ANNUAL REPORT 2014

Aéroport de SAINT JOHN Airport

Saint John Airport Inc.

Saint John Airport Inc. is a community-based, not-for-profit company, 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

The Saint John Airport is a premiere gateway to Canadian, transborder and international destinations, offering the highest standards of safety and customer service to the New Brunswick travelling community.

Key Strategies

Promote the 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 support long-term 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

I am pleased to report 2014 saw an all-time record of 248,820 passengers and I, along with my fellow board directors, congratulate the CEO, David Allen, and the management staff on a job well done. I also congratulate management staff on a great transformation of the terminal, particularly with the introduction of the new restaurant which continues to garner many passenger accolades.

There have been some changes to your Board of Directors during the year with some resignations and directors at the end of their terms. I extend a big thank you to the departing directors and give a very warm welcome to the new directors.

Larry Hachey replaces Jamie Irving, Charles Hickey replaces Ron Oldfield, Susan Layton replaces Owen Green and Rob Scott replaces Norma Eaton, while Andrew MacGillivray joined the board as an airport nomination and Mark Bettle as a nominee of the Saint John Region Chamber of Commerce.

The board has been very active during the year, working closely with the CEO and management team on many of the unique challenges and projects the airport is undertaking. I am pleased to report that we have achieved solid progress on many of these issues during the year.

We continue to work with our partner Air Canada on issues of mutual interest to provide the best service in southern New Brunswick.

I also extend a big thank you to Sunwing for continuing to believe in Saint John and for continuing to offer four destinations for winter getaways out of your airport.

Of course, all of this would not be achieved without the co-operation of you, the public, who are now becoming aware of how important the Saint John Airport is to you and the economic prosperity of the region.

In closing, I thank the CEO for his vision in carrying out the objectives of the board and his daily work with staff, who also deserve a thank you for their hard work this year.

Our management team continues to operate your airport efficiently and professionally, meeting all the regulators' requirements as well as passenger and user expectations.

Norman McFarlane
Chairman of the Board of Directors

Message from the CEO

2014 was a tumultuous year ending, however, with the gratifying knowledge that we achieved an all-time passenger record. I thank my management team and all staff for their dedication to the airport to make sure all aspects of airport operations are delivered to the best standard possible. We receive many compliments from pilots who fly into the airport and passengers who travel through the airport about how good the facilities are despite inclement conditions at the time. Keeping runways, taxiways and aprons clear of snow and ice at all times throughout winter is a huge endeavour that requires real dedication by all staff. The new restaurant has garnered much praise, particularly with the ambiance and food choices being offered.

Once again, we had parking space issues, particularly during the winter months when Sunwing operates. To address this challenge, we built a new paved parking area last summer on the opposite side of our main entrance to create 100 new spaces. This new space has the potential for further expansion should the need arise in the future.

At the same time, we expanded the main apron to accommodate additional large aircraft.

Consultations with Air Canada continued on many areas of mutual interest to ensure we bring the best service possible to the region. The introduction of a fourth summer flight to Toronto proved very popular.

Likewise, we were in regular contact with Sunwing and worked through issues affecting their delivery of service in our region. I am glad to report that through our efforts a normal operational schedule was achieved.

We continue to work closely with the Board of Directors and the various board committees on issues that continue to face the airport and on plans currently being developed to reinvigorate the airport. I thank the board directors for their support throughout the year and their valuable input on many issues I brought forward for discussion.

Once again I thank the management team for their support and efforts throughout the year. I know 2015 will be just as exciting and productive.

Thank you.

David Allen
President and CEO

Committees of the Board

Finance, Audit and Investment Committee | *Chair - Jonathan McKenzie*
A committee of four directors and senior management meets 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. The committee reviews the annual audit with the corporation's auditors prior to presentation to the Board of Directors for approval. It also recommends investment options to the Board of Directors and, as required, options for the appointment of the corporation's auditors.

