Year Airport Expansion and Improvement Plan that was announced in April 2014. The Plan includes investments to ensure the safety and operational integrity of the existing facilities; to expand the Airport Terminal Building, parking lots and roadways to accommodate two million passengers annually; and to improve the Airport's accessibility during low-visibility conditions. The total investment in the Airport's facilities will be $245 million.

DOUBLING IN SIZE

Due to the unprecedented passenger growth that we have experienced, we have quickly outgrown our terminal building. The existing terminal building was designed to accommodate 900,000 passengers annually. The annual volume of passengers we are now handling means we are operating our terminal at approximately 80 per cent above design capacity. Over the next 10 years, the building will be expanded to double its existing size, and will offer new services and improved facilities for our passengers.

Following the announcement of the 10-Year Plan last spring, work commenced on Phase One of the terminal building expansion, which will result in an additional 145,000 square feet on the east end of the building by 2018. This three-storey expansion will significantly increase the range of passenger services, including more food, beverage, and shopping outlets in the Departures Lounge. It will expand the area designated for pre-board screening and will provide a more comfortable waiting area with increased seating available for passengers. Phase Two will commence in 2017 and will extend the building on the west end by 72,000 square feet. Once complete in 2021, the total size of the Airport Terminal Building will be almost 400,000 square feet, and will be designed to accommodate the existing and future travel demands of our region.

3D rendering of completed Airport Terminal Building

INCREASED ACCESSIBILITY

2014 marked the second year of our three-year infrastructure project that involves preparing our airfield for the installation and operation of a Category III Instrument Landing System (CAT III ILS) by NAV Canada. This $37.3 million project will be completed by the end of 2015, with the CAT III ILS to be operational in time for our foggy spring season in 2016.

Once operational, this technology will allow aircraft to land and take-off in low visibility conditions; a weather challenge that has had an impact on our Airport's operations and our region's reputation for decades. The usability of the Airport will increase to 99 per cent, putting it on par with the top eight airports in Canada. As a result, 700 more flights and 70,000 more passengers will be able to arrive and depart annually without delays or cancellations.

When the project is complete, St. John's International Airport will be the only Canadian airport serving less than 10 million passengers annually to employ this technology. This project will be transformational for our Airport and our province, reversing our reputation for being an inaccessible location at certain times of the year.

This project is cost shared between the Airport Authority, the Government of Newfoundland and Labrador, and the Government of Canada through Canada's Gateways and Border Crossings Fund in support of the Atlantic Gateway and Trade Corridor Strategy. In addition, NAV Canada will install and maintain the CAT III ILS technology. We thank our funding partners for their considerable support of this project that will pay dividends to our community for many years to come.

EXTENSIVE INFRASTRUCTURE IMPROVEMENTS

The infrastructure improvements required to support this new runway system are extensive. Since 2013, 120,000 cubic metres of terrain has been removed from the sides and ends of the primary runway (R11/29). In 2014, runway centreline and stopbar lighting and runway end safety areas were added to the secondary runway (R16/34). New and taller approach lighting towers have been and will continue to be installed at both ends of the primary runway. When these are complete in 2015, our Airport will be the first in the world to incorporate LED lighting on these approach lighting towers.

The final year will be the most critical of all three construction years as it will be necessary to close our primary runway for approximately five months to complete the improvements. By the end of 2015, all construction work associated with this project will be finalized and we will have an improved and newly paved primary runway that will support CAT III ILS operations, and will not require any significant work for at least another 15 years.

While we have done extensive analysis, planning, and scheduling to mitigate all impacts of this construction project on flight operations, it is anticipated that there will be flight disruptions as a result of only having one runway available for use during the June to October construction period. We acknowledge that passengers may be inconvenienced as a result. This temporary inconvenience is an unavoidable byproduct of completing the significant runway upgrades that will ensure increased airport access and reliability for decades to come.

Keith Collins
President & CEO

Neil Pittman
Chair

MAINTAINING FINANCIAL STABILITY

In order to finance these important improvement and expansion investments, the Airport Authority has developed a comprehensive 10-Year Financial Plan that includes securing additional debt financing while ensuring the long-term financial sustainability of the Airport. The total additional funding determined by the Plan was $82.5 million. This was secured through bond financing and other credit facilities and will be used as bridge financing to ensure liquidity throughout the substantial construction years. Along with Airport Improvement Fee revenues, these credit facilities will fund the entire 10-Year, $245 million Plan.

In July 2014, the Airport Authority issued a $60 million private placement bond when interest rates were at an all-time low. We achieved a very favourable interest rate of 3.479 per cent. Moody's Investors Service acknowledged the growth in our passenger traffic, our strong credit metrics, and our conservative financial management, and assigned an A1 rating to the bond issue; a positive rating that is on par with larger Canadian Airports. Unused bond proceeds will be invested in a secure high-interest savings account that will be drawn down as necessary to pay for the capital investments.

ENHANCING THE PASSENGER EXPERIENCE

While we recognize that significant improvements to the experience of passengers at our Airport will not be realized without the expansion to the terminal building, we are consistently looking for ways to enhance our services and facilities for the benefit of passengers.

Soar St. John's is a new, complimentary airport magazine that was launched in June 2014 and is available in the terminal building. This magazine features interesting travel destinations, local content on what to see and do while visiting St. John's, and information about the Airport. It also offers passengers and the public a fun and informative communication tool designed to entertain and educate on what's new at the Airport. This magazine is just one way that we are adding value for our passengers.

Over the last year, we have upgraded the self check-in kiosks in the terminal building; reconfigured the Departures Lounge to add more seating, charging stations, and food services; enhancements were made to the washrooms in the Departures Lounge; and new lounge seating was added to the first floor.

As the premier gateway to our province, we clearly understand our role in facilitating the economic growth of our region. This mandate drives us to relentlessly pursue new airline services where strong business cases exist; to improve and enhance our facilities in order to meet the travel demands of our region; and to provide a positive first and last impression of our province.

We would like to acknowledge and thank our community stakeholders in both the business and tourism sectors who have supported our efforts to build a better gateway to and from our province, and who have supported the launch of the new air services offered by our airline partners. We are also appreciative of the Board of Trade for recognizing our efforts to better our facilities and service offerings by awarding us with the 2014 Board of Trade Business Excellence Award for Leader in Growth and Sales. None of our achievements and successes would have been possible without our dedicated employees, and we thank them for their contributions.

While 2015 may be a challenging construction year, we are confident that the long-term result will be a better gateway for the entire province of Newfoundland and Labrador.

Keith Collins, President & CEO

Neil Pittman, Chair


99% ACCESSIBILITY
WITH INSTALLATION OF CAT III ILS.

UPDATE ON OUR STRATEGIC BUSINESS PLAN

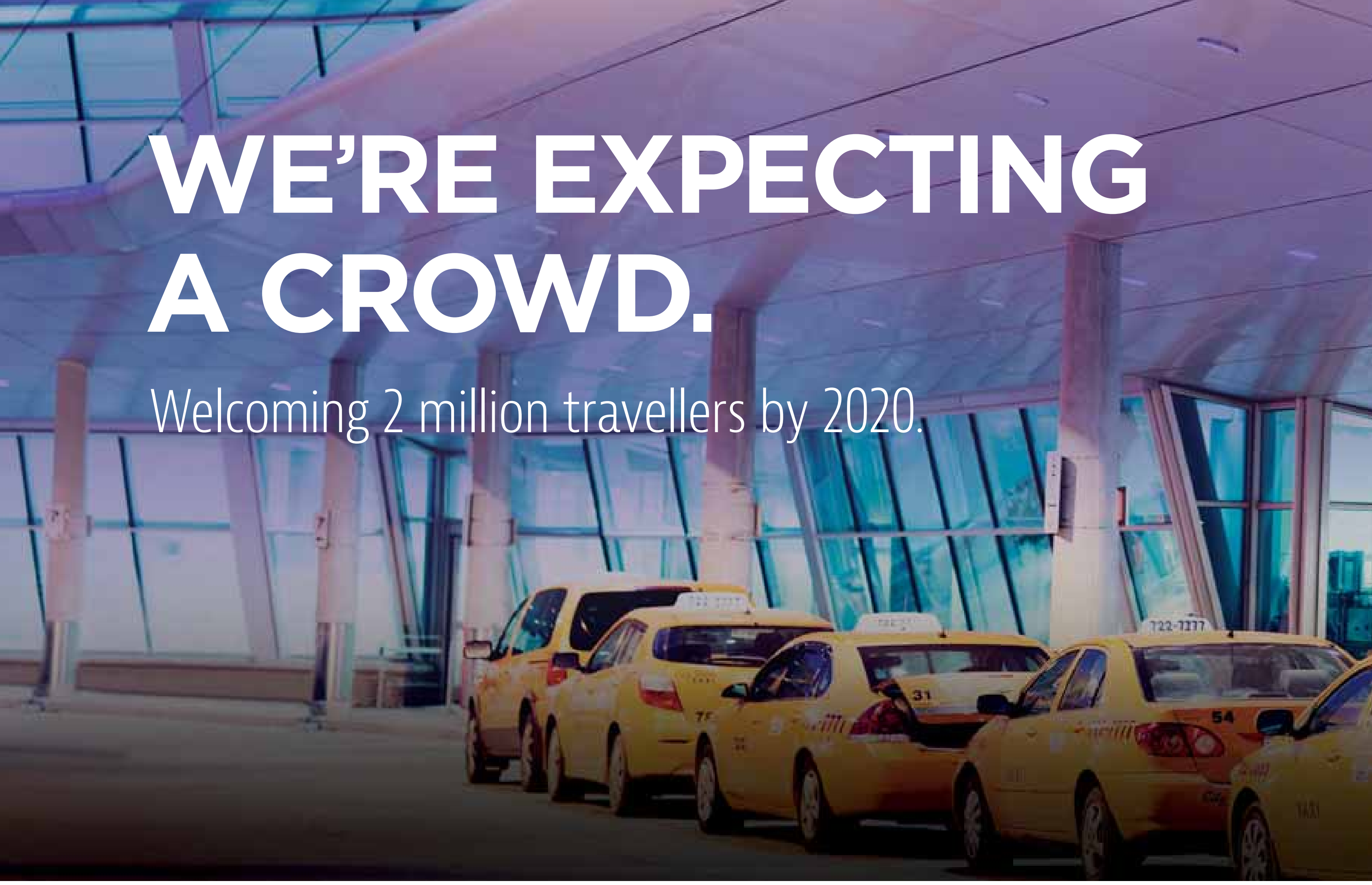
During 2014, the Airport Authority developed a 5-Year Strategic Business Plan that included an updated vision, defined its ideal future, and established new objectives and strategic initiatives that will ensure it reaches its goals by 2019. While not veering too far from the previous Strategic Business Plan, this updated Plan reflects the changes in our operating environment, and recognizes the role of the Airport Authority as a community leader and facilitator for the economic growth of the region. The seven strategic objectives, as listed below, set a path towards the creation of an exceptional airport experience at our province's premier gateway.

