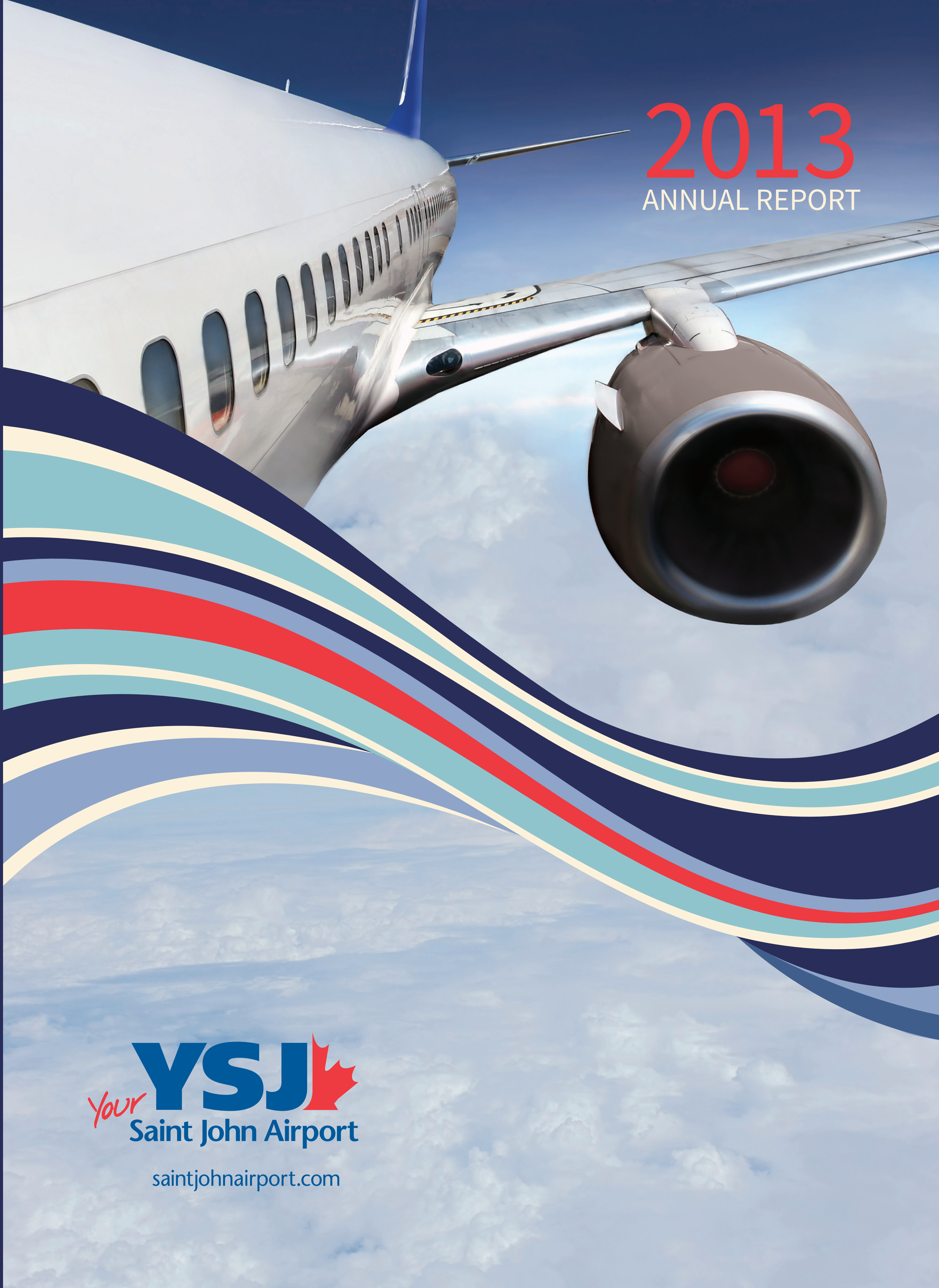

2013 ANNUAL REPORT

Your YSJ Saint John Airport

saintjohnairport.com

Your YSJ

Saint John Airport

saintjohnairport.com




Saint John Airport Inc.

Saint John Airport Inc. is a community-based, not-for-profit corporation, governed by a nominated and elected Board of Directors and operated by a talented management team.

The Saint John Airport is a key driver to the economic and social development of the greater Saint John area and to southern New Brunswick.

Vision Statement

The Saint John Airport will be a premier gateway to Canadian, trans-border and international destinations, offering the highest standards of safety and customer service to the New Brunswick travelling community.

Key Strategies

- Promote Saint John Airport's capabilities and seek enhanced scheduled air service opportunities, including non-stop service to the northeastern United States.
- Ensure that airport infrastructure is developed and maintained with a view to supporting long-term passenger and air service facilitation needs.
- Enhance community engagement efforts, by providing the management team with tools and opportunities to communicate the Saint John Airport's vision and branding.
- Meet or exceed all safety, security, environmental and other regulatory requirements through an established list of performance standards.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Your dedicated Board of Directors has been very active during the year and continues to work closely with the CEO on resolving many of the unique challenges that have been, and are still, facing the airport. I am pleased to report that we have achieved progress on the issues I outlined last year.