Governance Committee | *Chair – Susan Layton*
A committee of five directors and senior management meets to review board policies, the corporation's by-laws and the public accountability principles for Canadian airports to ensure compliance with relevant legislation, regulations and current policies and procedures. The committee is also responsible for new board member attraction and orientation. It evaluates board training options, committee terms of reference, board composition and any potential gaps in board expertise and diversity.

Facilities and Air Service Committee | *Chair – Andrew MacGillivray*
A committee of four directors and senior management meets 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 our air service options.

The committee develops, for the Board of Directors, recommendations on infrastructure improvements and development and 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 occasionally between regular meetings of the board to deal with matters pertaining to the direction of the affairs and business of the corporation in such a manner as it deems best for the interests of the corporation.

Board of Directors

Chair: Norman McFarlane
Nominated by: Transport Canada

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

Mark Bettle, JD Irving Limited
Nominated by: The Saint John Region Chamber

Nell Halse, Cooke Aquaculture
Nominated by: Enterprise Charlotte

Larry Hachey, Blue Chip Leasing
Nominated by: Saint John Airport Inc.

Ross Jefferson, Facilicorp
Nominated by: City of Saint John

Susan Layton, Emera New Brunswick
Nominated by: Saint John Airport Inc.

Andrew MacGillivray
Nominated by: Saint John Airport Inc.

Troy Northrup, Northrup Group
Nominated by: Enterprise Saint John

Charles Hickey
Nominated by: Saint John and District Labour Council

Philip Reeves
Nominated by: Fundy Regional Services Commission

Gary Rent
Nominated by: Enterprise Fundy

Rob Scott, State Farm Insurance
Nominated by: NB Dept. Transportation and Infrastructure

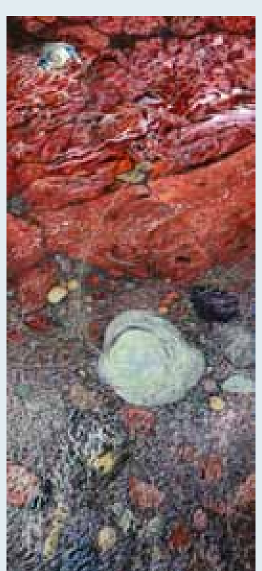
Christopher Waldschutz
Nominated by: Transport Canada

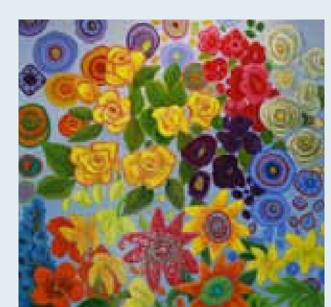
Your Saint John Airport Proud Part of Saint John