OUTSTANDING FACILITIES

Deliver new, improved, and expanded air terminal building and related airport facilities to meet the 2020 demand

St. John's International Airport has achieved significant passenger growth since it privatized in 1998 and is one of the fastest growing airports in Canada. This growth has been unprecedented; in 2014, a new milestone was reached when close to 1.6 million passengers travelled through our gates. This increased demand for air travel has put a strain on facilities that were originally designed to handle 900,000 passengers annually. The current passenger volume means that our airport terminal building is operating at approximately 80 per cent above design capacity.

In order to continue to grow and create an exceptional airport experience for our passengers, it is evident that our services and facilities need to be expanded. In 2014, the Airport Authority announced its $245 million Airport Expansion and Improvement Plan that includes a significant expansion to the Airport Terminal Building (ATB). When complete in 2021, the building will be more than double the size of our existing building, and will be able to accommodate the two million passengers anticipated annually by the end of this decade.



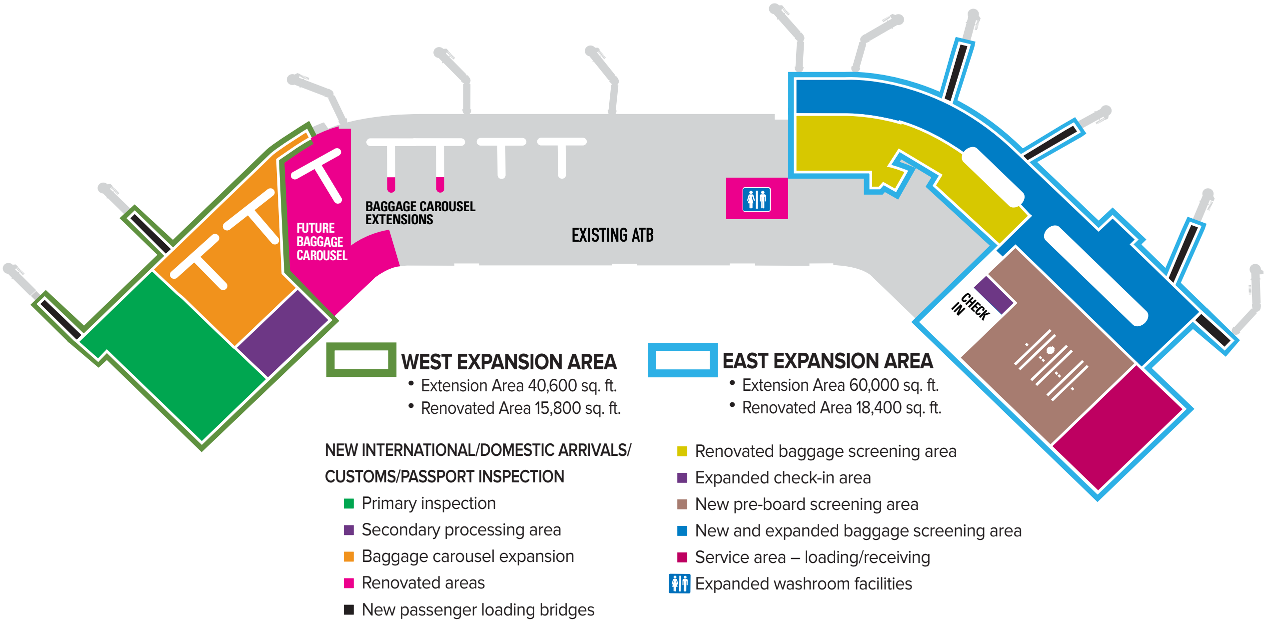
WE'RE EXPECTING A CROWD.

Welcoming 2 million travellers by 2020.

AIRPORT TERMINAL BUILDING EXPANSION

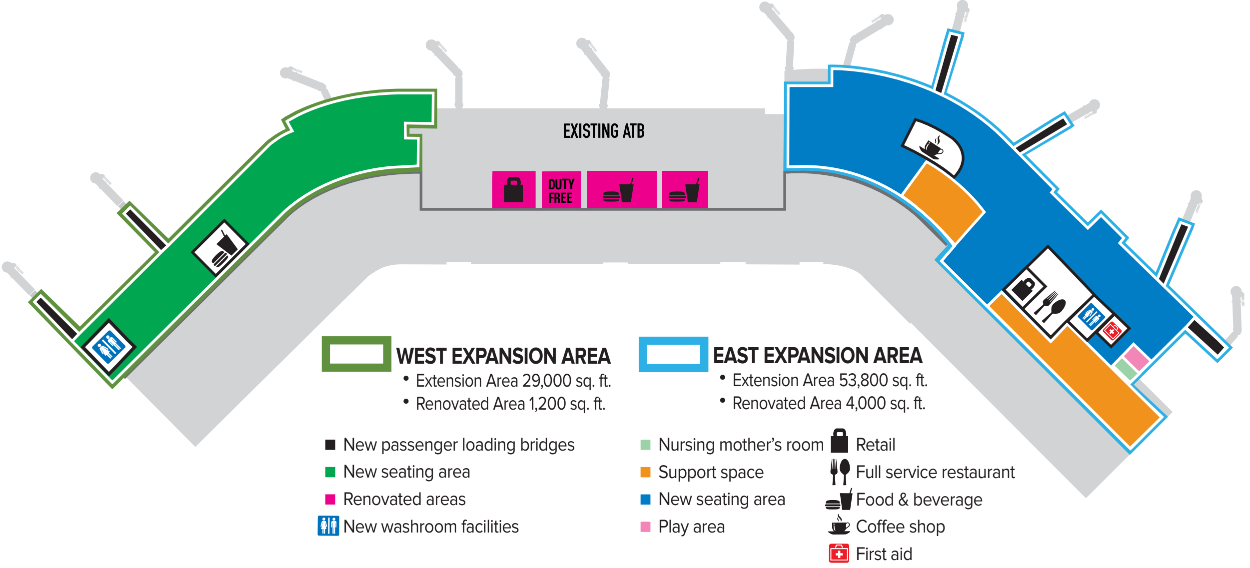
The expansion of the terminal building will be conducted in two phases, with the first phase focused on the east end (departures area) of the building. Last year the foundation of the building was poured and in 2015 the steel structure will take form. This 145,000 square foot expansion will provide a larger check-in and pre-board screening area; an expanded Departures Lounge with a full-service restaurant, additional shopping outlets, and more washroom facilities; and three new departure gates. The anticipated completion date of Phase One is mid-2018.

Level 1 ATB Expansion



Phase Two of the expansion is scheduled to commence in 2017 and will add a further 72,000 square feet to the west end (arrivals area) of the facility by the end of 2021. The Departures Lounge will be further expanded to provide an even more comfortable waiting area for business travellers and families. The completed terminal building will be approximately 400,000 square feet in total and will have the capacity to welcome more aircraft, more airlines, and more passengers.