In 2013, we accomplished the following:

- Improved our relationship with Air Canada.
- Improved service to atlantic and eastern Canada through rationalization of air fares.
- Increased traffic to the airport to the highest level since 2008, and with the best traffic growth in Atlantic Canada. This is remarkable given the challenging economic times.
- Continued to work with our partners on our goal to obtain direct services to a major gateway airport in the United States.

Our management team continues to operate the airport efficiently and professionally, meeting all the regulatory requirements and passenger and user expectations.

In recognizing our partners, I must commend Air Canada for listening to us and responding to our request to have a common pricing policy throughout Atlantic Canada and stimulating the market with various seat sales. Air Canada has become a true partner and we will continue to work with them to further improve service. I must also acknowledge Sunwing for believing in Saint John and continuing to offer three direct-to-destination winter getaways.

Of course, all this would not be achieved without the cooperation of our community members, who are now becoming aware of how important the Saint John Airport is to them and to the economic prosperity of our region.

In closing, I would like to thank the CEO, David Allen, for his vision, achieving our objectives of the Board and his daily work with staff, who also deserve to be recognized for their hard work and dedication. I would also like to thank the members of the Board for all the extra time and effort put in over and above our regular meetings to benefit both the airport and our community.

Norman McFarlane
Chairman, Board of Directors

“Of course, all this would not be achieved without the cooperation of our community members, who are now becoming aware of how important the Saint John Airport is to them and to the economic prosperity of our region.”

MESSAGE FROM THE CEO

2013 was an eventful and exciting year, particularly seeing the traffic numbers grow by close to nine per cent over 2012. This is the result of a lot of hard work and strategic partnerships, including Sunwing offering three destinations out of Saint John during their winter holiday travel season and increased capacity with Air Canada with a focus on the Toronto market. Our year ended with the highest traffic number since 2008, with 235,815 passengers coming through the airport. This traffic number was achieved despite a rather bleak economic recovery in the region and was due in part to Air Canada agreeing to implement a harmonized pricing model in the southern New Brunswick region.

Our strategic marketing communications efforts and earned media coverage also contributed to our growth and increased passenger traffic from other New Brunswick markets. We've worked hard to create more awareness in the catchment area about the great deals offered by Air Canada and Sunwing.

In October we welcomed Skate Canada International to Saint John and Air Canada came to the table and increased capacity during that high-traffic period. We continue to work closely with our partner, Air Canada, on many new initiatives to improve our facilities and increase traffic.

This past year saw many minor upgrades to the terminal, from a painting refresh to new, local artwork being displayed for all passengers to enjoy. This is your airport, and the management team felt that the local community values and local colour should be brought to life through our talented local artists. Our local art program has been very successful and has garnered many compliments from passengers – from here and abroad. We also removed an old booth in the baggage area, and with the assistance of Discover Saint John, we installed a new kiosk with an interactive TV screen whereby visitors can peruse local points of interest.

We also revamped the parking area, and with a minor expansion and re-striping, were able to obtain 77 additional parking spaces.

We continue to work closely with the Board on resolving issues and plans are currently being developed to further reinvigorate the airport. I would like to thank the Board for their support throughout the year and their valuable input on many issues that I have brought forward for discussion.

I would like to thank the management team for their support and efforts throughout the years. I know 2014 will be just as exciting and productive.

David Allen
President and CEO

> **"Our year ended with the highest traffic number since 2008, with 235,815 passengers coming through the airport."**

Saint John
Airport Inc.

Our Board & Committees

BOARD OF DIRECTORS AS AT DECEMBER 2013

Chair: Norman McFarlane
Nominated by: Transport Canada*

**Nominated by Saint John Airport Inc. pending re-nomination by Transport Canada.*

Vice-Chair: Jonathan McKenzie, Irving Oil
Nominated by: City of Saint John

Norma Eaton, Rocky's Sports Bar
Nominated by: Department of Transportation and Infrastructure, Province of New Brunswick

Owen Green, Adams Green Consulting Ltd.
Nominated by: Saint John Airport Inc.

Nell Halse, Cooke Aquaculture
Nominated by: Enterprise Charlotte

James C. Irving, Brunswick News Inc.
Nominated by: Saint John Board of Trade

Ross Jefferson, Discover Saint John
Nominated by: City of Saint John

Troy Northrup, Northrup Group
Nominated by: Enterprise Saint John

Ron Oldfield, United Way of Greater Saint John
Nominated by: Saint John and District Labour Council

Philip Reeves
Nominated by: Regional Mayors' Caucus

Gary Rent
Nominated by: Enterprise Fundy

Christopher Waldschutz
Nominated by: Transport Canada

SAINT JOHN AIRPORT INC. BOARD COMMITTEES

FINANCE, AUDIT & INVESTMENT COMMITTEE
Chair - Jonathan McKenzie

A committee of five Directors, the CEO and Director of Finance and Administration meet on a regular basis to review the operational and corporate financial activities; review the annual business plan, capital plan and financial budget; and make appropriate recommendations to the Board of Directors.
Prior to presenting to the Board of Directors for approval, the annual audit is reviewed with the corporation's auditors. The Finance, Audit & Investment Committee recommends investment options to the Board and, as required, recommends options for the appointment of the corporation's auditors.

