ST. JOHN'S
International Airport Authority

2017 ANNUAL REPORT

ST. JOHN'S
International Airport Authority

A MESSAGE FROM THE CHAIR & CEO

A Message from the Chair & CEO

2017 was a milestone year for St. John's International Airport as we recognized and celebrated the Airport's 75th anniversary of commercial airline operations. Much has changed since our modest early beginnings as "Torbay Airport", with many more transformations to come over the next few years.

Last year, we finalized our Master Plan and associated Land Use Plan that provides the framework to guide the development of the Airport until 2035. Consistent with this Plan, we have negotiated land leases with both aviation and non-aviation-related entities to expand and improve services at our Airport. In 2018, we will have two hotels, a service station with food and retail outlets, a new cargo facility and a new jet fuel farm. These new developments enhance the attractiveness of our Airport for visitors, employees and airlines, and increase the safety and efficiency of airline operations.

We also made significant progress on the numerous capital projects included in our $200 million Airport Improvement and Expansion Plan. Despite the substantial construction taking place in and around the Airport Terminal Building in 2017, we maintained an 83 per cent overall passenger satisfaction rating. By the end of the year, we were tracking on budget and on time to open the expanded departures area of the Airport Terminal Building prior to the peak summer travel season in 2018. We look forward to being able to offer our passengers many new and expanded services this summer that we believe will be well-received by all our passengers, and will result in an increase in our passenger satisfaction scores beyond 2017 levels.

Cat 3 ILS Project Results Exceed Expectations

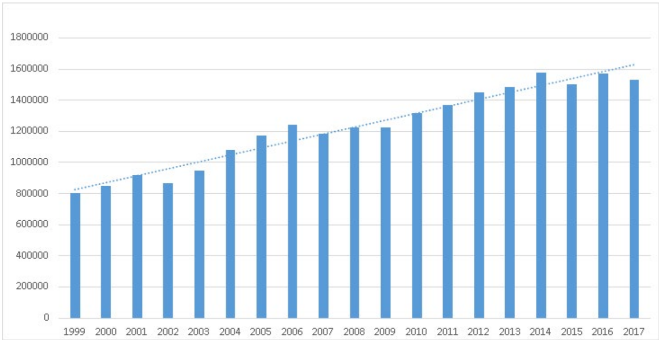
One of the most transformational projects in our most recent history was the installation of Category III Instrument Landing Systems. We anticipated a significant reduction in the 1000 flights impacted annually due to low visibility conditions to approximately 300 flights annually. 2016 was the first full year of operation with the new technology. Only 40 flights were impacted as a result of low visibility in year one, and in 2017 only 16 flights were impacted. The success of this project has exceeded our expectations, thereby making an immense difference to reversing our reputation for being an inaccessible location due to fog.

Premier Gateway

Our position as the premier gateway to and from our province was reaffirmed through the Government of Newfoundland and Labrador's 2016 Exit Survey. More than 70 per cent of all non-resident visitors to and from Newfoundland and Labrador that travel by air travelled through our Airport. It is another reminder of the important role our Airport plays in facilitating economic growth and in shaping people's perceptions of our province.

With this in mind, we are continuing to pursue new airline routes and to increase overall airline seat capacity to ensure our community's travel needs are being met. We have been very successful over the last 10 years in adding new routes and increasing frequency to and from our Airport. Since 2008, our Airport has experienced a 35 per cent increase in overall airline seats available for purchase. Annually, more than 1.5 million passengers are travelling through our gates. While we saw a slight decline in 2017, we predict passenger volumes will remain consistent year-over-year in 2018 as the economy continues to improve.

Passenger Volume



Employee Matters

We continue to strengthen our relationship with our employees and expand our team to support our efforts in achieving your strategic goals. In 2017, the Public Service Alliance of Canada and the employees of the St. John's International Airport Authority ratified a five-year Collective Agreement, which commenced on January 1, 2017. The agreement provides a 12 per cent wage increase for airport employees over the term of the agreement.

We also wish to thank our employees for their commitment to establishing a safe working environment. This past-year, the Airport Authority had zero lost-time incidents. This is a significant accomplishment given the nature of the work our employees perform and the often extreme weather conditions in which it is performed.

Airport Terminal Building Expansion Continues

The highly awaited opening of the expanded Airport Terminal Building in 2018 represents the first Phase of the entire Airport Terminal Building expansion project that focuses on the Departures Area. Once opened, attention will be placed on finalizing the design for the expanded Arrivals area of the Building (Phase Two) so that construction can commence in 2019. When the entire Airport Terminal Building expansion project is complete in 2022, the building will be more than double its existing size at almost 420,000 square feet, and will be a facility of which Newfoundlanders and Labradorians can be proud.

We believe the transformation of the Airport Terminal Building, especially the Departures Lounge that will more than double in size when it opens in 2018, will be well worth the wait. We appreciate and thank travellers, our airline partners, our Airport partners, and the general public for their continued support during the ongoing construction process. We're not quite finished yet, but we're getting closer, and the enhanced services on offer this summer for passengers will be notable.

The last 75 years have seen many changes and improvements at our Airport. However, it is evident from the anniversary marketing campaign that solicited Airport stories from the public that the Airport played and continues to play a significant role in people's lives. We look forward to more memories being made at our Airport for many years to come.