Level 2 ATB Expansion



RAIN, DRIZZLE &

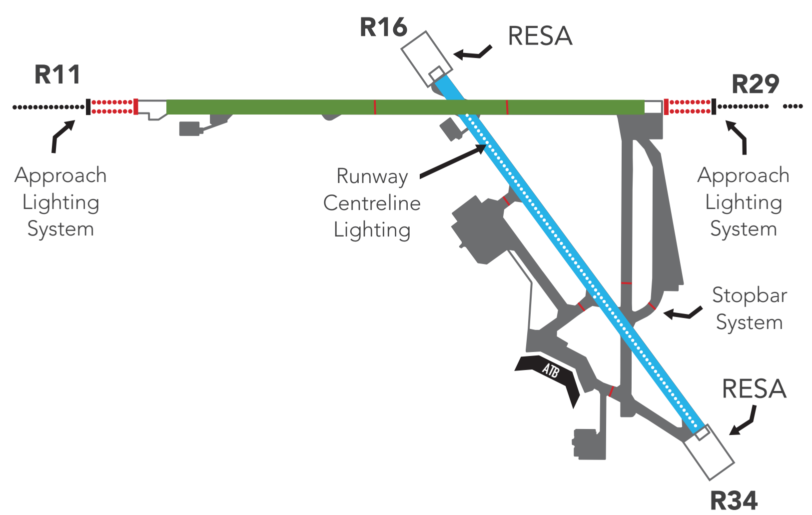
By 2016, our new runway system will allow 700 more flights each year to operate on schedule, regardless of fog.

ACCESSIBILITY & SAFETY INITIATIVE

While the ATB project is the largest of all the projects included in the Expansion and Improvement Plan, the one project that will yield the greatest benefits for our passengers, our airline partners, and the entire community is the Accessibility and Safety Initiative. This project will be transformational for our Airport. Through the installation and operation of a Category III Instrument Landing System (CAT III ILS) by NAV Canada, the accessibility of our Airport will increase to 99 per cent, putting us on par with the top eight airports in Canada. It will reverse our reputation for being inaccessible due to low visibility, thereby increasing the attractiveness of our destination for tourists, conventions, and for businesses looking for a place to invest.

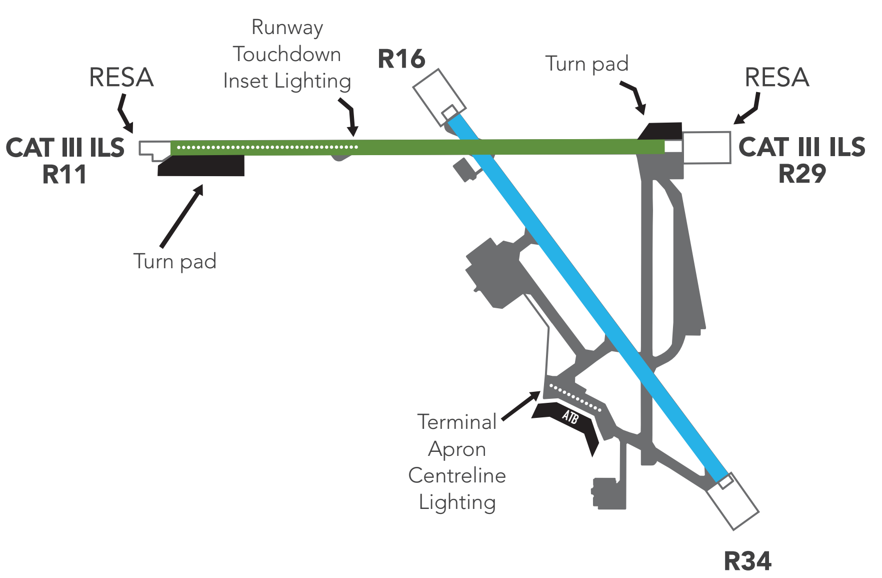
Over the last two years, extensive construction work has taken place on the airfield to support the installation and operation of this technology, including the removal of 120,000 cubic metres of terrain along the sides and around the primary runway. As we move into the final and most intensive year of construction on the infrastructure improvements necessary to support this system, we look forward to reaping the long-term benefits of this technology. It will provide a more reliable transportation facility and will support the continued growth of our region. Once installed and operational in 2016, we will be the fourth airport in Canada and the only airport that welcomes less than 10 million passengers annually to utilize this technology.

2014



- 120,000 cubic metres of terrain has been removed
- New towers installed on R29
- Runway End Safety Areas (RESAs) completed on R16/34
- Extended R16/34 by 300 feet to to accomodate aircraft during R11/29 closure

2015



- Complete approach towers and touchdown lighting on R11
- Primary Runway (R11/29) to be closed for approximately 5 months to complete the following work:
  - Runway End Safety Areas (RESAs) and turn pads
  - Centreline lighting installation
  - Rehabilitate (repave) 8,500 feet of runway surface
- Install centreline lighting on ATB apron
- NAV Canada to install CAT III ILS technology

EXCEPTIONAL PASSENGER EXPERIENCE

Provide an exceptional passenger experience at our Airport

Achieving an outstanding airport experience for our passengers is our priority, second only to safety. As the gateway to Newfoundland and Labrador, we understand that the experience of passengers at our Airport can help shape their perception of our city and our province. Our efforts, therefore, are focused on ensuring that this experience is always positive and reflective of Newfoundland and Labrador's welcoming hospitality.

Although substantial improvements in our services and facilities will not be realized until the terminal building is expanded, we are constantly looking for the little improvements that will make a difference to our passengers. Over the last year we have added seating and incorporated charge stations in our Departures Lounge. We also added new seating on the first floor of the terminal building for the large number of people that visit our airport to greet arriving passengers. In 2015, we will be providing an improved complimentary WiFi system in the terminal building available to all Airport visitors.

We continue to participate in the world's largest managed airport benchmarking program: the Airport Service Quality Index Survey. This tool enables us to measure our passengers' level of satisfaction with all aspects of our Airport, and to compare their experience to that of other participating airports around the world. In 2014, we achieved an 83 per cent overall passenger satisfaction level. While the next few years will be challenging as construction intensifies, we remain committed to looking for ways to enhance the experience of passengers at our Airport.


83% OVERALL
PASSENGER SATISFACTION
(AIRPORT SERVICE QUALITY INDEX)

FOCUSED BUSINESS & AIR SERVICE DEVELOPMENT

Pursue revenue diversification and aggressive air service development

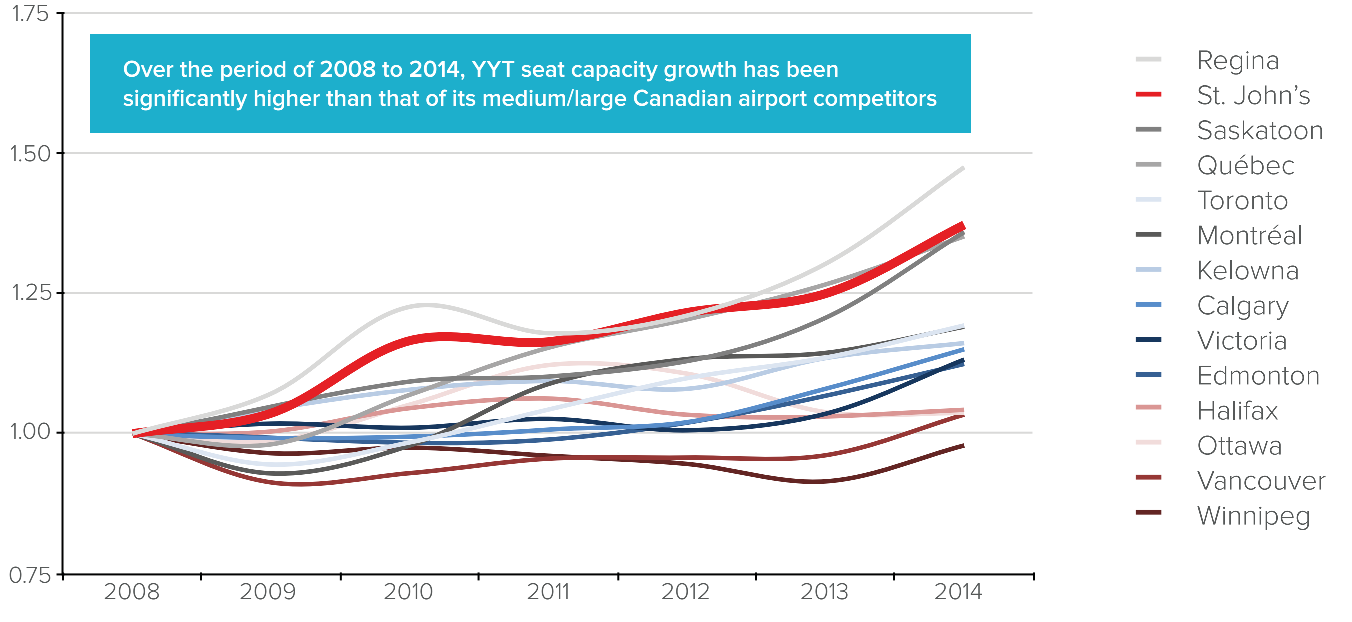
It has long been understood that the more accessible a region, the greater is its potential for economic development. Therefore, attracting new and expanded airline services to our Airport is a core function of our business. The industry is very competitive, which is why we have adopted an aggressive approach to air service development. This approach has been effective in growing the number of airline seats available for purchase to and from our Airport and the number of destinations served. Over the last six years, our Airport has achieved the second highest rate of growth in airline seat capacity among the medium to large-sized airports in Canada. Last year alone capacity grew by nine per cent and two very strategic routes for our province were secured: Air Canada's year-round service to London Heathrow, England and WestJet's direct seasonal service to Dublin, Ireland. In 2015 we will experience further growth as capacity on sun charters will increase by seven per cent and Air Transat will launch it's seasonal service direct to London, Gatwick.