GOVERNANCE COMMITTEE
Chair – Ross Jefferson

A committee of five Directors, the CEO and the Director of Regulatory and Public Affairs meet to review Board policies, the corporation's bylaws and the Public Accountability Principles for Canadian Airports to ensure compliance with relevant legislation, regulations and current policies and procedures. New Board member attraction and orientation is also the responsibility of this committee. The committee evaluates Board training options, committee terms of reference, Board composition and any potential gaps in Board expertise and diversity.

AIR SERVICE COMMITTEE
Chair – James C. Irving

A committee of five Directors and the CEO meet as required to determine air service priorities and develop strategies for airline attraction. Committee members also seek and recruit community support for airline attraction activities, and expertise for presentations to potential airline partners, all in an effort to broaden air service options.

FACILITIES AND GROWTH COMMITTEE
Chair – Owen Green

A committee of six Directors and senior management meet, as required, to develop recommendations on infrastructure improvements and the development of strategies for commercial development opportunities. They provide guidance on matters related to long-term growth and viability, revenue diversification and land development options.

EXECUTIVE COMMITTEE
Chair – Norman McFarlane

A committee of six Directors meets from time to time, in between regular meetings of the Board, to deal with matters pertaining to the direction of the affairs, business and interests of the corporation.

Regulatory Responsibilities & Obligations:

Punching Above Our Weight

REGULATORY RESPONSIBILITIES & OBLIGATIONS

All regulatory responsibilities and obligations will be achieved and, where reasonable, standards will be exceeded.

Safety:

Safety is a keynote to the psyche and operating standards of our business. This year we undertook a third-party audit of our Safety Management System (SMS) implementation – a risk-based approach to managing aviation safety. This has led to improvements in inter-agency communication, wildlife control and the implementation of a new electronic runway condition reporting system.

Following Labour Canada guidelines, our Joint Occupational Health and Safety Committee implemented recommendations from our job hazard analysis. Field staff completed safety-related training including First Aid, WHMIS, ergonomics on the job and live-fire training for our firefighters.

We engaged the services of a consultant to perform a confined space analysis of our wastewater facility and implemented new confined space entry procedures and lock-out procedures.

Security:

No deviation from security standards, explicit or implied, are acceptable. Standards directed by federal legislation will be considered a minimum in developing local protocols.

In addition to our day-to-day safety and security responsibilities, we implemented new security management standards and developed and delivered a new security training module to our employees and facility security team (Canadian Corps of Commissionaires) this year. We also completed two table-top emergency exercises. Our security program is audited regularly by Transport Canada.

Environmental:

We are committed to ensuring that the many aspects of environmental protection for our constituents will be met or exceeded.

This year, we continued with the implementation of a new risk-based model for environmental management.

Based on an ISO approach, the management system includes water, wastewater, storm water, air, noise and materials management.

We performed upgrades on our water distribution facility and our wastewater treatment facility and conducted a HazMat simulation exercise with the aircraft refueling company. We also removed an underground fuel storage tank. Our materials management efforts include a recycling program for petroleum waste, batteries, used tires, runway sweeper bristles, as well as cans and bottles which are donated to the Loch Lomond School for fundraising.

Construction projects are reviewed for environmental impacts.

General Regulatory Matters:

Other programs that were tested in 2013 include the following:

- Ground Lease compliance.
- Canadian Transportation Agency compliance.
- Insurance requirements.
- Canadian Occupational Health and Safety regulations.
- Environment Canada (for fuel storage tanks and refrigeration systems and units).
- Potable water, wastewater and storm water reporting.
- Inspections and/or testing of boilers, sprinklers, alarms, extinguishers, hydrants, lifts/hoists/fall protection, gas systems and runway friction viability.

Operational Efficiency:

In a move to improve operational efficiencies, we hired four airport operations specialists in 2013. They will continue to perform the dual roles of airport firefighting and airport maintenance.

Major infrastructure investments in 2013 included the following:

- Expansion of the long-term parking lot.
- Upgrades to security and wildlife fencing.
- Removal of an underground fuel storage tank.
- General renovations and updating of the terminal building including installation of a second washroom in the departure area.
- A new “Welcome to Saint John” billboard at our entrance and a Discover Saint John kiosk in our arrivals area.
- The purchase of a new plow truck for snow removal.

Your Community
Your Saint John Airport

We like to think of ourselves as a bit of a welcoming committee for Saint John – for people travelling back home from a holiday or business trip, or for visitors coming to our region.