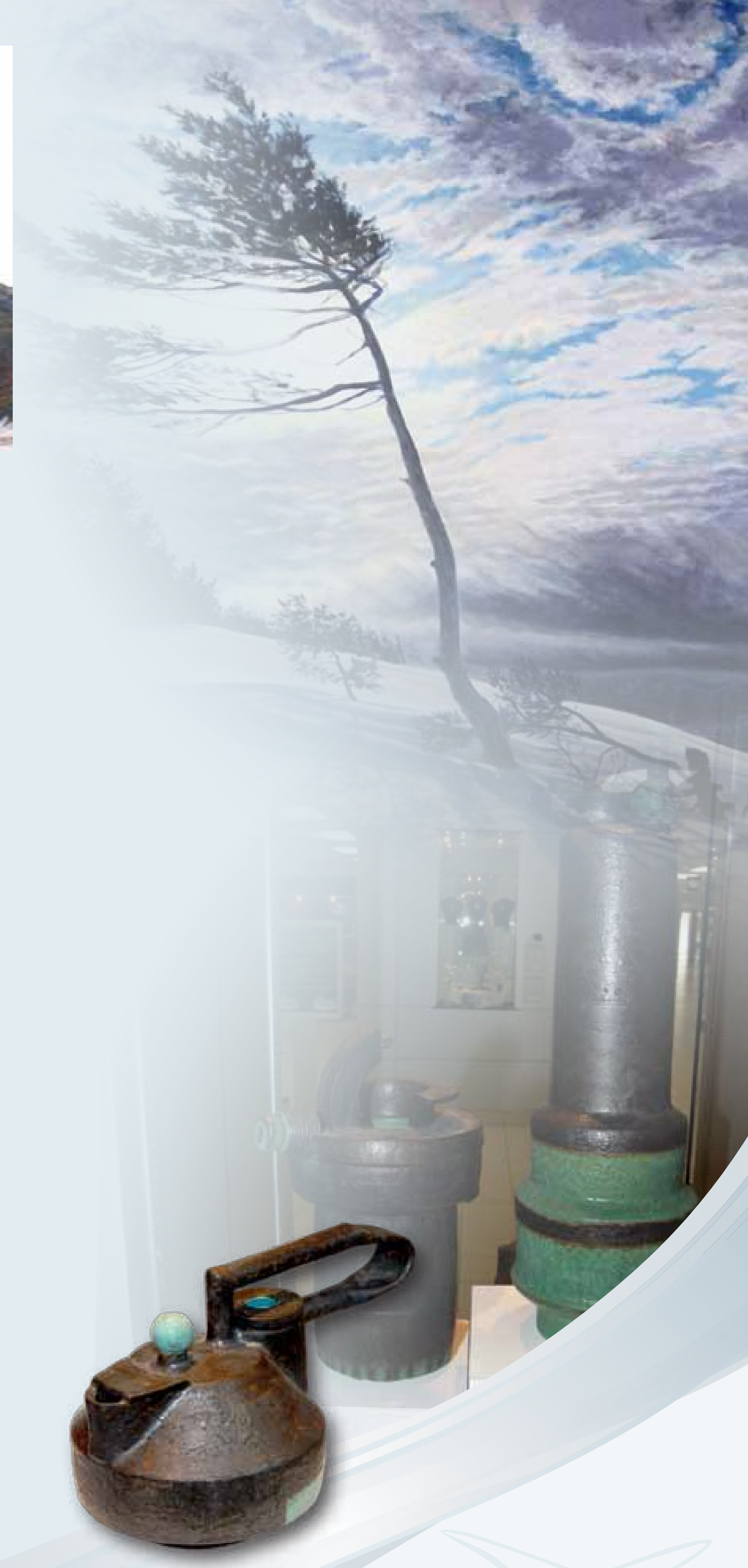
A proud member of greater Saint John, the Saint John Airport is committed to creating a welcoming atmosphere while actively connecting and engaging with the community. Here are just a few examples of our community involvement in 2014:

Expanding Art

The highlight of our community engagement activities in 2014 was the expansion of our Local Art Program. We are proud to feature the work of well-known local artists to enhance the welcoming atmosphere for arriving and departing passengers. The exhibits, which are located throughout the first floor of the terminal building, include paintings; displays showcasing local artisans' jewelry, pottery and mixed media pieces; a welcome wall of local photography and a student artwork wall with art by students from Loch Lomond School.







Local Education

2014 saw us build on the relationship with our Partners Assisting Local Schools (PALS) relationship with our neighbours at Loch Lomond School. In addition to having 70 Loch Lomond School students participate in our Fourth Annual Runway Run, we provided space for their district track and field meet and helped build a bird and butterfly garden that will be enjoyed and used as a teaching tool for years to come. The school choir entertained arriving passengers on Valentine's Day and Christmas holidays. Students provided artwork for our new student artwork wall throughout the year and one of the pieces was selected for use in our ad in the Loch Lomond School yearbook. We donate all of our recyclable cans and bottles to the school for redemption.

Proud Sponsor

We were proud to be sponsors for major community organizations, events and activities in 2014 including the Empty Stocking Fund, Saint John Sea Dogs, Saint John Mill Rats, Saint John Neighbourhood Police Council, Royal Canadian Legion, Children's Wish Foundation, Stan Cassidy Centre for Rehabilitation, Crime Prevention Association of NB, KV Rotary Club Dinner, NB Competitive Festival of Music, NB Fire Chiefs Safety Booklet, Imperial Theatre and several memorial donations.