Our success in increasing the airline seat capacity at our Airport has facilitated growth in the business and tourism sectors within our region, and has contributed to the social well-being of our community. It is for these reasons that we are committed to continue to identify new opportunities and pursue new and expanded airline services with our airline partners where a strong business case exists.

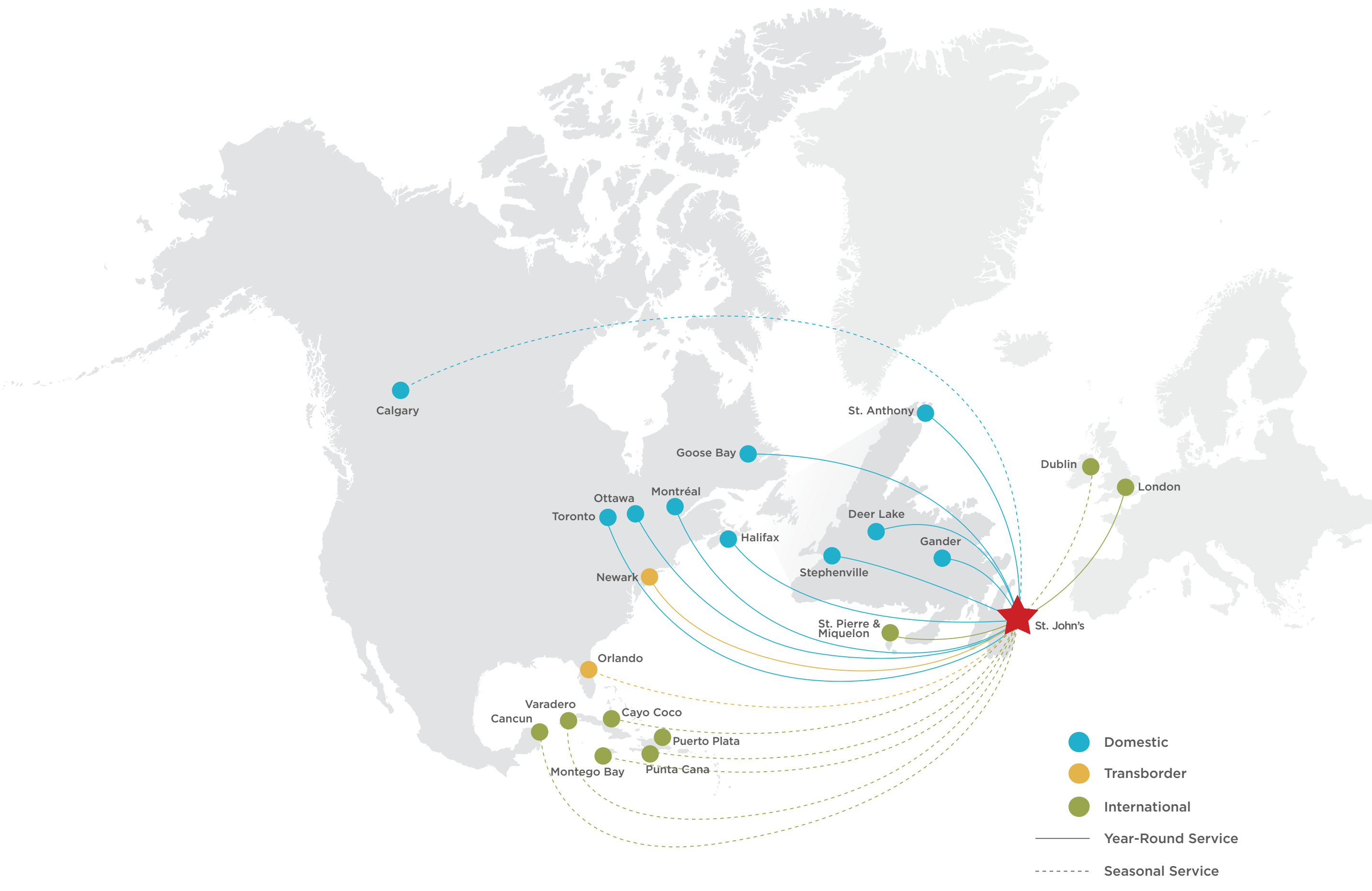
While expanding and enhancing our airline service offerings at our Airport is fundamental to achieving our mandate as an Airport Authority, we have and will continue to place a significant amount of energy and resources to diversify our revenue. In doing so, we reduce our dependency on the commercial airline industry that can often be unpredictable and we are able to limit the increases to our aeronautical fees that will ensure we remain competitive with other airports when negotiating with airlines to provide additional services at our Airport. In addition, we generate additional revenue that can help finance the debt associated with our Airport Expansion and Improvement Program.

Revenue generated from non-aeronautical sources in 2014 represented 54 per cent of total revenue generated by the Airport Authority. This was achieved through the expansion in the number of land tenants at our Airport, including the addition of a hotel that will be opened in 2016; an increase in advertising sales; and through working with our concession operators to expand the options available for purchase at our Airport. With the expansion of our facilities, we have the potential to further increase our non-aeronautical revenue through an expanded and improved food and beverage and retail program; additional real estate space and facilities in which to sell advertising; and more long-term land leases with commercial developments on our property.

Seat Capacity Index (2008 = 1)

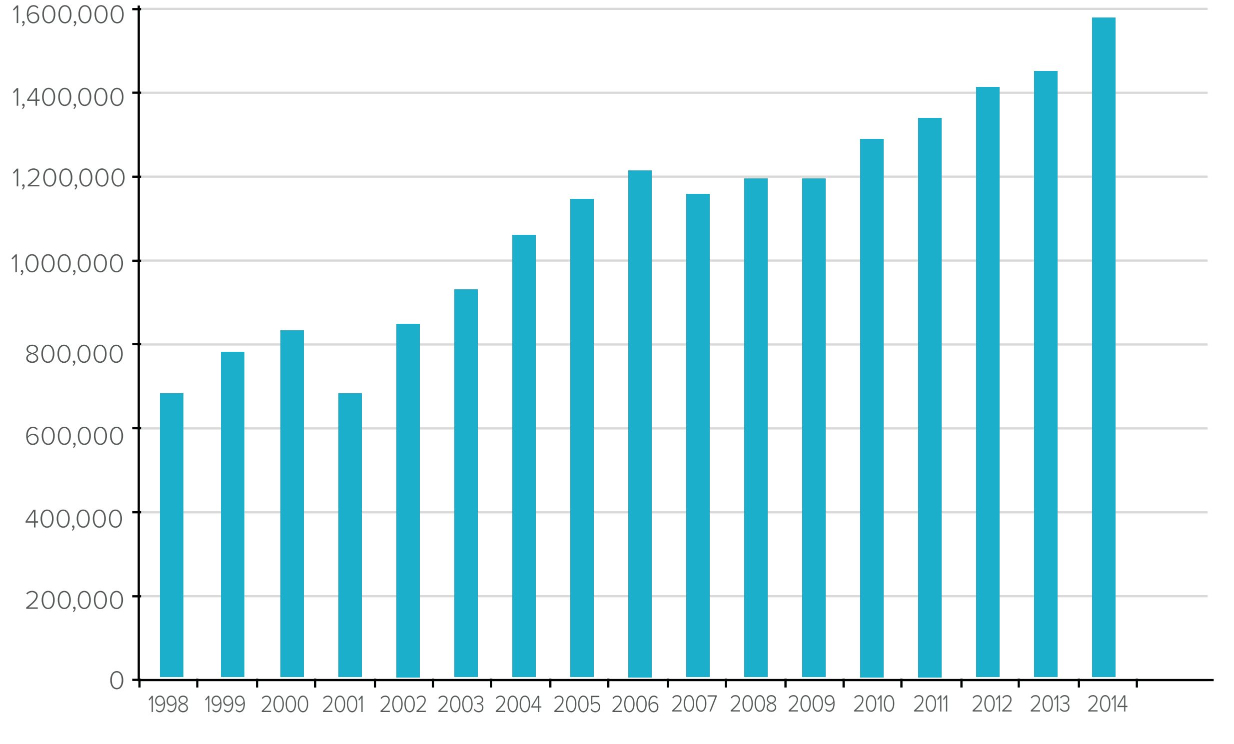


Passenger Air Carrier Route Network



Passenger growth > double the national average

1.6 million passengers annually



HUSTLE & BUSTLE.

$245 million Expansion and Improvement Plan to support the growth of our province.