And we don't take this responsibility lightly. We want people to feel at home when they arrive at the airport, so being involved in the community and creating a welcoming atmosphere is important to all of us here at the airport.

Here is a snapshot of some of the highlights from the year.

All about Art:

Saint John is a community that embraces the arts, and we've help bring that value to life at the airport through the addition of the following exhibits for all travellers to enjoy:

- Welcome Wall.
- Students from Loch Lomond School have been graciously providing their artwork for our new student artwork wall throughout the year.
- Local artist exhibit, which includes paintings of well-known people from the region.
- Display cases of stunning pieces from local artisans, such as sculptures, pottery and mixed media artwork.

Loch Lomond School and the PALS Program:

- We planted our way to the Guinness Book of World Records! On June 6 students planted 5,677 marigold seedlings to help beautify Saint John. We hosted them at the airport to help them achieve their goal.
- Students from the Loch Lomond School choir entertained arriving passengers on Valentine's Day.
- We helped the school build a bird and butterfly garden that will be enjoyed by students, and used as a teaching tool, for many years to come.
- Our social committee has helped raise funds to donate hats and mitts to kids in need.
- Once we hit 500 likes on Facebook, we made a donation to the school.
- 70 students participated in our Annual Runway Run race in May.
- We donate all of our recyclable cans and bottles to the school for redemption.

Community Events:

- The third Annual Runway Run (a 5k, 10k and kids fun run) was held in May and has now become the model for several charity runway runs at other airports across the country. We think that's wonderful. Our airport staff and tenants volunteered to make this a successful event for 300 runners, raising a total of over $2,200 for the Canadian Mental Health Association. Plans for the fourth Annual Runway Run are well underway for May 2014.
- We were also proud to be sponsors for major community events and activities in 2013, including Skate Canada International, the Empty Stocking Fund, Saint John Sea Dogs, Saint John Mill Rats, NBL All-Star Weekend, Saint John Fireman's Ball, Royal Canadian Legion, Children's Wish Foundation, Saint John Police Association, Cities of New Brunswick Annual General Meeting, KV Rotary Club Dinner, NB Competitive Festival of Music, NB Fire Chiefs Safety Booklet, and several memorial donations.

Planning
for Our Future

2013 Capital Initiatives

Capital Projects Implemented by the Saint John Airport in 2013 were as follows:	
Plow / dump truck	$154,226
Parking lot upgrade	87,926
Security fencing	62,280
Terminal building	30,635
Other fixed assets <$10,000	26,743
CSB furnace stack	18,491
	$380,301

2013 Actual versus Business Plan

	Plan ($)	Actual ($)	fav (unfav)
Revenue[1]	4,896,775	5,561,515	664,740
Expenses[2]	4,325,161	4,679,781	(354,620)
Capital Expenditures	188,000	380,301	(192,301)

Business Plan Forecast 2014-2018

	2014	2015	2016	2017	2018
Revenue[3] ($)	5,718,000	6,188,000	6,361,000	6,542,000	6,728,000
Expenses[2] ($)	4,836,000	4,956,000	5,077,000	5,202,000	5,331,000
Capital Expenditures[4] ($)	964,000	1,169,500	1,430,600	11,687,200	3,156,000

Five-Year Passenger Forecast

Notes:

1. Revenue includes Passenger Facility Fees and Operations.
2. Expenses include interest and do not include non-cash items of amortization of capital assets and the deferred grant.
3. Assumes passenger growth of four per cent for 2014 to 2018.
4. Capital forecast includes LED runway lighting, service road repaving, salt storage facility and replacement of aging fleet equipment.
5. Expenses include not only design improvements but also general upkeep of aging infrastructure.

Government funding will be required to complete major long-term infrastructure projects during the next five years such as runway resurfacing and upgrading. We are seeking to partner with all levels of government in our effort to secure the necessary funding.

Financial Review

The Saint John Airport Inc. was incorporated without share capital on February 19, 1997 under Part II of the Canadian Corporation Act. On June 1, 1999 the corporation signed an agreement with the Government of Canada to transfer managerial, operational and developmental control of the Saint John Airport to the corporation. The airport is exempt from income tax according to the Airport Transfer (Miscellaneous Matters) Act. All earnings are retained and reinvested in airport operations and development. The airport is not required to pay any rent to the Government of Canada until 2016.

Passenger traffic increased by 8.7 per cent in 2013 to 235,815 passengers and passenger revenue such as parking and concessions increased eight per cent accordingly. This revenue increase was offset by expenses incurred for interior design improvements in the airport terminal building, marketing initiatives and air service consulting. As a result, net earnings decreased by 14 per cent to $387,289 in 2013 compared to $449,484 in 2012.

All net earnings are used to fund operational and capital works ranging from mobile equipment to airfield lighting. A restricted capital asset replacement fund - established by the Board for the purpose of replacing capital assets - grew to $5,105,790 over the prior year balance of $4,537,792 through a transfer of $500,000 from the operating fund and investment interest income.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Saint John Airport Inc.