Runway Run 2014

Our annual 5k/10k/kid's fun run has become the model for several charity runway runs at other airports across the country. Our Fourth Annual Runway Run took place in May with airport staff and tenants volunteering their time to make this a successful event for 600 runners. A total of $2,800 was raised in 2014 for the United Way of Saint John, Kings and Charlotte and plans for the Fifth Annual Runway Run are well underway for May 2015.

Thank You for making the fourth annual Runway Run a huge success!

Big Thanks to:

- The 600 runners
- The 60 volunteers
- All who made this possible!
- The 10 sponsors
- The 10 vendors

We raised a total of $2,800 for the United Way serving Saint John, Kings, and Charlotte

Tours and Special Events

Several tours were conducted throughout 2014 and staff participated in several community partnership events and committees, such as Port Days and the True Growth Network Partnership.

In May, in partnership with Enterprise Saint John, we organized a luncheon for local business leaders to interact with Air Canada's Senior VP of Regional Markets, Kevin Howlett . In December, we hosted another luncheon to gather information from the business community about their travel patterns and preferences. This feedback will be invaluable as we proceed with future air service development initiatives.

We capped off the year with a special grand opening celebration of our newly renovated restaurant, Connections Bistro. Travellers and the general public enjoyed a fabulous evening with local musicians "Tomato Tomato" and delicious food and drink selections from the restaurant kitchen.

Connections

The Connections Bistro at the Saint John Airport is showing off its new modern look, following a four-month renovation in the summer and fall of 2014.

> *"We want to sell our culture and who we are as a city. We are the last gate of the City of Saint John for those travelling by air."*

The restaurant now features comfortable lounge seating next to an electric fireplace, a new L-shaped bar, a long row of upholstered bench seating, and several work stations.

The original menu remains -- with its delicious, made-to-order grilled Panini wraps and sandwiches, and freshly made specialty salads and burgers. *"We named it Connections Bistro, not only because of the connections passengers make around the world, but also the connections we want to make with the community,"* said Yan de Valle who, along with his wife Yeny, took over operation of the airport's restaurant last February.

Designed by TOSS Solutions Inc., the work was carried out over four months to give the space a new contemporary look while also providing a comfortable place for passengers.

"That was the goal," said Judith Brown, the airport's Director of Finance and Administration, *"to have an area where passengers – if there are delays in their flights or if they have to get here a couple hours early – have a comfortable space to enjoy a snack or a beverage."*

It was a complete overhaul of the space, with a new layout, new seating and a new décor. The new dining space features sultry red walls with black beams and new light fixtures hanging from the ceiling and over the bar. The space also boasts plentiful additional seating options, including a long, double-side upholstered bench, white leather chairs, and several work areas for people to use their laptops or charge their cell phones.

Tucked into a small alcove is the restaurant's new gift shop, featuring souvenirs and gifts as well as the work of several Maritime artists. Among them are ceramic artist Andrew McCullough, Queenstown artist Michael McQuay and the pottery of Albert County Clay and Island Stoneware.

A new bar anchors the far end of the space, and provides a place where people can order a drink and watch a program on a flat-screen television. Adjacent to the bar, customers can place food orders at the bright lunch counter, and watch as their food is being prepared, or simply buy food items to grab and go.

"Most of what we have on the menu is prepared right here," said de Valle.

Opening in the wee morning hours to accommodate passengers catching early flights, the restaurant also serves Java Moose coffee as well as smoothies, breakfast sandwiches and muffins.
The restaurant is open daily until 8 p.m.

The renovation is just the first step in a long-term plan to make the restaurant a dining destination for both passengers and east side residents. The owner has other ideas in the planning stages he hopes will make the restaurant a cultural hotspot on the east side.