CULTURE OF ENGAGEMENT

Create a culture of employee engagement within the organization

The future we envision for our Airport can only be achieved with an engaged workforce that is committed to fulfilling the organization's business objectives and a work environment that is based on mutual respect, accountability, and keeping safety top-of-mind.

A number of initiatives will be undertaken to support the development of this new organizational culture, including the implementation of a performance review and career development program, as well as the development of leadership training and succession planning programs for key positions within the organization.

ENHANCED COMMUNITY PARTNERSHIPS & COLLABORATION

Enhance partnerships and collaboration with the community while strengthening our brand

The Airport plays an important role in enhancing the economic and social well-being of our community. This relationship and role, however, is not well understood by our stakeholders and the general public.

Over the next five years we plan to have a greater presence within our community. We intend to enhance the existing partnerships we have with our community partners and stakeholders and to develop new strategic collaborations where mutual goals can be realized. We will continue to meet with our partners and stakeholders regularly to provide updates on the progress we have made and convey the impact it has on the overall success of our region.

One of our newest collaborations is with Business and Arts NL, a not-for-profit organization dedicated to creating mutually beneficial relationships between the arts and business communities. In December, Business and Arts NL launched Atlantic Canada's first street piano project at our Airport. The project has been a tremendous success and pianos are now rolling out into other airports across the province. The objective behind placing the piano in the atrium of the Airport is to stimulate conversation, create moments of beauty and connection, while promoting the value of art and music. Many passengers have been inspired to play the piano, while even more have enjoyed the impromptu performances and sing-alongs. This is just one example of how we are committed to working with our community partners while, at the same time, enhancing the airport environment.

54% OF REVENUE
IS FROM NON-AERONAUTICAL SOURCES.*

*Excluding AIF.

ORGANIZATIONAL EFFECTIVENESS

Improve organizational effectiveness with improvements to processes and systems

We work in a highly regulated environment that is constantly changing. We have also set high standards for ourselves in how we operate; always looking for ways to improve. Throughout the next five years we will look internally at how we function to identify areas that require improvement and source the appropriate support systems to ensure we operate in the most efficient and effective manner possible.

FINANCIAL SUSTAINABILITY

Ensure financial sustainability

Being responsible for such an important asset in our community requires great prudence in managing our financial situation. As a not-for-profit and private corporation, we are responsible for generating our own revenue and raising our own capital. Any excess revenue over expenses is reinvested back into our facilities.

Extensive investment is required to expand and enhance our facilities to ensure that we continue to meet the travel needs of our region. This can only be accomplished by taking on additional debt to finance the capital program. In 2014, we announced our 10-Year Financial Plan that set a course for obtaining the necessary capital funds while ensuring our long-term financial sustainability.

We have maintained an A1 credit rating since we issued our first private placement bond offering in 2007. This favourable credit rating has been reaffirmed each year by Moody's Investors Service and again when we completed a second private placement bond offering for a total of $60 million in 2014. Our goal is to continue to maintain this credit rating throughout the entire five-year planning process. In addition to our own self-financing, we will look for appropriate partners to finance mutually beneficial projects.

We will remain focused on growing and diversifying our revenue base while optimizing all key elements of our operating expenses. We also have a fiduciary duty to challenge expenses that are imposed upon us by various government and regulatory agencies that will negatively impact our financial position and our ability to compete on a national and global scale, to the detriment of our community.

BUSINESS PLAN SUMMARY

2014 CAPITAL PROGRAM

In 2014, the Airport Authority announced its Expansion and Improvement Plan and commenced construction on the first phase of the Airport Terminal Building expansion. The foundations for the east expansion to the building were laid, along with an expansion of the long-term parking lot, the development of a new rental car parking lot, an extension on the terminal apron, and the electrical and data capacity to the terminal building was increased to support the expanded terminal facilities. Last year was also the second year of construction associated with the Accessibility and Safety Initiative, to be completed in 2015.

2014 Actual vs. Business Plan (Shown in thousands of dollars)

	Actual	Plan	Difference	Explanation
Revenue (Note 1)	39,535	39,629	(94)	Lower AIF revenue due to timing of fee increase offset by higher operating revenues.
Expenses (Note 2)	23,924	24,455	(531)	Lower salaries and benefits expense due to change in accounting policy for pensions.
Capital (Note 3)	29,458	30,432	(974)	First phase of terminal building expansion started later than planned.

Note 1. Revenue includes net AIF and operating revenue.

Note 2. Expenses include interest and exclude the non-cash items of depreciation and amortization.

Note 3. Excludes Provincial and Federal Government contributions of $1,828,927 towards the Airport Accessibility and Safety Initiative.

PLANNING FOR GROWTH (2015-2019)

We have completed a long-term infrastructure plan to address capacity constraints and to accommodate the approximately two million annual passengers forecast by the year 2020. Highlights of the Plan include necessary infrastructure improvements to support the implementation of the Airport Accessibility and Safety Initiative and a two-phased expansion of the Airport Terminal Building. A long-term Financial Plan was also prepared in order to support the investment in infrastructure improvements and includes borrowings in the form of a private placement bond and credit facilities.

Business Plan Forecast 2015-2018 (Shown in thousands of dollars)

	2015	2016	2017	2018	2019
Revenue (Notes 1 & 2)	45,185	46,984	52,637	55,007	57,327
Expenses (Note 3)	26,746	27,732	29,856	31,317	32,791
Capital (Note 4)	49,783	33,329	49,303	28,912	23,623

Note 1. Assumes passenger growth will be 0% in 2015 and between 2.5% and 3.0% in 2016 to 2019.

Note 2. Revenue includes net AIF and operating revenue.

Note 3. Expenses include interest and exclude the non-cash items of depreciation and amortization.

Note 4. Capital includes the Airport Accessibility Project, expansion of the Airport Terminal Building, additional aircraft bridges, and surface parking.

SENIOR LEADERSHIP TEAM

Keith Collins

Peter Avery

Kirk White

Marie Manning

Janet O'Brien

Frank Wyse

Laura Cooper

Lynn Holwell

Bob Nurse

Glenn Mahon

Philip O’Connell

BOARD OF DIRECTORS

Neil Pittman

Art Cheeseman

Holly Hicks

Gail Carroll

Jerry Byrne

Gary Follett

Roger Butt

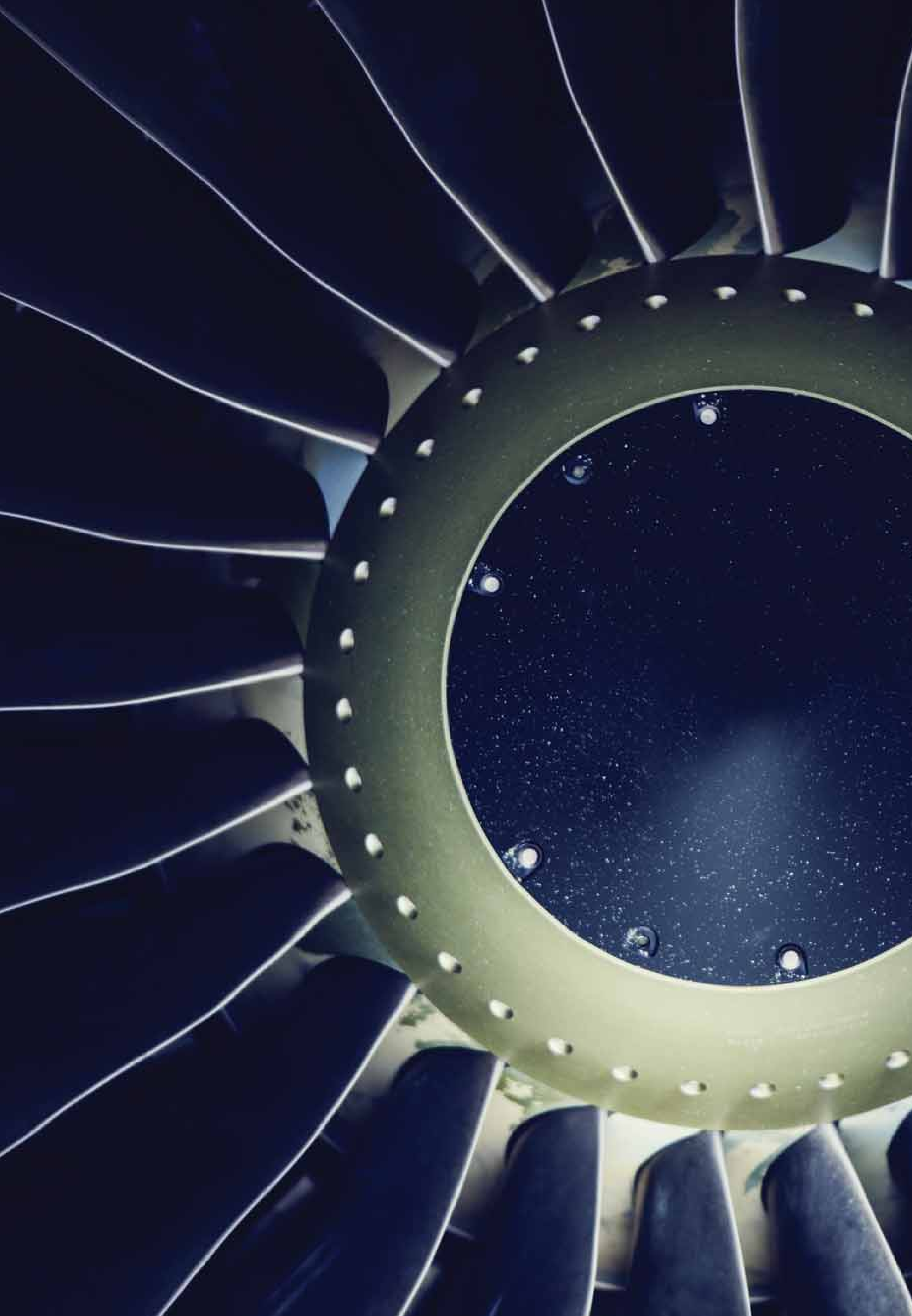
Tom Williams

John Chapman

Darren Martin

Irene Baird

Jim Heale



INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF ST. JOHN'S INTERNATIONAL AIRPORT AUTHORITY

We have audited the accompanying financial statements of the St. John's International Airport Authority (the "Authority"), which comprise the balance sheet as at December 31, 2014 and the statements of operations and equity in capital assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the St. John's International Airport Authority as at December 31, 2014 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