Keith Collins

Art Cheeseman

WHO WE ARE

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

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

community leader | enabling prosperity

Board of Directors
Top Row (L-R): Art Cheeseman, Tom Williams, Gail Carroll, Darren Martin, Roger Butt, Neil Pittman
Bottom Row (L-R): Holly Hicks, Jim Heale, Jerry Byrne, Mike Donovan, Cathy Farve, Robert Gosse

ST. JOHN'S
International Airport Authority

STRATEGIC PLAN

Strategic Plan

The Airport Authority's 2015-2019 Strategic Business Plan defines the Authority's ideal future and includes objectives and strategic initiatives that will serve as our guiding framework that will lead to our vision of providing an exceptional airport experience at our province's premier transportation gateway. This report provides an update on our progress associated with the seven strategic objectives: Outstanding Facilities; Exceptional Passenger Experience; Focused Business and Air Service Development; Culture of Engagement; Enhanced Community Partnerships and Collaboration; Organizational Effectiveness; and Financial Stability.

Outstanding Facilities

Objective: Deliver new, improved, and expanded Airport Terminal Building and related Airport facilities to meet 2020 demand.

> A total of $32 million was invested in 2017 for infrastructure improvements and expansion.

In 2017, a new Airport Master Plan was completed to provide the framework that guides the development of the Airport, and ensures future improvements are undertaken in a responsible manner with regard to operational efficiency, safety and security, environmental compliance and financial viability. At the same time, a new 10-Year Airport Improvement and Expansion Plan was announced that includes investments in the Airport's facilities that are consistent with the long-term scope of the Airport Master Plan, and expands the Airport's capacity to accommodate 2 million travellers annually by 2022.

Airport Terminal Building Expansion

The largest project in the new 10-Year Airport Improvement and Expansion Plan is the expansion of the Airport Terminal Building. This expansion is being conducted in two phases, and when complete in 2022 will more than double the building's existing size to total approximately 420,000 square feet.

Construction on Phase One of the expanded building commenced in 2014 and will add 145,000 square feet to the Departures area of the Airport Terminal Building. By the end of 2017, the project was tracking on time and on budget, and the opening of this first phase of the expanded building is anticipated for June 2018. While the completion of this phase represents half of the building expansion project, significant improvements and enhancements will be realized by passengers, tenants and airline partners when it opens:

- Larger check-in area (40% increased space)
- Larger pre-board screening area (4 times existing size) with faster screening technology and a designated Nexus line
- Departures Lounge will more than double in size, almost tripling the seating capacity

Airport Terminal Building 2022

Airport Terminal Building Arrivals Expansion 2022

- Additional washrooms in the Departures Lounge
- A new Concessions Program with greater choice of local and national brands, and a greater concentration of outlets located in the Departures Lounge, including a full-service restaurant
- Two new gate positions with passenger loading bridges
- A new children's play area and a nursing mother's area

In 2018, the design for the Phase Two expansion will be completed in preparation for construction to commence in 2019. This Phase will add an additional 100,000 square feet to the Arrivals Area of the Building, including an expanded area for customs activities; additional baggage carousels; and more aircraft gates with passenger loading bridges. The Departures Lounge will continue to see improvements with expanded space for additional seating, concessions, and washrooms facilities.

Safety, Security and Life Cycle Replacements

There are a number of projects included in the Airport Expansion and Improvement Plan that are required to meet safety and security regulatory requirements. Last year, the Airport Authority completed the construction and installation of a new facility that provides security screening for all non-passenger vehicles entering the Airport Terminal Building apron, as required by Transport Canada.

Within the scope of the 10-year Plan, there will also be necessary lifecycle replacements and refurbishments of airfield aprons, taxiways and the Central De-icing Facility. Longer term, there is an anticipated requirement to widen the Airport's access road (World Parkway) to accommodate increased vehicle traffic, as well as to expand airfield taxiways to improve aircraft movement safety and efficiency.

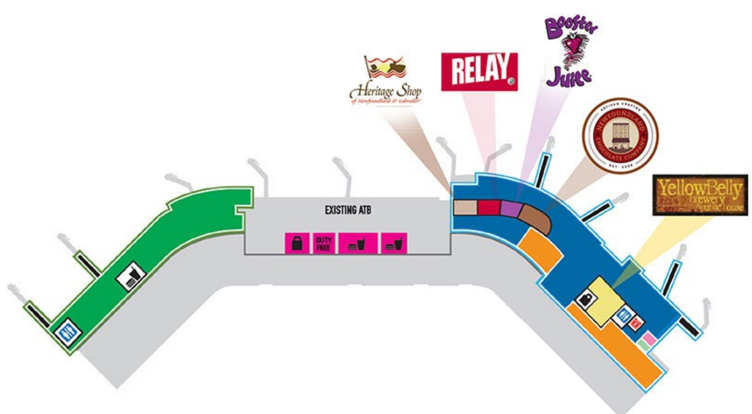
Exceptional Airport Experience

Objective: Provide an exceptional passenger experience at our Airport.

We take pride in our role as the premier transportation gateway to and from Newfoundland and Labrador, and we understand the lasting effect of a positive first and last impression. We're committed to providing a positive experience for all visitors at our Airport and continue to seek ways to make improvements and enhancements, both big and small, to the level of service offered.