We have audited the accompanying financial statements of Saint John Airport Inc., which is comprised of the statement of financial position as at December 31, 2013, and the statements of changes in net assets, operations and cash flows for the year then ended, and 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 not-for-profit organizations, 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.

Auditors' 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 auditors' 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 auditors consider 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 Saint John Airport Inc. as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Teed Saunders Doyle Co.

CHARTERED ACCOUNTANTS

Saint John, NB
March 27, 2014

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash (Notes 2 and 3)	$ 856,211	$ 847,798
Accounts receivable (Notes 2 and 3)	342,192	474,987
Parts inventory (Note 2)	89,103	91,246
Prepaid expenses	74,739	96,888
	1,362,245	**1,510,919**
ACCRUED DEFINED BENEFIT PENSION ASSET (Notes 2, 3 and 6)	886,000	668,000
RESTRICTED INVESTMENTS FOR CAPITAL ASSET REPLACEMENT (Notes 2 and 3)	5,105,790	4,537,792
CAPITAL (Notes 2 and 4)	6,009,863	6,619,515
	$ 13,363,898	**$ 13,336,226**
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 2 and 3)	$ 595,575	$ 554,891
Harmonized sales tax payable	74,541	62,425
	670,116	617,316
PROVISION FOR RETIREMENT ALLOWANCE (Notes 2, 3 and 6)	98,187	83,091
DEFERRED GRANT FOR AIRPORT CAPITAL IMPROVEMENTS (Notes 2 and 5)	2,504,079	2,999,590
NET ASSETS		
NET ASSETS		
Unrestricted	1,479,943	1,478,513
Invested in capital assets (Note 9)	3,505,783	3,619,924
Internally restricted-Replacement Reserve Fund (Note 2)	5,105,790	4,537,792
	10,091,516	9,636,229
	$ 13,363,898	**$ 13,336,226**

COMMITMENTS AND CONTINGENCIES (Note 7)

APPROVED ON BEHALF OF THE BOARD:

______________________________ Director ______________________________ Director

SAINT JOHN AIRPORT INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Invested In Capital Assets	Subtotal	Replacement Reserve Fund	Total 2013	Total 2012
BALANCE AT BEGINNING OF YEAR	$ 1,478,513	$ 3,619,924	$ 5,098,437	$ 4,537,792	$ 9,636,229	$9,121,793
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	881,732	(494,443)	387,289	67,998	455,287	514,436
TRANSFER (Note 2)	(500,000)	-	(500,000)	500,000	-	-
CAPITAL ASSETS PURCHASED	(380,302)	380,302	-	-	-	-
BALANCE AT END OF YEAR	**$ 1,479,943**	**$ 3,505,783**	**$ 4,985,726**	**$ 5,105,790**	**$ 10,091,516**	**$ 9,636,229**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
REVENUE (Notes 2 and 8)		
Aircraft landing and terminal fees	$ 1,620,021	$ 1,622,281
Concessions	500,110	495,593
Vehicle parking	669,421	600,143
Land and office rentals	212,289	203,375
Airport services	130,897	121,417
Other	12,129	16,127
Interest income	5,118	2,590
Amortization of deferred grant (Note 5)	495,511	505,933
	3,645,496	**3,567,459**
EXPENDITURE		
Salaries, wages and benefits	2,139,350	2,280,866
Materials, supplies and services	1,269,299	1,098,828
General and administrative	1,279,599	970,813
Amortization of capital assets	989,954	982,837
	5,678,202	**5,333,344**
DEFICIENCY OF REVENUE OVER EXPENDITURE FROM OPERATIONS BEFORE PASSENGER FACILITY FEE	(2,032,706)	(1,765,885)
PASSENGER FACILITY FEE (Notes 2 and 8)	2,201,995	2,024,369
EXCESS OF REVENUE OVER EXPENDITURE FROM OPERATIONS	169,289	258,484
DEFINED BENEFIT PENSION INCOME (Note 6)	218,000	191,000
EXCESS OF REVENUE OVER EXPENDITURE	**387,289**	**449,484**
ALLOCATED TO:		
Unrestricted	$ 881,732	$ 923,999
Invested in Capital Assets	(494,443)	(474,515)
	$ 387,289	**$ 449,484**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess of revenue over expenditure	$ 387,289	$ 449,484
Items not involving cash		
Amortization of capital assets	989,954	982,837
Amortization of deferred grant	(495,511)	(505,933)
Gain on disposal of capital assets	-	(2,389)
Increase in accrued defined benefit pension asset	(218,000)	(119,000)
Increase in provision for retirement allowance	15,096	4,256
	678,828	**737,255**
Changes in non-cash working capital balances		
Accounts receivable	132,795	(114,149)
Parts inventory	2,143	7,107
Prepaid expenses	22,149	(32,283)
Accounts payable and accrued liabilities	40,684	19,515
Harmonized sales taxes payable	12,116	(15,384)
	888,715	**602,061**
Investing activities		
Purchase of capital assets	(380,302)	(335,211)
Proceeds on disposal of capital assets	-	20,163
Investments restricted for capital asset replacement	(500,000)	-
	(880,302)	**(315,048)**
INCREASE IN CASH	8,413	287,013
CASH AT BEGINNING OF YEAR	847,798	560,785
CASH AT END OF YEAR	**$ 856,211**	**$ 847,798**
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	$ 73,116	$ 67,542