April 21, 2015

FINANCIAL STATEMENTS

BALANCE SHEET

St. John's International Airport Authority
As at December 31, 2014 (in thousands of dollars)

	2014	2013 Restated (note 2)
Assets		
Current		
Cash and cash equivalents	$ 47,107	$ 583
Accounts receivable (note 4)	6,311	3,298
Consumable inventory (note 3)	362	316
Prepaid expenses	344	498
Total current assets	**54,124**	**4,695**
Capital assets, net (note 5)	135,900	112,775
Debt service reserve fund (note 7)	2,772	1,721
Defined benefit asset (notes 2 & 10)	3,556	2,781
Intangible assets, net	40	77
	$ 196,392	$ 122,049
Liabilities and Equity in Capital Assets		
Current		
Accounts payable and accrued liabilities (notes 6 & 14)	$ 20,936	$ 10,361
Current portion of long-term debt (note 7)	644	5,122
Total current liabilities	**21,580**	**15,483**
Long-term debt (note 7)	108,940	49,975
Deferred contributions for capital projects, net (note 8)	12,593	11,374
Equity in capital assets (note 2)	53,279	45,217
	$ 196,392	$ 122,049

Commitments (note 12)
See accompanying notes
On behalf of the Board:

Neil Pittman, Chair

John Chapman, Chair, Finance and Audit Committee

STATEMENT OF OPERATIONS AND EQUITY IN CAPITAL ASSETS

St. John's International Airport Authority

For the year ended December 31, 2014 (in thousands of dollars)

		2014		2013 Restated (note 2)
Revenues				
Landing fees	$	5,867	$	5,635
Terminal fees		4,995		4,597
Concessions		4,463		4,128
Car parking		3,560		3,386
Rentals		3,360		2,500
Other		1,153		1,125
		23,398		21,371
Airport improvement fees (note 9)		16,137		13,328
		39,535		34,699
Operating Expenses				
Salaries and benefits		8,280		6,309
Operating		6,405		7,555
Amortization		7,549		6,959
Interest and financing costs		4,018		3,149
Ground rent (note 12)		2,060		1,657
Municipal tax		1,320		725
Business development		536		432
Professional services		611		599
General and administrative		654		559
Bad debts		40		40
		31,473		27,984
Excess of revenues over expenses	**$**	**8,062**	**$**	**6,715**
Total equity in capital assets, beginning of year		45,217		39,718
Pension adjustment (note 2)		-		(1,216)
Total equity in capital assets, beginning of year - restated	$	45,217	$	38,502
Total equity in capital assets, end of year	**$**	**53,279**	**$**	**45,217**

See accompanying notes

STATEMENT OF CASH FLOWS

St. John's International Airport Authority

For the year ended December 31, 2014 (in thousands of dollars)

	2014	2013 Restated (note 2)
Operating Activities		
Excess of revenues over expenses	$ 8,062	$ 6,715
Add (deduct) items not involving cash		
Amortization - capital assets, net	8,162	7,519
Amortization - deferred contributions	(665)	(621)
Amortization - intangible assets	52	61
Amortization - other	141	111
Gain on disposal of capital assets	-	(134)
Increase in defined benefit asset	(775)	(2,244)
	14,977	11,407
Changes in non-cash working capital balances related to operations		
Accounts receivable	(3,013)	2,182
Consumable inventory	(46)	27
Prepaid expenses	154	(143)
Accounts payable and accrued liabilities	10,575	(3,236)
Cash provided by operating activities	22,647	10,237
Financing Activities		
Proceeds from bond issue	60,000	-
Increase in debt service reserve fund	(1,051)	(2)
Repayment of revenue bond	(611)	(581)
Repayment of demand installment loan	(1,516)	(210)
Transaction costs	(533)	-
Repayment of revolving credit facility	(2,994)	(1,689)
Cash provided by (used in) financing activities	53,295	(2,482)
Investing Activities		
Additions to capital assets	(31,287)	(9,350)
Additions to deferred contributions	1,884	482
Additions to intangible assets	(15)	(3)
Proceeds from sale of capital assets	-	206
Cash used in investing activities	(29,418)	(8,665)
Net increase (decrease) in cash and cash equivalents during the year	**46,524**	**(910)**
Cash and cash equivalents, beginning of year	583	1,493
Cash and cash equivalents, end of year	**$ 47,107**	**$ 583**

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2014
(tabular amounts expressed in thousands of dollars except where otherwise noted)

1. Organization and nature of operations:

The St. John's International Airport Authority (the "SJIAA") was incorporated on May 6, 1996 as a corporation without share capital under Part II of the Canada Corporations Act. The *Airport Transfers (Miscellaneous Matters) Act* exempts the corporation from paying income and large corporations tax.

On December 1, 1998, the operations and undertakings of the St. John's International Airport (the "Airport"), previously administered by Transport Canada, were transferred to the SJIAA. The SJIAA operates the Airport pursuant to the provisions of a long-term lease with the Government of Canada (the "Ground Lease"). As the principal document governing the relationship and allocating responsibilities between the SJIAA and the Government of Canada, the Ground Lease provides a formula for the calculation and payment of Ground Rent, after an initial rent-free period which ended December 31, 2005. The term of the Ground Lease is sixty years, ending 2057, with an option to extend the term for a further twenty years.

The SJIAA has all the powers and obligations of any Canadian private corporation and operates on a fully commercial basis. The SJIAA has the autonomy to set all fees and charges and does not rely on grants, donations or contributions with restrictions imposed by the contributor.

The corporate structure ensures that the excess of revenues over expenses, or surplus from operations, is retained and reinvested in capital assets for development of the Airport. Equity in capital assets includes the net assets invested in capital assets to date and cumulative surpluses restricted for future airport infrastructure projects and associated financing costs.

2. Change in accounting policy:

Employee future benefits

Effective January 1, 2014, the SJIAA adopted the recommendations of the Accounting Standards Board's new accounting standard Section 3462, Employee Future Benefits (Note 10). This standard requires the immediate recognition of pension benefits and obligations which had previously been deferred and amortized.

The SJIAA has opted to use a funding valuation to value pension obligations whereas an accounting valuation had been used in previous years. The method used to value pension obligations has also changed from the projected benefit method prorated on services to the projected unit credit actuarial cost method. Under this method, the pension obligations represent the value of the pensionable service accrued as at the valuation date and best estimate assumptions.

These changes have resulted in a restatement of previously reported 2013 financial statements including a decrease to the January 1, 2013 opening accrued benefit obligations and a corresponding increase in opening equity in capital assets of $1,215,864, of the cumulative effect of adopting the standard. The effect on the 2013 financial statements is an increase in defined benefit asset of $827,450 and a decrease in salaries and benefits expense of $2,043,314.

NOTES TO FINANCIAL STATEMENTS

3. Significant accounting policies:

Basis of presentation

The financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises (ASPE) as issued by the Canadian Accounting Standards Board.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. Actual results could differ from those estimates.

Cash and cash equivalents

The SJIAA considers deposits in banks, certificates of deposits and short-term investments with original maturities of three months or less as cash and cash equivalents.

Ground lease

The Ground Lease is accounted for as an operating lease.

Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment. This includes a provision for severance pay liability for employees who have less than ten years of continual service.

Capital assets

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

Asset	Rate
Airport terminal building, other buildings and bridges	15 - 30 years
Leasehold improvements and improvements to leased land	15 - 30 years
Vehicles, machinery, furniture and fixtures	5 - 15 years
Computer hardware and software	3 - 15 years
Multi-purpose/central de-icing facility	25 years

Assets under construction or development are recorded at cost and are transferred to capital assets when the projects are complete and the assets are placed into service.

NOTES TO FINANCIAL STATEMENTS

3. Significant accounting policies: (continued)

Intangible assets

Intangible assets of the SJIAA include computer software and are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Amortization of $51,673 (2013 - $60,966) is included in operating expenses for the year.