In order to measure our passengers' level of satisfaction at our Airport, we participate in a year-round Airport Service Quality Index survey. This global research tool provides quantitative feedback on all aspects of the Airport experience and provides benchmark data from other airports worldwide. Over the last few years, we have consistently maintained an 83 per cent overall passenger satisfaction rating, despite the extensive construction projects that have taken place on the airfield, in the Airport Terminal Building, and on the roadways and parking lots accessed by passengers. This represents a very positive result, and one on which to build over the next few years as the extensive construction projects near completion and passengers enjoy the resulting new services and facilities.

The opening of the first phase of the expanded Airport Terminal Building in 2018 will provide us with the opportunity to substantially improve the departures process for passengers. In addition to the greater capacity being provided for the pre-board screening process, airline operations and gate seating, a great deal of time was spent over the last year in developing a concessions program that offers choice, along with a taste of the region and a sense of place. These new food and beverage and retail options located in the Departures Lounge, including a full-service restaurant, will be well-received by the travelling public.



Another way we ensure we are providing an exceptional passenger experience at our Airport is through consultation with our Passenger Advisory Panel. This panel meets on a regular basis and consists of frequent travellers and users of this facility who are instrumental in providing feedback on their own experiences in using our facilities, and offering suggestions for enhancements and new services. These members advised on the new Concessions Program and their feedback, coupled with information from other communications channels and our own planning, resulted in the installation of water bottle refill stations in the Airport Terminal Building, as well as new cart corrals located in the short-term and long-term parking lots over the last year.

Throughout 2018, planning will continue to finalize designs for the second phase of the Airport Terminal Building expansion, while further enhancements will be made to existing infrastructure:

- Installation of bus shelters to accommodate users of public transport and hotel shuttle buses
- Revamp of existing Departures Lounge, including new flooring
- Further extension of the concessions program on both levels of the Airport Terminal Building, with more brand announcements coming in 2018

Focused Business & Air Service Development

Objective: Pursue revenue diversification and aggressive air service development.

> Since 2008, airline seat capacity has grown by 35%.

Attracting new and expanded airline services to our Airport is a core function of our business. Since 2008, airline seat capacity has grown by 35 per cent. The number of passengers travelling through our Airport has more than doubled since the Airport was privatized in 1998, and in 2017 we welcomed more than 1.5 million people through our gates. Our peak summer travel season last year (May to September) was the second busiest in our Airport's history, with over 816,000 passengers travelling through our gates. This reflects the strong tourism attractiveness of our region, and the local population's propensity to travel and explore outside our community boundaries.

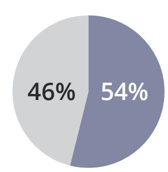
With approximately 80 daily flights to and from 20 destinations in Canada, Europe and the US, travel has become more and more convenient. In 2017, for the first time in more than 15 years, passengers travelling to the popular Tampa Bay area in Florida could avail of a direct, weekly air service offered by WestJet. The success of this new, seasonal service has ensured its return in 2018 for the peak sun charter season. This new air service couples with WestJet's year-round service to Orlando, our Airport's number one destination in the US, and increases accessibility to the very popular Florida state.

Our Airport's close proximity to Europe has provided a strategic advantage in attracting transatlantic airline services. WestJet operates a seasonal, daily service to Dublin, Ireland while Air Canada provides air service to London Heathrow year-round. Starting at the beginning of the summer 2018 season, Air Canada will introduce a new and larger aircraft for this daily service – a Boeing 737 Max – with increased seat capacity to meet demand.

While there has been a significant increase in the number of destinations served and the frequency of flight operations over the last 10 years, we continue to pursue direct air service to key destinations where a strong business case exists. We are committed to continuing to work with our airline partners and community stakeholders in the business and tourism sectors, and to support existing airline services. In particular, we remain focused on promoting the strong business case for a direct service to the New York region and to Moncton, New Brunswick, the largest, unserved airline route within Atlantic Canada.

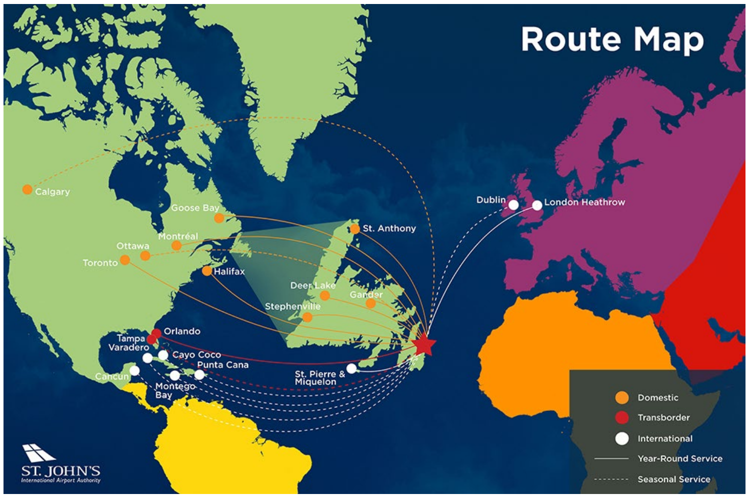
Focused Business and Revenue Diversification

> 54% revenue from non-aeronautical sources.



While Air Service Development is a core business focus for the Airport Authority, we have dedicated significant effort to increase and diversify revenue received from non-aeronautical sources in order to reduce our dependency on fees received from

WestJet's launch of Tampa Bay flight



airlines. In 2017, our non-aeronautical revenue represented 54 per cent of total annual revenue, a proportion that is much higher than the North American airport average of 45 per cent. This was achieved through our successful focused business program that generates revenue through land leases, the new Concessions Program and advertising.