NOTES TO THE FINANCIAL STATEMENTS

1. Incorporation and Activities

Saint John Airport Inc. (the "Corporation") was incorporated on February 19, 1997 under the Companies Act of New Brunswick as a non-share capital, not-for-profit corporation.

On June 1, 1999, the Corporation signed an agreement with the Government of Canada to transfer managerial, operational and developmental control of the Saint John Airport to the Corporation. Effective that date, the Corporation signed a ground lease agreement (the "ground lease") with the Government of Canada which provides that the Corporation will lease the airport facilities for an initial term of sixty years. A twenty-year renewal option may be exercised but at the end of the renewal term, unless otherwise extended, the Corporation is obligated to return control of the Saint John Airport to the Government of Canada. Regulation of Safety Standards for the airport continues to be the responsibility of the Government of Canada, but the Corporation is responsible for operating the airport safely.

Income arising from the operation of the Saint John Airport is exempt from federal and provincial income taxes. The Corporation is subject to HST and real property tax.

2. Summary of Significant Accounting Policies

Lease with Government of Canada

The ground lease is accounted for as an operating lease.

Financial Instruments Policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Parts Inventory

Parts inventory is valued at the lower of cost or replacement value. Cost is determined on a first in, first out basis.

Capital Assets

Capital assets are stated at cost less accumulated amortization. As assets are put in use, amortization is provided for on a straight-line basis at the following annual rates:

Leasehold improvements	
Buildings	5.0 to 20.0 %
Runways, roads and grounds	5.0 to 30.0 %
Vehicles	5.5 to 25.0 %
Machinery and equipment	6.7 to 30.0 %
Systems and software	20.0 to 33.3 %
Furniture and fixtures	10.0 %

The Corporation regularly reviews its capital assets to eliminate obsolete items.

Restricted Investments for Capital Asset Replacement and Replacement Reserve Fund

The Board of Directors has established a Replacement Reserve Fund for the purpose of replacing capital assets. Transfers to and from the fund require approval from the Board of Directors. Interest earned on the fund is recorded as a direct increase in net assets of the Replacement Reserve Fund.

The Replacement Reserve Fund is comprised of Guaranteed Investment Certificates, mutual funds and cash and is stated at cost plus accrued interest which approximates market value. At December 31, 2013 the market value was $5,105,790 (2012 - $4,537,792).

Employee Future Benefits - Defined Benefit Pension Plan

The Corporation has a contributory defined benefit plan for its employees. The Corporation has elected to report its employee future benefits using the deferral and amortization approach. Under this method, the cost of annual pension benefits are based on actuarial estimates using assumptions developed for reporting purposes. The accrued benefit asset reported represents the accumulated benefit costs less the corporation's contributions to date. Actuarial gains and losses and past service costs are deferred and amortized over future periods.

Deferred Grant for Airport Capital Improvements

In accordance with the terms of the ground lease the Corporation received a capital based grant of $6.3 million during the period ended December 31, 1999 from the Government of Canada. These funds, and all interest accrued thereon, have been spent on airport safety and security infrastructure capital projects. The deferred grant will be amortized to income on the same basis as the related capital assets acquired with the funds.

Revenue Recognition

Aircraft landing and terminal fees and parking revenues are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees. Rental revenues are recognized over the lives of respective leases. Passenger facility fees are recognized upon the enplanement of passengers.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Examples of significant estimates contained in these financial statements include:

- the allowance for doubtful accounts;
- the allowance for inventory obsolescence;
- the estimated useful lives of assets;
- the recoverability of tangible assets; and
- certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension obligations and pension plan assets.

3. Financial Instruments

The Corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Corporation's risk exposure and concentration as of December 31, 2013.

Credit Risk

The Corporation is exposed to credit risk on the accounts receivable from its customers. The Corporation reviews a new customers' credit history before extending credit and conducts regular reviews of existing customers' credit performance. At December 31, 2013, accounts receivable consisted primarily of aviation fees and passenger facility fees arising from normal operations. A significant portion of the accounts receivable is from one customer and its subsidiaries.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Corporation is exposed to interest rate risk on the mutual funds that are held in the Restricted Investments for Capital Asset Replacement.

Currency Risk

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is not exposed to this type of risk as it does not hold foreign currency.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its receipt of funds from its customers, contributions to the pension plan, accounts payable and other obligations.