"We want to sell more than food," de Valle said. "*We want to sell our culture and who we are as a city. It's more than just coming in and getting a sandwich. We are the last gate of the City of Saint John for those travelling by air."*

Regulatory Responsibilities & Obligations

Saint John Airport Inc. will achieve all regulatory responsibilities and obligations and, where reasonable, exceed standards.

General Regulatory Matters

Programs audited in 2014 included: 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, as well as inspections and/or testing of boilers, sprinklers, alarms, extinguishers, hydrants, lifts/hoists/fall protection, gas systems and runway friction viability.

Safety

Safety is a keynote to the psyche and operating standards of the business. In 2014, we hired a Quality Systems Specialist to help manage our safety management system and implemented a new electronic program management system. This has led to improvements in safety reporting, trend analysis and communication and has led to improvements in aviation safety overall.

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 and WHMIS and our firefighters completed live fire training.

We held a full-scale emergency exercise involving over 125 participants in October. The exercise not only tested our own in-house response capabilities, but also the inter-agency response with our first responding partners from the community. We learned many valuable lessons, which have led to improvements in our response capabilities

Security

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

In addition to our day-to-day safety and security responsibilities, we implemented security management standards as part of our new airport security plan and delivered a new security training module to our employees and facility security team (Canadian Corps of Commissionaires) in 2014. In October we tested our emergency response as part of our full-scale emergency exercise. We also upgraded our security camera system. Transport Canada regularly audits our security program.

Environmental

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

In 2014, 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 re-fuelling company. 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.

In partnership with Fundy Region Solid Waste, the community blue bin program on our site resulted in the diversion of 263 tonnes of solid waste from the landfill.

We review construction projects for environmental impacts.

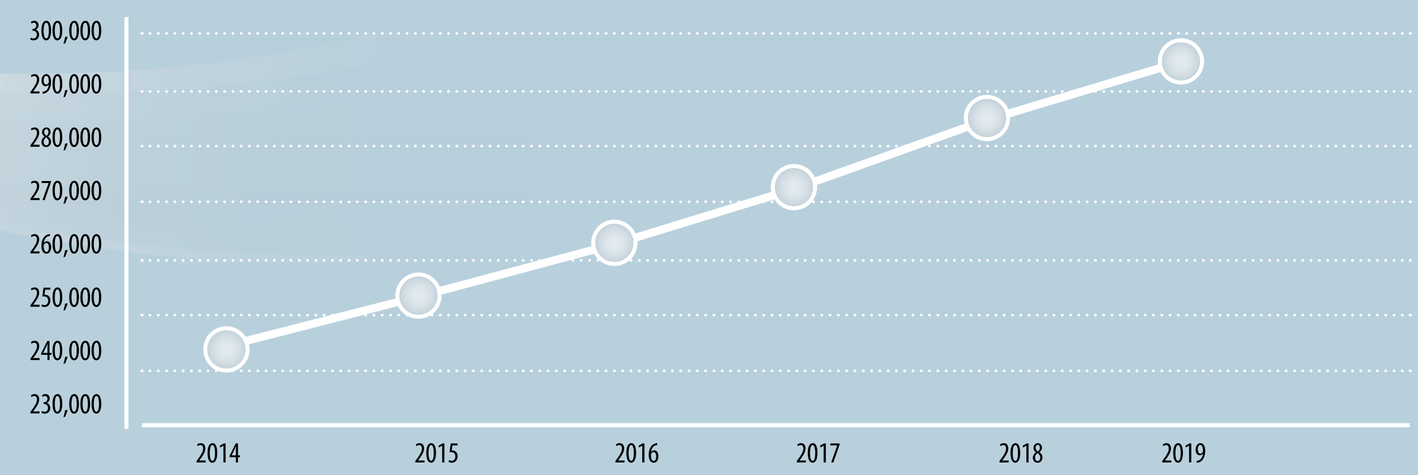
Operational Efficiency

In a move to improve operational efficiencies, we hired two Airport Operations Specialists in 2014. They will perform the dual roles of airport firefighting and airport maintenance. The addition of a Quality Systems Specialist will help us manage our safety management system, airport security program and environmental management plan.