The Advertising Sales Program continues to offer a viable advertising location for local and national brands looking to connect with passengers at our Airport. More than 1.5 million passengers travel through the province's premier gateway with a culture that involves picking up or dropping off passengers more so than any other airport in Canada. As a result, advertisers are able to reach a unique demographic of international tourists and local residents alike. Advertising opportunities include digital billboards on the main access road, World Parkway, signage in the Arrivals and Departures areas and strategically placed throughout the Airport Terminal Building, and digital advertising in the Departures Lounge.

The expansion of the Airport Terminal Building also provides an opportunity to strengthen and expand the food and retail Concessions Program at the Airport. Following extensive market research and feedback from passengers, employees and the general traveling public, the new and expanded Program was designed to offer preferred strong local and national brands. The new program has outlets located in prime locations within the Airport Terminal Building where sales revenue will be maximized for these new concessionaires and the Airport Authority. We look forward to working with all our new concessionaires to promote their offerings that will soon be available at our Airport.

Land Development

Over the last few years, the face of the Airport entrance has changed substantially. New developments have added and enhanced services for passengers, airline operations and even the local neighbourhood. These new land developments, along with existing land leases, resulted in close to $5 million in real estate revenue for the Airport Authority in 2017. This represents a long-term, dependable source of revenue, and helps to offset our ever-increasing operating expenses as the Airport continues to grow.

The Holiday Inn Express, located at the entrance of World Parkway, was the first hotel constructed on Airport land when it opened in 2016. In 2017, a second hotel, Best Western Plus, was under construction in the area adjacent to the Cougar Helicopters facility. These state-of-the-art hotels offer the highest level of convenience and comfort for connecting and diverted passengers, airline crews, business travellers and visitors to the city.

Another first is the construction of a new service (gas) station adjacent to the Airport's cell phone waiting lot. This service station, set to open in 2018, will be operated by North Atlantic Petroleum, and will feature retail and food options. The announcement of this addition has been well-received by the Airport community. It will add convenience for hotel guests, airport employees, passengers and their greeters.

An increase in aviation activity related to cargo operations has created the need for expanded airfield support facilities to enhance efficiency and safety of operations. CargoJet, the largest air cargo service provider in the region, opened its new cross dock loading facility and airfield ramp in 2017. In addition, a new jet fuel farm with much greater capacity is under construction and will replace the existing fuel farm located in front of the Airport Terminal Building.

Located only 10 minutes from the downtown core of the City and with approximately 250 acres of land still available for development, the Airport represents a prime location for further aviation and non-aviation related development. Land lease opportunities at the Airport will continue to be pursued, and efforts will be placed on identifying business opportunities that represent new sources of non-aeronautical revenue.

Culture of Engagement

Objective: Create a culture of employee engagement within the organization.

The Airport Authority recognizes the value of a strong culture of engagement for employee satisfaction and organizational effectiveness. This is defined as a culture where communication channels and dialogue are open; there is a sense of community in the workplace; employees feel their work is meaningful; and all parties are committed to a shared and valued vision.

To ensure and promote regular, open dialogue, the Airport Authority has an active Labour Management Committee. This joint-committee discusses and resolves a variety of workplace issues. It also provides a forum for information-sharing to connect employees to the goals of the business, and supports initiatives to improve employee engagement for the approximate 100 employees of the Airport Authority.

To benchmark employee engagement levels, the Airport Authority conducts Employee Engagement surveys, supplemented by information gathered from employee focus groups, to understand the extent to which employees feel engaged in their work and to identify any areas for improvement. There is also an active Employee Engagement Committee comprised of management and unionized employees. This Committee is responsible for identifying, initiating and/or supporting activities designed to improve the level of engagement by all employees within the organization. In addition, an internal newsletter was created over the last year to enhance the sharing of information amongst employees.

Safety is the number one priority of the St. John's International Airport Authority and as a result, the Authority has placed considerable effort in creating a culture of safety. An Employee Safety Survey is conducted annually for employees and is designed to measure the safety culture from both an Occupational Health & Safety and Safety Management System (aviation safety) perspective. In 2017, we achieved an overall rating of 82.45 per cent; a rating that has increased by 15 per cent over the last five years. These surveys pinpoint areas of success; areas of advancement in which safety culture has been made; and all areas where further improvements are required.

A significant accomplishment was achieved in the area of safety in 2017: Zero lost-time injuries for Airport Authority employees or any Authority-owned construction projects were reported. This is a testament to the efforts made by all employees to operate in the safest of manners, and the strength of the safety culture at the Airport.

Enhanced Community Partnerships & Collaboration

Objective: Enhance partnerships and collaboration with community while strengthening our brand.

As the premier gateway to Newfoundland and Labrador, St. John's International Airport plays a significant role in the economic and social well-being of our province. Recognizing this responsibility, we are committed to finding opportunities to collaborate and establish partnerships to increase air services at our Airport; enhance the passenger experience; showcase our unique identity and culture to visitors; and establish a sense of pride within our own community for the facilities and services we offer.

Effective partnerships have developed with Destination St. John's and the Government of Newfoundland and Labrador to support key strategic air services. We also continue to meet regularly with our Air Service Development Committee, comprised of leaders in our community who help to define our air service development priorities and strategy, and provide information that can be factored into a business case.