4. Capital Assets

	2013			2012
	Cost	Accumulated Amortization	Net	Net
Leasehold improvements				
Buildings	$ 5,793,915	$ 3,202,187	$ 2,591,728	$ 2,852,590
Runways, roads and grounds	6,596,512	3,934,733	2,661,779	2,948,282
Vehicles	2,553,951	2,032,055	521,896	525,687
Machinery and equipment	812,384	621,985	190,399	238,440
Systems and software	123,403	82,121	41,282	51,233
Furniture and fixtures	29,751	26,972	2,779	3,283
	$ 15,909,916	**$ 9,900,053**	**$ 6,009,863**	**$ 6,619,515**

5. Deferred Grant For Airport Capital Improvements

	2013	2012
Balance at beginning of year	$ 2,999,590	$ 3,505,523
Amortized during the year	(495,511)	(505,933)
Balance at end of year	**$ 2,504,079**	**$ 2,999,590**

6. Employee Future Benefits

	2013	2012
Accrued Defined Benefit Pension Asset	**$ 886,000**	**$ 668,000**
Provision for Retirement Allowance	**$ 98,187**	**$ 83,091**

Defined Benefit Pension Plan

On June 1, 1999, the Corporation joined the Canadian Airport Authorities and Canadian Port Authorities Pension Plan, a multi-employer pension plan. This plan covers employees of the Corporation who, immediately prior to joining the Corporation, were employees of the Federal Public Service and were accruing pension benefits under the Public Service Superannuation Act. The federal government remains responsible for all pension benefits accrued in respect of those individuals up to that time.

Pension assets consist primarily of Canadian and foreign equity and fixed income funds. The fair value of the plan assets is based on management's best estimate of the long-term rate of return on the pension asset portfolio.

Pension benefit obligations are determined based on management's best estimate of long-term salary escalation rates and are discounted based on management's best estimate of long term interest rates. The significant actuarial assumptions used in measuring the Corporation's accrued benefit obligation and the fair value of the plan assets are as follows:

	2013	2012
Rate of compensation escalation	**4.00%**	**4.00%**
Discount rate	**4.80%**	**4.50%**

Variances between such estimates and actual experience, which may be material, are amortized over the life expectancy of retired members.

The Corporation bears the risk of experience loss against the above assumptions. The maximum risk of loss is equal to the difference between the fair value of the pension benefit obligation and the amount of the pension benefit obligation accrued in the financial statements. Should actual experience differ from the assumptions, future contributions will be adjusted to make up for any variances. Risk is managed by placing the pension plan assets in trust and through the pension investment policy, which defines the plan's allowable investments.

Actuarial reports prepared are based on projections of employees' compensation levels to the time of retirement and estimates of long-term interest rates provided by the plan's management. The most recent actuarial valuation was performed as at January 1, 2013. The valuation was performed using the Attained Age Normal Actuarial Cost Method to determine the minimum employer contribution under the Pension Benefits Standards Act and the maximum deductible contribution according to the Income Tax Act of Canada.

Based on the recommendations of the Plan's actuary, the employer contributions for the year were set at 24.0% (2012 - 22.9%) of the employees' earnings plus an additional special contribution of $17,283 per month (2012 - $15,617). These contribution requirements will remain in effect until the next actuarial valuation scheduled for January 1, 2014.

Information about the defined benefit portion of the plan as at December 31 is as follows:

	2013	2012
Fair market value of plan assets	$ 3,760,000	$ 3,084,000
Accrued benefit obligation	3,662,000	3,457,000
Funded status - plan surplus (deficit)	98,000	(373,000)
Unamortized net actuarial loss	788,000	1,041,000
Accrued benefit asset	**$ 886,000**	**$ 668,000**
Accrued benefit asset - beginning of year	$ 668,000	$ 477,000
Net pension expense for the year	(94,000)	(92,000)
Employer contributions	312,000	283,000
Accrued benefit asset - end of year	**$ 886,000**	**$ 668,000**
Employee contributions	$ 18,000	$ 20,000
Pension and termination benefits paid	107,000	108,000

The actuarial present value of accumulated benefits for the 2013 fiscal year is based on an extrapolation provided by the actuaries. The actuaries believe that the financial results would not differ materially from the extrapolation if a formal valuation was performed at year end.

Defined Contribution Pension Plan

The Corporation's defined contribution pension plan covers new employees who have joined the Corporation since June 1, 1999. Employees covered by this plan are required to contribute five per cent of their earnings which are matched by the Corporation. All employer contributions vest with the employee after two years of service with the Corporation. During the year, the Corporation contributed $41,975 (2012 - $44,718) towards this plan.

Retiring Allowance

Following the guidelines set forth by the Saint John Airport Collective Agreement, employees who have ten or more years of service are entitled to a retirement allowance of one week's pay per year of service since June 1, 1999. This is limited to a maximum of 30 weeks of pay. There were no retirement allowances paid in the current year (2012 - $7,629).