Revenue recognition

Landing fees, terminal fees, and car parking revenues are recognized as the facilities are utilized. Airport Improvement Fees ("AIF"), net of airline administration costs, are recognized when originating departing passengers board the respective aircrafts, and are subject to reconciliation with air carriers. Concessions revenue is charged on a monthly basis and is recognized based on a percentage-of-sales or specified minimum levels. Rental revenue is recognized on a straight-line basis over the duration of the respective agreements.

Contributions for capital projects, exclusive of AIF, are accounted for under the deferral method. Contributions externally restricted for the purchase of capital assets are deferred and recognized in income as the related assets are amortized.

Pension plans

In 2005, the SJIAA established a contributory defined contribution pension plan for new employees hired after March 9, 2003, whereby retirement benefits are based on the investment in the marketplace of both the employer and the employee contributions. The employees determine where their funds are invested. The SJIAA's contributions to this plan for the year ended December 31, 2014 amounted to $200,458 (2013 - $297,522).

The SJIAA has a contributory defined benefit pension plan for its employees whereby retirement benefits are based on length of service and the best six years' average earnings. The defined benefit pension cost is charged to salaries and benefits expense as employees render services.

The Authority's policies for accounting for future employee benefits for the defined benefit pension plan are as follows:

I. The cost of pensions earned by employees is actuarially determined using the projected unit credit actuarial cost method. Under this method, the accrued benefit obligation represents the pensionable service accrued as at the valuation date and best estimate assumptions.

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

III. Actuarial gains and losses are recognized in full in the period in which they occur, in excess of revenues over expenses.

Financial instruments

The financial instruments, which include cash, accounts receivable, debt service reserve fund, accounts payable and accrued liabilities and long term debt, are recorded at amortized cost. Amortization is recorded on a straight-line basis.

NOTES TO FINANCIAL STATEMENTS

3. Significant accounting policies: (continued)

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

Derivative financial instruments, including interest rate swaps, may be used from time to time to reduce exposure to fluctuations in interest rates. These financial instruments will be accounted for under the deferral method if the Authority meets the hedging requirements set out in existing accounting pronouncements and the Authority chooses to designate these financial instruments as hedges. Accordingly, the book value will not be adjusted to reflect the current market values. Payments and receipts under interest rate swap agreements will be recognized as adjustments to interest and financing costs where the underlying instrument is an Authority debt issue.

Derivative financial instruments that are not designated by the Authority to be an effective hedging relationship will be carried at fair value with the changes in fair value, including any payments or receipts made or received, being recorded in interest and financing costs.

Realized and unrealized gains or losses associated with derivative financial instruments, which have been terminated, designated from a hedging relationship or cease to be effective prior to maturity, will be deferred and recognized in the period during which the underlying hedged item is realized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative financial instrument, any realized or unrealized gain or loss on such derivative financial instrument will be recognized in the statement of operations and equity in capital assets.

Effective interest rate method

Transaction costs are included in the debt balances and are recognized as an adjustment to interest expense over the term of the debt. The SJIAA uses the effective interest rate method to recognize bond interest expense and financing costs where the amount to be recognized varies over the life of the debt based on the principal outstanding.

Consumable inventory

Inventories are valued at the lower of cost and replacement cost. Previously recorded write-downs to replacement cost are reversed when there is clear evidence that replacement cost has increased. For 2014, $925,648 (2013 – $921,585) of inventories were recognized as an expense.

4. Accounts Receivable:

	2014	**2013**
Trade	$ 2,540	$ 2,117
Airport improvement fees	1,445	830
HST	2,057	209
Other	417	273
Allowance for doubtful accounts	(148)	(131)
	$ 6,311	$ 3,298

NOTES TO FINANCIAL STATEMENTS

5. Capital Assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Airport terminal building, other buildings and bridges	$ 71,763	$ 29,295	$ 42,468	$ 45,380
Leasehold improvements and improvements to leased land	54,533	14,197	40,336	36,804
Vehicles, machinery, furniture and fixtures	22,885	10,773	12,112	11,540
Computer hardware and software	5,118	3,506	1,612	1,388
Multi-purpose/central de-icing facility	14,235	4,386	9,849	10,410
Assets under construction or development	29,523	-	29,523	7,253
	$ 198,057	$ 62,157	$ 135,900	$ 112,775

Assets under construction or development in 2014 were not being amortized and consisted of the Airport Terminal Building Expansion, the Airport Accessibility Project, and the Runway 11-29 Rehabilitation.

6. Accounts payable and accrued liabilities:

	2014	2013
Trade	$ 12,258	$ 5,555
Accrued liabilities	7,529	3,285
Salaries and benefits	879	1,355
Deferred revenue and other	270	166
	$ 20,936	$ 10,361

7. Long-term debt:

	2014	2013
Revenue bonds	$ 113,257	$ 53,868
Revolving credit facility	-	2,994
Demand installment loan	-	1,516
	113,257	58,378
Less transaction costs (net of amortization of $141,560; 2013 - $110,679)	(3,673)	(3,281)
	109,584	55,097
Current portion	644	5,122
	$ 108,940	$ 49,975

NOTES TO FINANCIAL STATEMENTS

7. Long-term debt: (continued)

(a) Bond Issue

In May 2007, the SJIAA completed its inaugural $55,000,000 Revenue Bond issue. The $55,000,000, 5.252% Series A Revenue Bonds pay interest semi-annually. $27,500,000 of the initial principal amount is repayable in semi-annual installments. The remaining principal is payable on maturity, which is May 11, 2037.

In July 2014, the SJIAA completed a $60,000,000 Revenue Bond issue. The $60,000,000, 3.479% Series C Revenue Bonds are due on July 15, 2024.

The net proceeds from these offerings are used to finance the capital plan and for general corporate purposes. These purposes include repaying existing bank indebtedness and funding of the Debt Service Reserve Fund. The bonds are direct obligations of the Authority ranking *pari passu* with all other indebtedness issued under the Master Trust Indenture.

(b) Reserve Funds

Pursuant to the terms of the Master Trust Indenture, the SJIAA is required to establish and maintain with a trustee a Debt Service Reserve Fund with a balance at least equal to 50% of the annual debt service costs. As at December 31, 2014, the Debt Service Reserve Fund included $2,772,000 in interest-bearing deposits held in trust. These trust funds are held for the benefit of bondholders for use in accordance with the terms of the Master Trust Indenture.

For 2014, the SJIAA was required to maintain an Operating and Maintenance Reserve Fund of approximately $4,384,000. The Operating and Maintenance Reserve Fund must be established and funded as required by the Master Trust Indenture, for the benefit of bondholders. The balance in the fund is equal to 25% of the actual or estimated Operating and Maintenance Expenses incurred by the SJIAA over the previous 12-month period. For 2015, approximately $4,325,000 will be required to fund the Operating and Maintenance Reserve Fund. The Operating and Maintenance Reserve Fund may be satisfied by cash, qualified investments, letters of credit and the allocation by the Authority of un-drawn availability under a Committed Credit Facility.

(c) Credit Facilities

The credit facilities of the SJIAA are secured by a $75,000,000 pledge bond issued pursuant to the Master Trust Indenture. Indebtedness under the credit facilities ranks *pari passu* with other indebtedness issued under the Master Trust Indenture.

i) Revolving Credit Facility

In May 2007, the SJIAA entered into a Revolving Credit Facility (“Revolving Facility”). Under this Revolving Facility, the SJIAA is provided with a $15,000,000 facility for general business requirements, capital expenditures and funding for the Operating and Maintenance Reserve Fund, as necessary. In May 2012, the Revolving Facility was amended and increased to $25,000,000. The facility has a term of five years.

NOTES TO FINANCIAL STATEMENTS

7. Long-term debt: (continued)

As at December 31, 2014, letters of credit for $759,526 (2013 – $759,526) were outstanding against the facility. Indebtedness under the Revolving Facility bears interest at rates that vary with the lender's prime rate and Banker's Acceptance rates, as appropriate. During 2014, the interest rate ranged from 0.42% to 0.95% (2013 – 0.69% to 1.2%).

ii) Demand Installment Loan

In July 2010, the SJIAA entered into a Demand Installment Loan ("Demand Loan"). Under this Demand Loan, the SJIAA is provided with a $2,500,000 non-revolving Installment Loan to be used for capital expenditures relating to movable equipment. In July 2014, the Demand Loan was amended and increased to $10,000,000. The term of each advance under this facility is in accordance with the useful life of the respective assets to a maximum of ten years.

Indebtedness under the Demand Loan bears interest at rates that vary with the lender's prime rate and Banker's Acceptance rates, as appropriate.

(d) The annual principal payments required over the next five years and thereafter are as follows:

2015	$ 644
2016	678
2017	714
2018	752
2019	792
Thereafter	109,677
	$ 113,257

8. Deferred contributions for capital projects:

From time to time the SJIAA receives contributions for capital projects from various sources. These funds are accounted for under the deferral method, as outlined in note 3.