Our relationship with Business and Arts NL has continued to grow since the successful introduction of the public piano in the Airport Terminal Building in 2014; the first public piano at any airport in Atlantic Canada. New projects were initiated in 2017 and we are exploring more opportunities for collaboration in 2018 that will continue to add music and art to our Airport Terminal Building, and introduce and celebrate our culture with visitors and locals.

75th anniversary of commercial airline operations.

Click to watch video

2017 marked the Airport's 75th anniversary of commercial airline operations. To celebrate this major milestone, we launched a campaign to encourage people to share their travel stories about our Airport over the last 75 years. While our Airport has changed significantly since its early beginnings, it remains an important linkage to other parts of our province, country and the entire world. The value that our community places on our Airport was evident in the considerable response to the campaign and the memorable stories that were shared. As a result, we look forward to continuing to grow and strengthen partnerships where mutual goals can be achieved for the benefit of the entire community.

Organizational Effectiveness

Objective: Improve organizational effectiveness with improvements to processes and systems.

St. John's International Airport Authority continues to improve its processes and systems in order to deliver more efficient and effective services at the Airport, allowing resources to be focused on areas that have the greatest impact on achieving our strategic goals. Over the last year, a new Document Management System was introduced to facilitate the sharing and storage of data, and a new Time and Attendance payroll module was implemented. We operate in an environmentally responsible manner and over the next year will focus particularly on the areas of waste management and electrical consumption. With new systems and processes in place, and ongoing review of new organizational systems to be implemented, organizational effectiveness will continue to be improved.

Financial Sustainability

Objective: Ensure financial sustainability.

> Since 1998, $312 million has been invested in infrastructure improvements.

As a private, not-for-profit, non-share, capital corporation, St. John's International Airport Authority is responsible for generating its own revenue and raising its own capital funds to support the Airport's operations and its infrastructure improvement plans. All earnings generated through the operations of the Airport are reinvested back into the infrastructure and operations of the Airport.

The new 10-year Airport Improvement and Expansion Plan announced in 2017 includes investments to ensure the safety and operational integrity of the Airport, and to complete the expansion of its facilities to accommodate 2 million passengers annually. The total investment in the Airport's facilities will be $200 million between 2017 and 2026.

In order to finance these investments, the Airport Authority also developed and updated its 10-year Financial Plan that includes long-term debt facilities with policies in place to ensure the long-term financial sustainability of the Airport. In 2014, the Airport Authority secured a $60 million private placement bond and a $25 million line of credit. In order to finance the new 10-year Plan, the line of credit was increased to $40 million last year. Since the Airport Authority first went to the bond market in 2007, it has maintained a very positive A1 bond credit rating. This has been reaffirmed each year for the last 10 years by Moody's Investors Service, recognizing conservative financial management and sound strategic planning.

The Airport Authority's primary source of revenue to finance its long-term debt and credit facilities for expenses associated with capital projects that have a positive impact on the passenger experience only is the Airport Improvement Fee (AIF). Effective July 1, 2017, the AIF increased from $30 to $35 for each enplaning passenger at St. John's International Airport.

Since the Airport Authority was incorporated in 1998, it has invested $312 million in infrastructure improvements. This level of investment is substantially more than the total collected in Airport Improvement Fees over the same period. To date, the Airport Authority has collected less than 60% of the total invested through the Airport Improvement Fees. It was important to make these investments in our Airport in advance of collecting the total costs associated with them so that passengers could enjoy the improvements sooner rather than later, and airlines could continue to expand services.

We have strong plans and policies in place to ensure long-term financial stability, including a focus on diversifying our revenue stream and identifying new sources of revenue with the goal to lessen our dependency on the commercial aviation industry. In 2017, 54 per cent of revenue was received from non-aeronautical sources.

ST. JOHN'S
International Airport Authority

BUSINESS PLAN

Business Plan Summary

2017 Capital Program

The Airport Improvement and Expansion Plan announced in 2014 is progressing as planned with the ATB East Expansion scheduled for opening in 2018. In 2017 there was significant advancement of the internal fit-up and finishing as well as progress on other related projects, including the new Hold Bag Screening System; the design and manufacture of two new passenger loading bridges which will be delivered in 2018; as well as the associated apron civil modifications.

2017 Actual vs. Business Plan

(shown in thousands of dollars)

	Actual	Plan	Difference	Explanation
Revenue (Note 1)	$47,093	$49,669	($2,576)	Lower AIF revenues due to a three month delay in implementing the fee increase than planned.
Expenses (Note 2)	$28,716	$29,556	($840)	Lower Ground Rent due to lower revenues than planned and lower fuel prices than forecasted.
Capital	$32,074	$39,797	($7,723)	Certain projects were partially completed in 2017 and will be finished in 2018, including new Delivery Zone of the expanded Terminal Building and Phase 1 (East) Terminal Expansion Apron Grading. Also, some costs for the ATB Expansion shifted from 2017 to 2018.

Note 1. Revenue includes net AIF and operating revenue.
Note 2. Expenses include interest and exclude the non-cash items of depreciation and amortization.

Planning for Growth (2018-2022)

We have completed a long-term infrastructure plan to address capacity constraints and to accommodate the approximately 2 million annual passengers forecast by the year 2020. Over the next five years the Airport Terminal Building will be expanded in two phases – Phase One to be completed in 2018 and Phase Two to be completed in 2022. A long-term Financial Plan was also prepared in order to support the investment in infrastructure improvements, and includes future borrowings in the form of a private placement bond and credit facilities.