Major infrastructure investments in 2014 included: expansion of the long-term parking lot, expansion of the airside apron for aircraft parking, upgrades to security and wildlife fencing, a complete renovation of the restaurant facility, general updating of the terminal building and the purchase of new heavy equipment to assist with airside maintenance.

Planning for Our Future

Five Year Passenger Forecast



Business Plan Forecast 2015-2019

	2015	2016	2017	2018	2019
Revenue (Note 3)	6,123,080	6,400,310	6,493,404	6,588,354	6,685,212
Expenses (Note 2)	4,976,815	5,100,437	5,227,254	5,357,351	5,490,817
Capital Expenditures (Note 4)	2,390,000	5,868,500	3,193,500	18,968,500	7,388,500

2014 Capital Initiatives

Capital Projects implemented by the Saint John Airport in 2014 were:

Parking lot & Apron	$ 496,504
Terminal Building renovations	122,266
Spreader Truck	96,249
Airfield lighting upgrade	63,993
Security fencing	62,280
1Ton with plow	45,675
Parking lot equipment	35,398
Security Equipment	23,964
Other fixed assets <$10,000	9,915
	$ 956,244

2014 Actual vs Business Plan

	Plan ($)	Actual ($)	fav (unfav)
Revenue (Note 1)	5,718,256	6,164,378	446,122
Expenses (Note 2)	4,836,028	5,027,971	(191,943)
Capital Expenditures	1,810,500	956,244	854,256

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 five percent for 2015 and two percent for 2016 to 2019
4. Capital forecast includes runway rehabilitation, fleet equipment, building renovations and service road repaving

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

Financial Review

The Saint John Airport Inc. (SJAI) was incorporated as a corporation without share capital on Feb. 19, 1997, under Part I of the New Brunswick Companies 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 SJAI 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 SJAI is not required to pay any rent to the Government of Canada until 2016.

Passenger traffic increased by 5.5 per cent to 248,820 passengers in 2014 compared to 235,781 passengers in 2013. As a result, passenger revenue, such as parking and concessions, increased accordingly. In April, the airport increased the passenger facility fee to $25 per ticket from $20, which contributed to the nine per cent increase in revenue from all sources. This revenue increase was partially offset by an increase in expenses incurred for marketing initiatives and air service consulting. As a result, year-end net earnings were $613,000 in 2014 compared to $422,000 in 2013.

All net earnings are used to fund operational and capital works ranging from mobile equipment to airfield lighting. As at Dec. 31, 2014, a balance of $5.2 million exists in the restricted Capital Asset Replacement Fund, which has been established by the board for the purpose of replacing capital assets.

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 comprise the statement of financial position as at Dec. 31, 2014, 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 Dec. 31, 2014, 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 PROFESSIONAL ACCOUNTANTS
Saint John, NB

March 26, 2015

Financial Statements

Statement of financial position As at December 31, 2014

	2014	Restated (Note 2) 2013
ASSETS		
CURRENT		
Cash (Notes 2 and 3)	$ 1,176,968	$ 856,211
Accounts receivable (Notes 2 and 3)	360,969	342,192
Parts inventory (Note 2)	105,065	89,103
Prepaid expenses	73,658	74,739
	1,716,660	1,362,245
ACCRUED DEFINED BENEFIT PENSION ASSET (Notes 2, 3 and 6)	889,000	620,000
RESTRICTED INVESTMENTS FOR CAPITAL ASSET REPLACEMENT (Notes 2 and 3)	5,182,066	5,105,790
CAPITAL ASSETS (Notes 2 and 4)	5,980,652	6,009,863
	$ 13,768,378	$ 13,097,898
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 2 and 3)	$ 1,026,759	$ 595,575
Harmonized sales tax payable	13,586	74,541
	1,040,345	670,116
PROVISION FOR RETIREMENT ALLOWANCE (Notes 2, 3 and 6)	142,210	98,187
DEFERRED GRANT FOR AIRPORT CAPITAL IMPROVEMENTS (Notes 2 and 5)	2,041,570	2,504,079
NET ASSETS		
NET ASSETS		
Unrestricted	1,423,106	1,213,943
Invested in capital assets (Note 9)	3,939,081	3,505,783
Internally restricted - Replacement Reserve Fund (Note 2)	5,182,066	5,105,790
	10,544,253	9,825,516
	$ 13,768,378	$ 13,097,898