	2014	**2013**
Balance, beginning of the year	$ 11,374	$ 11,513
Add capital contributions received during the year	1,884	482
Less amortization	(665)	(621)
Net deferred contributions for capital projects	$ 12,593	$ 11,374

During the year the SJIAA received capital contributions of $1,828,927 from the Province of Newfoundland and Labrador and the Government of Canada for the Airport Accessibility Project (note 5).

NOTES TO FINANCIAL STATEMENTS

9. Airport improvement fees:

The SJIAA entered into an AIF agreement dated May 27, 1999 with the Air Transport Association of Canada and major air carriers operating from the Airport. There is a consultative process with air carriers regarding the expansion of airport facilities and the collection of AIF by air carriers from passengers through the carriers' ticketing process.

On October 1, 1999 the SJIAA implemented an AIF of $10 per departing passenger. On April 3, 2006, this fee increased to $15 per departing passenger, to $20 on April 1, 2011 and to $30 on August 1, 2014. These fees are collected by the air carriers for a fee of 7% of the amount collected. AIF revenues earned and the cash collected can only be used to fund Airport infrastructure projects and associated financing costs that relate primarily to the passenger-handling functions of the Airport.

As at December 31, 2014, cumulative expenditures of $177,483,572 (2013 – $146,197,232) exceeded cumulative net AIF revenue collected of $119,792,511 (2013 - $103,654,849) by $57,691,060 (2013 - $42,542,382). A summary of the AIF collected and the related collection costs are as follows:

AIF revenue (net):	**2014**	**2013**
AIF revenue	$ 17,356	$ 14,341
AIF collection costs	(1,219)	(1,013)
	$ 16,137	$ 13,328

10. Pension plan:

	2014	**2013**
Plan assets		
Market value, beginning of year	$ 15,511	$ 12,848
Interest earned	845	728
Employer contributions	1,440	1,053
Employee contribution	151	119
Benefits paid	(422)	(397)
Actuarial gain	837	1,160
Market value, end of year	18,362	15,511
Plan obligations		
Accrued benefit obligations, beginning of year	12,730	12,311
Employee contributions	151	119
Current service cost	434	403
Interest cost	673	681
Benefits paid	(422)	(397)
Actuarial loss (gain)	1,240	(387)
Accrued benefit obligations, end of year	14,806	12,730

NOTES TO FINANCIAL STATEMENTS

10. Pension Plan: (continued)

	2014	2013
Determination of total cost for the period		
Current service costs	434	403
Finance cost	(172)	(47)
Remeasurement and other items	403	(1,547)
Cost (income) for the period	665	(1,191)
Defined benefit asset		
Defined benefit asset beginning of year	(2,781)	(537)
Cost for the period	665	(1,191)
Employer contributions during the period	(1,440)	(1,053)
Defined benefit asset, end of year	(3,556)	(2,781)

Weighted average actuarial assumptions

	2014	2013
Discount rate	5.25%	5.25%
Rate of salary increases	3.25%	3.75%

The assets of the pension plan are invested and maintain the following asset mix:

	Percentage of plan assets	
	2014	2013
Bonds/fixed-income securities	33.87%	23.83%
Equity securities	66.13%	76.17%
Total	100%	100%

The date of the last actuarial valuation of the defined benefit pension plan is December 31, 2013. According to this valuation, the SJIAA's employer service contribution as a percentage of payroll was 20.8% for 2014 (2013 – 20.6%). A $3,388,900 solvency deficiency in the defined benefits pension plan existed as at December 31, 2013. This resulted in a special annual payment to fund the deficiency in the amount of $809,102 for 2014. This annual special payment of $809,102 is required over the next five years.

11. Financial risk factors:

(a) Interest rate risk:

The SJIAA's exposure to interest rate risk relates to its floating rate Credit Facilities described in Note 7 (c), long-term debt. It should be noted that the majority of SJIAA's debt is fixed-rate debt and therefore changes in interest rates do not significantly impact interest payments but may impact the fair value of this debt.

NOTES TO FINANCIAL STATEMENTS

11. Financial risk factors: (continued)

(b) Credit risk:

The SJIAA is subject to credit risk through its financial assets. The SJIAA performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about the customer.

The SJIAA's revenues are largely dependent on the domestic air transportation industry. One major carrier providing passenger traffic to the Airport accounted for approximately 52% (2013 – 55%) of the total enplaned and deplaned passengers for the Airport during the year.

12. Commitments:

Ground Lease:

The Ground Lease requires that the SJIAA operate the Airport as a "first-class facility" and that, as the operator, it exercises sound business practices. The Ground Lease also contains specific conditions for compliance with a series of requirements, including environmental standards, minimum insurance coverage, reporting requirements and various other matters that have a significant effect on the day-to-day operations of the Airport. The SJIAA believes that it has complied with all of the requirements under the Ground Lease. During the year, all contracts entered into in excess of $75,000 (adjusted for the Consumer Price Index from 1994) were awarded on the basis of a competitive tendering process.

In January 2006, the SJIAA began paying Ground Rent to Transport Canada as outlined in its terms of the Ground Lease.

The annual payments are forecasted to be as follows over the next five years:

2015	$ 2,542
2016	2,691
2017	3,169
2018	3,364
2019	3,555

13. Other information:

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business which the Authority believes would not reasonably be expected to have a material adverse effect on the financial condition of the Authority.

14. Government remittances:

Government remittances consist of amounts (such as payroll withholding taxes, property tax and sales taxes) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, $1,079,251 (2013 – $360,775) is included in accounts payable and accrued liabilities.

NOTES TO FINANCIAL STATEMENTS

15. Related party transactions:

During the year, related party transactions for services rendered to SJIAA relating to the operation of the Airport totaled $355,592 (2013 - $Nil). These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties. On January 2, 2014 one of the Directors of the SJIAA Board became a Partner of McInnes Cooper, which reflects $354,155 of the related party transaction amount referenced above. There was an amount of $25,176 outstanding as of December 31, 2014 (2013 - $Nil) for McInnes Cooper, which was paid in March 2015.

16. Directors' and officers' remuneration:

The salary range for the Authority's President & CEO and for senior managers reporting to the President & CEO was $111,000 to $255,500 during 2014 (2013 - $103,500 to $248,000).

CORPORATE GOVERNANCE

The St. John's International Airport Authority is a private, not-for-profit corporation with the mandate to provide the region with a safe and cost-efficient transportation facility that is a catalyst for economic growth. Under the provisions of a long-term Ground Lease with the Government of Canada, the Airport Authority is responsible for the management, maintenance, and development of the St. John's International Airport on behalf of the community it serves.

The community's interests are represented through a Board of twelve Directors, nominated by various stakeholders in the region. These Directors are appointed or nominated by the following entities:

Federal Government:	2
Provincial Government:	1
City of St. John's:	2
St. John's Board of Trade:	1
City of Mount Pearl:	1
Mount Pearl Paradise Chamber of Commerce:	1
Town of Conception Bay South:	1
SJIAA Board of Directors:	3

The corporate operations and the activities of the Board of Directors are guided by the National Airports Policy of 1994 – specifically the "Public Accountability Principles for Canadian Airports" and the Authority's Operating By-Laws. The St. John's International Airport Authority's Operating By-Laws were amended in 2008 to incorporate the relevant elements of the Not-for-Profit Corporations Act, the proposed Canada Airports Act, as well as the best practices of corporate governance currently employed in Canada. Further amendments to the By-Laws, as required under the new Canada Not-for-profit Corporations Act, were submitted to Transport Canada in 2014 for approval.

The By-Laws contain Conflict of Interest Guidelines and a prescribed Code of Conduct. In 2014, there were no breaches of the Conflict of Interest Guidelines by any Officer or Director of the Airport Authority.

The role of the Board of Directors is to guide strategic direction for the Airport Authority. Solid business practice, including formal strategic planning, is carried out and reviewed periodically. Directors also serve on the committees of the Board: Development, Finance and Audit, and Governance. The Board is kept informed on the day-to-day operation of the Airport through monthly financial statements and management reports. Compensation for the Directors of the Airport Authority is reviewed annually and the amounts paid to the Airport Authority's Directors during 2014 are listed below.

Schedule of Director's Fees For the Year 2014

Board Member	Total
Neil Pittman (Board Chair)	40,000.00
Art Cheeseman (Board Vice Chair)	27,000.00
Gary Follett[1]	21,500.00
John Chapman[2]	21,500.00
Irene Baird[3]	21,000.00
Jim Heale	18,000.00
Roger Butt	17,000.00
Katharine Hickey[4]	11,666.66
Darlene Whalen (Past Chair)[5]	11,166.66
Darren Martin	17,500.00
Gail Carroll	16,500.00
Jerry Byrne	15,500.00
Holly Hicks[6]	6,333.33
Tom Williams[7]	6,333.33
	$ 250,999.98

[1]Chair, Development Committee

[2]Chair, Finance and Audit Committee

[3]Chair, Governance Committee

[4]Completed term August 31, 2014

[5]Completed term August 31, 2014

[6]Commenced term September 1, 2014

[7]Commenced term September 1, 2014

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