Business Plan Forecast 2018-2022
(shown in thousands of dollars)

	2018	2019	2020	2021	2022
Revenue (Note 1 & 2)	$49,959	$52,325	$54,033	$55,813	$57,668
Expenses (Note 3)	$30,947	$31,891	$33,236	$34,604	$35,995
Capital (Note 4)	$29,429	$14,252	$23,953	$21,077	$20,614

Note 1. Assumes passenger growth will be 0% in 2018 and 1.5% each year thereafter.
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 expansion of the Airport Terminal Building, additional passenger loading bridges, the expansion of the hold bag screening system and the rehabilitation of apron II and various taxiways.

ST. JOHN'S
International Airport Authority

FINANCIAL REPORT

Audited Financial Statements

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, 2017 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, 2017 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
St. John's, Newfoundland and Labrador
May 2, 2018

Balance Sheet

As at December 31, 2017
(in thousands of dollars)

	2017	2016 Restated (note 16)
Assets		
Current		
Cash and cash equivalents	$ 1,626	$ 12,983
Accounts receivable (note 3)	4,822	3,950
Consumable inventory (note 2)	365	334
Prepaid expenses	449	531
Total current assets	7,262	17,798
Capital assets, net (note 4)	230,194	210,422
Debt service reserve fund (note 6)	2,765	2,763
Intangible assets, net	173	121
	$ 240,394	**$ 231,104**
Liabilities and Equity in Capital Assets		
Current		
Accounts payable and accrued liabilities (notes 5 and 13)	$ 24,990	$ 22,554
Current portion of long-term debt (note 6)	752	714
Total current liabilities	25,742	23,268
Long-term debt (note 6)	107,270	107,877
Deferred contributions for capital projects, net (note 7)	31,581	32,361
Equity in capital assets (notes 1 and 16)	75,801	67,598
	$ 240,394	**$ 231,104**

Commitments (note 11)
See accompanying notes
On behalf of the Board:

Art Cheeseman

Art Cheeseman, Chair

Roger Butt

Roger Butt, Chair, Finance and Audit Committee

Statement of Operations and Equity in Capital Assets

For the year ended December 31, 2017
(in thousands of dollars)

	2017	2016 Restated (note 16)
Revenues		
Landing fees	$ 6,233	$ 6,112
Terminal fees	5,329	5,466
Concessions	4,668	4,719
Car parking	3,629	3,563
Rentals	4,298	4,077
Other	1,239	1,309
	25,396	25,246
Airport improvement fees (note 8)	21,697	20,735
	47,093	45,981
Expenses		
Amortization	10,174	9,976
Salaries and benefits (note 16)	10,602	10,131
Operating	7,034	6,822
Interest and financing costs	5,033	5,028
Ground rent (note 11)	2,693	2,586
General and administrative	1,147	915
Municipal tax	1,091	1,133
Professional services	590	434
Business development	486	451
Bad debts	40	40
	38,890	37,516
Excess of revenues over expenses	**$ 8,203**	**$ 8,465**
Total equity in capital assets, beginning of year		
As originally stated	73,369	63,468
Prior period adjustment (note 16)	(5,771)	(4,335)
Adjusted total equity in captial assets, beginning of year	**$ 67,598**	**$ 59,133**
Total equity in capital assets, end of year	**$ 75,801**	**$ 67,598**

See accompanying notes

Statement of Cash Flows

For the year ended December 31, 2017
(in thousands of dollars)

	2017	2016 Restated (note 16)
Operating Activities (note 16)		
Excess of revenues over expenses	$ 8,203	$ 8,465
Add (deduct) items not involving cash		
Amortization - capital assets, net	12,143	11,842
Amortization - deferred contributions	(1,977)	(1,874)
Amortization - intangible assets	8	8
Amortization - other	178	167
Loss (gain) on disposal of capital assets	60	(49)
	18,615	18,559
Changes in non-cash working capital balances related to operations		
Accounts receivable	(872)	2,006
Consumable inventory	(31)	47
Prepaid expenses	82	(44)
Accounts payable and accrued liabilities	2,436	(4,599)
Cash provided by operating activities	20,230	15,969
Financing Activities		
Increase in debt service reserve fund	(2)	-
Increase in transaction costs	(32)	-
Repayment of revenue bond	(715)	(678)
Cash used in financing activities	(749)	(678)
Investing Activities		
Additions to capital assets	(32,074)	(35,198)
Additions to deferred contributions	1,197	6,194
Additions to intangible assets	(60)	(113)
Proceeds from sale of capital assets	99	49
Cash used in investing activities	(30,838)	(29,068)
Net decrease in cash during the year	**(11,357)**	**(13,777)**
Cash and cash equivalents, beginning of year	12,983	26,760
Cash and cash equivalents, end of year	**$ 1,626**	**$ 12,983**

See accompanying notes

Notes to Financial Statements

December 31, 2017
(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 eighty years, ending 2078.

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 on 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. 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.

Management 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. Significant estimates include the valuation of accounts receivable, useful lives of depreciable assets and completeness of accounts payable and accrued liabilities. 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.

Notes to Financial Statements

December 31, 2017
(tabular amounts expressed in thousands of dollars except where otherwise noted)

2. Significant accounting policies (continued):

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 - 20 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.

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 $8,477 (2016 - $8,463) 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 aircraft, 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, 2017 amounted to $308,488 (2016 - $287,639).