COMMITMENTS AND CONTINGENCIES (Note 7)

APPROVED ON BEHALF OF THE BOARD:

______________ Director ______________ Director

Statement of Changes in Net Assets For the year ended December 31, 2014

	Unrestricted	Invested In Capital Assets	Subtotal	Replacement Reserve Fund	Total 2014	Restated (Note 2) Total 2013
BALANCE AT BEGINNING OF YEAR						
As previously reported	$ 1,479,943	$ 3,505,783	$ 4,985,726	$ 5,105,790	$ 10,091,516	$ 9,636,229
Prior period adjustment (Note 2)	(266,000)	-	(266,000)	-	(266,000)	(578,000)
As restated	1,213,943	3,505,783	4,719,726	5,105,790	9,825,516	9,058,229
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	1,130,407	(516,946)	613,461	76,276	689,737	490,287
EMPLOYEE FUTURE BENEFITS OTHER REMEASUREMENT ITEMS (Notes 2 and 6)	29,000	-	29,000	-	29,000	277,000
CAPITAL ASSETS PURCHASED	(956,244)	956,244	-	-	-	-
CAPITAL ASSETS DISPOSED OF	6,000	(6,000)	-	-	-	-
BALANCE AT END OF YEAR	$ 1,423,106	$ 3,939,081	$ 5,362,187	$ 5,182,066	$ 10,544,253	$ 9,825,516

Statement of Operations For the year ended December 31, 2014

	2014	Restated (Note 2) 2013
REVENUE (Notes 2 and 8)		
Aircraft landing and terminal fees	$ 1,558,305	$ 1,620,021
Concessions	528,649	500,110
Vehicle parking	719,354	669,421
Land and office rentals	214,435	212,289
Airport services	157,862	130,897
Gain on disposal of capital assets	6,000	-
Other	8,449	12,129
Interest income	3,714	5,118
Amortization of deferred grant (Note 5)	462,509	495,511
	3,659,277	3,645,496
EXPENDITURE		
Salaries, wages and benefits	2,336,085	2,139,350
Materials, supplies and services	1,230,175	1,269,299
General and administrative	1,461,711	1,279,599
Amortization of capital assets	985,455	989,954
	6,013,426	5,678,202
DEFICIENCY OF REVENUE OVER EXPENDITURE FROM OPERATIONS BEFORE PASSENGER FACILITY FEE	(2,354,149)	(2,032,706)
PASSENGER FACILITY FEE (Notes 2 and 8)	2,727,610	2,201,995
EXCESS OF REVENUE OVER EXPENDITURE FROM OPERATIONS	373,461	169,289
DEFINED BENEFIT PENSION INCOME (Notes 2 and 6)	240,000	253,000
EXCESS OF REVENUE OVER EXPENDITURE	$ 613,461	$ 422,289
ALLOCATED TO:		
Unrestricted	$ 1,130,407	$ 916,732
Invested in Capital Assets	(516,946)	(494,443)
	$ 613,461	$ 422,289