7. Commitments and Contingencies

As described in Note 1 to the financial statements, the Corporation signed a ground lease agreement with the Government of Canada which provides that the Corporation will lease the airport for an initial term of 60 years. A 20-year renewal option may be exercised but at the end of the renewal term, unless otherwise extended, the Corporation is obligated to return control of the Saint John Airport to the Government of Canada.

a) Under the terms of the amended ground lease, the occupation of the airport by the Corporation is rent free until the year 2016. From the year 2016 onwards, the rent formula will be as follows: no rent charged on the first $5,000,000 of airport revenue; 1% of the portion of airport revenue in excess of $5,000,000 but equal to or less than $10,000,000; 5% of the portion of airport revenue in excess of $10,000,000 but equal to or less than $25,000,000; 8% of the portion of airport revenue in excess of $25,000,000 but equal to or less than $100,000,000; 10% of the portion of airport revenue in excess of $100,000,000 but equal to or less than $250,000,000; and 12% of the portion of airport revenue in excess of $250,000,000.

b) An environmental site assessment on the Saint John Airport property was carried out in December 1998 by the Government of Canada and the report that was issued is referred to as the Environmental Baseline Study Report. This report was to identify the extent of the hazardous substances that existed as of December 1998 and extended to the June 1, 1999 transfer date. Article 37 of the Ground Lease for the airport will govern responsibility for any remedial work, if necessary.

The responsibility for any liability that may arise in the future relating to the existence of a hazardous substance originating before the transfer on June 1, 1999 to the Corporation rests with the Government of Canada. The Corporation has responsibility for any environmental liabilities that arise from hazardous substances that occur subsequent to the transfer date. At December 31, 2013 there are no known environmental liabilities.

During the year, the Corporation entered into a one-year agreement with a consulting firm to provide business development services. The contract is for $25,000 a month plus expenses, and can be terminated at the end of each quarter of 2014. If the consulting firm reaches certain objectives, then the Corporation is required to renegotiate an extension to the contract.

8. Economic Dependance

The Corporation derives a significant amount of revenue from Air Canada and its subsidiaries and consequently, is economically dependent on this customer.

9. Net Assets Invested In Capital Assets

	2013	**2012**
Invested in capital assets, beginning of year	$ 3,619,924	$ 3,779,391
Amortization of capital assets	(989,954)	(982,837)
Amortization of deferred grant	495,511	505,933
Gain on disposal of capital assets	-	2,389
Purchase of capital assets	380,302	335,211
Proceeds on disposal of capital assets	-	(20,163)
Invested in capital assets, end of year	**$ 3,505,783**	**$ 3,619,924**

10. Comparative Figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

11. Change In Accounting Policy

Effective January 1, 2014, the Corporation adopted the CICA Handbook Section 3462, Employee Future Benefits. The effect of this change is that the Corporation will no longer have the option to defer actuarial gains and losses. There will be a one time immediate recognition of unamortized gains/losses as at January 1, 2014 through unrestricted net assets. Any gains/losses arising during 2014 and later reporting periods will be immediately recognized as part of the year's expense.

COMPENSATION AND DISCLOSURES

Compensation for the Board of Directors and Management

BOARD & MANAGEMENT TEAM

Annual Fee to the Chairman	$5,000
Annual Fee to Directors	$1,000

The Chairman and Directors receive $100 per meeting.

The total compensation paid to the Board of Directors was $29,400.

The total compensation paid to the management team was $463,476.

CODE OF CONDUCT

All Directors have completed “Disclosure Statements” and there were no instances of real or potential “Conflicts of Interest” brought before the Board of Directors during 2013.

Contracts awarded over $75,000
With Public Tender / By Invitation

A contract to purchase a plow/dump truck, $154,226.

Contracts awarded over $75,000
Without Public Tender

A contract to continue to provide consulting services was awarded to U.S.-based Mintage Financial Corporation as few Canadian companies provide air service and financial consulting and Mintage was strongly recommended by PricewaterhouseCoopers.

CONTACTS

CORPORATE OFFICE

Saint John Airport Inc.
4180 Loch Lomond Road
Saint John, NB
Canada, E2N 1L7

p. 506.638.5555
f. 506.638.5550
fly@sjairport.ca
saintjohnairport.com

MANAGEMENT

David Allen
President and CEO
506.638.5558
dallen@sjairport.ca

Judith Brown
Director, Finance and Administration
506.638.5552
jbrown@sjairport.ca

Brian Wiggins
Director, Maintenance and Operations
506.638.5574
bwiggins@sjairport.ca

Angela McLean
Director, Regulatory & Public Affairs
506.638.5578
amclean@sjairport.ca

AUDITORS

Teed Saunders Doyle
39 Canterbury Street
Saint John, NB E2L 4S1

LEGAL COUNSEL

Lawson Creamer
133 Prince William Street
Saint John, NB E2L 2B5

BANKER

RBC Royal Bank
100 King Street
Saint John, NB E2L 1G4

NOTES

4180 Loch Lomond Road, Saint John, NB E2N 1L7

saintjohnairport.com