Notes to Financial Statements

December 31, 2017
(tabular amounts expressed in thousands of dollars except where otherwise noted)

2. Significant accounting policies (continued):

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 defined benefit obligation of the pension plan is measured using the most recently completed funding valuation filed with the Office of the Superintendent of Financial Institutions ("OFSI"). 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 long-term best estimate assumptions consistent with the going concern valuation prepared for funding purposes.
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 and cash equivalents, 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.

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.

Notes to Financial Statements

December 31, 2017
(tabular amounts expressed in thousands of dollars except where otherwise noted)

2. Significant accounting policies (continued):

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. For 2017, $963,111 (2016 – $856,762) of inventories were recognized as an expense.

3. Accounts receivable:

	2017	2016
Trade	$ 2,880	$ 2,143
Airport improvement fees	513	407
HST	1,103	1,210
Payroll advances	312	-
Other	241	379
Allowance for doubtful accounts	(227)	(189)
	$ 4,822	$ 3,950

4. Capital assets:

			2017	2016
	Cost	Accumulated Amortization	Net book value	Net book value
Airport terminal building, other buildings and bridges	$ 78,326	$ 38,640	$ 39,686	$ 41,386
Leasehold improvements and improvements to leased land	124,542	29,593	94,949	100,192
Vehicles, machinery, furniture and fixtures	29,292	15,616	13,676	13,268
Computer hardware and software	5,678	5,016	662	936
Multi-purpose/central de-icing facility	14,338	6,076	8,262	8,722
Assets under construction or development	72,959	-	72,959	45,918
	$ 325,135	$ 94,941	$ 230,194	$ 210,422

Assets under construction or development in 2017 were not being amortized and consisted of the Airport Terminal Building Expansion, the East Terminal Expansion Apron Grading and the Hold Bag Screening System Expansion.

Notes to Financial Statements

December 31, 2017
(tabular amounts expressed in thousands of dollars except where otherwise noted)

5. Accounts payable and accrued liabilities:

	2017	2016
Trade	$ 11,767	$ 10,081
Accrued liabilities	11,766	11,243
Salaries and benefits	1,024	949
Deferred revenue and other	433	281
	$ 24,990	$ 22,554

6. Long-term debt:

	2017	2016
Revenue bonds	$ 111,220	$ 111,935
Less transaction costs (net of amortization of $178,616; 2016 - $174,491)	(3,198)	(3,344)
	108,022	108,591
Current portion	752	714
	$ 107,270	$ 107,877

(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, 2017, the Debt Service Reserve Fund included $2,764,999 (2016 - $2,763,205) 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.

(tabular amounts expressed in thousands of dollars except where otherwise noted)

6. Long term debt (continued):

For 2017, the SJIAA was required to maintain an Operating and Maintenance Reserve Fund of approximately $4,337,000. 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 2018, approximately $4,635,000 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 pass*u 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 was 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 Credit Facility was amended and increased to $25,000,000. In August 2017, the Revolving Credit Facility was amended and increased to $40,000,000. The facility has a term of five years.

As at December 31, 2017, letters of credit for $218,721 (2016 – $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 2017, the interest rate ranged from 0.7% to 0.8%.

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 2015, 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:

2018	$ 752
2019	792
2020	834
2021	879
2022	926
Thereafter	107,037
	$ 111,220

Notes to Financial Statements

December 31, 2017
(tabular amounts expressed in thousands of dollars except where otherwise noted)

7. 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 2.

	2017	2016
Balance, beginning of the year	$ 32,361	$ 28,041
Add capital contributions received during the year	1,197	6,194
Less amortization	(1,977)	(1,874)
Net deferred contributions for capital projects	$ 31,581	$ 32,361

During the year the SJIAA received capital contributions of $956,701 (2016 - $5,534,250) from the Government of Canada and the Canadian Air Transport Security Authority for the Airport Accessibility Project and the Hold Bag Screening System Expansion.

8. 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 serving the Airport. The AIF agreement provides for a consultative process with air carriers regarding the expansion of airport facilities and the collection of AIF by air carriers. The air carriers collect the AIF from passengers on behalf of the SJIAA which entitles them to withhold a handling fee. The AIF rate at December 31, 2017 was $35 (2016 - $30) and applies to each departing enplaned passenger. 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, 2017, cumulative expenditures of $304,829,762 (2016 – $272,755,789) exceeded cumulative net AIF revenue collected of $182,446,320 (2016 - $160,749,446) by $122,383,442 (2016 - $112,006,343). A summary of the AIF collected and the related collection costs are as follows:

AIF revenue (net):	2017	2016
AIF revenue	$ 23,338	$ 22,286
AIF collection costs	(1,641)	(1,551)
	$ 21,697	$ 20,735

Notes to Financial Statements

December 31, 2017
(tabular amounts expressed in thousands of dollars except where otherwise noted)

9. Defined benefit pension plan:

	2017	2016
Plan assets		
Market value, beginning of year	$ 22,074	$ 20,136
Interest earned	1,173	1,075
Employer contributions	962	1,064
Employee contributions	81	100
Benefits paid	(491)	(492)
Actuarial gain	281	191
Market value, end of year	24,080	22,074
Plan obligations		
Accrued benefit obligations, beginning of year	16,303	15,801
Employee contributions	81	100
Current service cost	374	359
Interest cost	855	829
Benefits paid	(491)	(492)
Actuarial gain	(172)	(294)
Accrued benefit obligation, end of year	16,950	16,303
Determination of total cost for the period		
Current service costs	374	359
Finance cost	(15)	(18)
Remeasurement and other items	603	723
Income for the period	962	1,064
Defined benefit asset		
Defined benefit asset, beginning of year	-	-
Income for the period	(962)	(1,064)
Employer contributions during the period	962	1,064
Defined benefit asset, end of year	-	-
Valuation allowance		
Valuation allowance, beginning of year	5,770	4,335
Effect of valuation allowance on finance cost	303	228
Remeasurement of valuation allowance	1,057	1,207
Valuation allowance, end of year	7,130	5,770

Percentage of plan assets

Notes to Financial Statements

December 31, 2017
(tabular amounts expressed in thousands of dollars except where otherwise noted)

9. Defined benefit pension plan (continued):

Weighted average actuarial assumptions		
	2017	**2016**
Discount rate	5.25%	5.25%
Rate of salary increases	3.25%	5.25%

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

	Percentage of plan assets	
	2017	**2016**
Bonds/fixed income securities	39.32%	42.33%
Equity securities	60.68%	57.67%
Total	100%	100%

The date of the last actuarial valuation of the defined benefit pension plan is December 31, 2016. According to this valuation, the SJIAA's employer service contribution as a percentage of payroll was 21% for 2017 (2016 – 21%). A $3,704,700 solvency deficiency in the defined benefits pension plan existed as at December 31, 2016. This resulted in a special annual payment to fund the deficiency in the amount of $697,580 for 2017. This annual special payment of $697,580 is required over the next five years.

10. 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 6 (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.

(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 54.0% (2016 – 52.7%) of the total enplaned and deplaned passengers for the Airport during the year.

Notes to Financial Statements

December 31, 2017
(tabular amounts expresed in thousands of dollars except where otherwise noted)

11. Commitments:

Ground Lease:

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:

2018	$2,946
2019	3,129
2020	3,268
2021	3,413
2022	3,563

12. 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.

13. 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, $4,548,813 (2016 – $3,278,612) is included in accounts payable and accrued liabilities.

14. Related party transactions:

During the year, related party transactions for services rendered to SJIAA relating to the operation of the Airport totaled $164,731 (2016 - $140,587). 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. There was an amount of $27,731 outstanding as of December 31, 2017 (2016 - $12,803), which was paid in 2018.

15. Directors' and officers' remuneration:

The salary range for the Authority's President and Chief Executive Officer and for senior managers reporting to the President and Chief Executive Officer was $124,600 to $279,185 during 2017 (2016 - $121,500 to $272,375).

Notes to Financial Statements

December 31, 2017
(tabular amounts expresed in thousands of dollars except where otherwise noted)

16. Prior period adjustment:

It has been determined that a defined benefit asset for the Authority's defined benefit pension plan should not have been recorded in the financial statements as the related plan surplus cannot be withdrawn by the Authority in accordance with the existing plan structure and applicable laws and regulations. The adjustment was applied retroactively with restatement of the prior year and is summarized as follows:

	2017	2016
Balance Sheet		
Decrease in defined benefit asset	**$ -**	**$5,771**
Statement of Operations and Equality in Capital Assets		
Increase in salaries and benefits expense	-	1,436
Decrease in excess of revenues over expenses	-	1,436
Decrease in equity in capital assets, beginning of year	5,771	4,335
Decrease in equity in capital assets, end of year	-	5,771
Statement of Cash Flows		
Operating Activities		
Decrease in excess of revenues over expenses	-	(1,436)
Decrease in defined benefit asset	-	1,436
	-	-

Corporate Governance

The St. John's International Airport Authority is a private, not-for-profit, non-share, capital 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 12 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 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 2017 are listed below.

Schedule of Director's Fees for the year 2017

Board Member	Total
Art Cheeseman (Board Chair)	$33,500
Tom Williams (Board Vice Chair)	22,500
Gail Carroll[1]	21,500
Darren Martin[2]	22,000
Roger Butt[3]	21,500
Neil Pittman (Past Chair)[4]	10,667
Holly Hicks	17,000
Jim Heale	15,500
Jerry Byrne	14,500
Mike Donovan	15,500
Cathy Farve[5]	11,500
Robert Gosse[6]	1,333
Total	**$207,000**

[1] Chair, Governance Committee
[2] Chair, Development Committee
[3] Chair, Finance and Audit Committee
[4] Completed Term August 31, 2017
[5] Appointed April 1, 2017
[6] Appointed September 1, 2017

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 2017, there were no breaches of the Conflict of Interest Guidelines by any Officer or Director of the Airport Authority.

The St. John's International Airport Authority is committed to conducting business in a competitive fashion. All projects with a value in excess of $75,000 (base year 1998 = 100 CPI annually adjusted) require a public tender or request for proposal. To that end, the Authority sought competitive bids on all contracts as required, with one exception. The contract with the Corps of Commissionaires for building and property security, and parking lot kiosk staff, valued at an annual rate of $1.5 million, expired on Oct. 31, 2017 and was extended for an additional year to Oct. 31, 2018. The unanimous decision by the Board of Directors to extend for one additional year was related to the risk of a change in security companies during the middle of critical airside and groundside construction projects that required additional security staff. A change in contractors during this critical construction period had the potential to limit availability of staff with security clearance, resulting in construction delays and penalties for the Airport Authority. Also, the full security staff requirements were unknown until certain decisions related to the expanded Terminal Building were finalized. A public tender will be issued in 2018 for this contracted service.