Statement of Cash Flows For the year ended December 31, 2014

	2014	Restated (Note 2) 2013
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess of revenue over expenditure	$ 613,461	$ 422,289
Items not involving cash		
Amortization of capital assets	985,455	989,954
Amortization of deferred grant	(462,509)	(495,511)
Gain on disposal of capital assets	(6,000)	-
Defined benefit pension income	(240,000)	(253,000)
Increase in provision for retirement allowance	44,023	15,096
	934,430	678,828
Changes in non-cash working capital balances		
Accounts receivable	(18,777)	132,796
Parts inventory	(15,963)	2,145
Prepaid expenses	1,081	22,149
Accounts payable and accrued liabilities	431,185	40,679
Harmonized sales tax payable	(60,955)	12,118
	1,271,001	888,715
Investing activities		
Purchase of capital assets	(956,244)	(380,302)
Proceeds on disposal of capital assets	6,000	-
Investments restricted for capital asset replacement	-	(500,000)
	(950,244)	(880,302)
INCREASE IN CASH	320,757	8,413
CASH AT BEGINNING OF YEAR	856,211	847,798
CASH AT END OF YEAR	$ 1,176,968	$ 856,211
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	$ 79,990	$ 73,116

Notes to Financial Statements

December 31, 2014

1. INCORPORATION AND ACTIVITIES

Saint John Airport Inc. (the corporation) was incorporated on Feb. 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 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. 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 excess of revenue over expenditure. 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. Income 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 Dec. 31, 2014, the market value was $5,182,066 (2013 -$5,105,790).

Employee Future Benefits -Defined Benefit Pension Plan

The corporation has a contributory defined benefit plan for its employees. In prior years, the corporation had elected to report its employee future benefits using the deferral and amortization approach. Under this method, the cost of annual pension benefits were based on actuarial estimates using assumptions developed for reporting purposes. The accrued benefit asset reported represented the accumulated benefit costs less the corporation's contributions to date. Actuarial gains and losses and past service costs were deferred and amortized over future periods. The Canadian Accounting Standards Board (AcSB) has removed the option to defer actuarial gains and losses for fiscal years beginning on or after Jan. 1, 2014.

Effective Jan. 1, 2014, the corporation now reports its employee future benefits based on the going concern funding valuation basis. This change has been applied retrospectively. The impact has been a decrease in net assets of $578,000 as at Jan. 1, 2013, a decrease of $266,000 to the 2013 accrued defined benefit pension asset, an increase of $35,000 to the 2013 defined benefit pension income and an increase of $277,000 to the 2013 net assets.

Remeasurements and other items include gain/(loss) on pension liabilities, gain/(loss) on pension assets and the change in impact of the valuation allowance. These are recognized directly in net assets.

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 Dec. 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 excess of revenue over expenditure 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 expenditures 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 Dec. 31, 2014.

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 Dec. 31, 2014, 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

	2014 Cost	2014 Accumulated Amortization	2014 Net	2013 Net
Leasehold improvements				
Buildings	$ 5,916,182	$ 3,541,116	$ 2,375,066	$ 2,591,728
Runways, roads and grounds	7,093,017	4,362,449	2,730,568	2,661,779
Vehicles	2,647,471	2,106,706	540,765	521,896
Machinery and equipment	877,958	614,009	263,949	190,399
Systems and software	122,544	87,737	34,807	41,283
Furniture and fixtures	65,058	29,561	35,497	2,778
	$16,722,230	$10,741,578	$ 5,980,65	$ 6,009,863

5. DEFERRED GRANT FOR AIRPORT CAPITAL IMPROVEMENTS

	2014	2013
Balance at beginning of year	$ 2,504,079	$ 2,999,590
Amortized during the year	(462,509)	(495,511)
Balance at end of year	$ 2,041,570	$ 2,504,079

6. EMPLOYEE FUTURE BENEFITS

	2014	Restated (Note 2) 2013
Accrued Defined Benefit Pension Asset	$ 889,000	$ 620,000
Provision for Retirement Allowance	$ 142,210	$ 98,187

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 the market value of the funds that the plan assets are invested in. 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:

	2014	2013
Compensation escalation rate	4.00 %	4.00 %
YMPE escalation rate	3.50 %	3.50 %
Indexation rate	2.50 %	2.50 %
Discount rate	5.50 %	5.50 %

Variances between such estimates and actual experience, which may be material, are recognized immediately as a direct increase or decrease to net assets.

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 which are determined based on stochastic projections of the various asset classes the plan assets are invested in, and agreed to by the plan administrator. The most recent actuarial valuation was performed as at Jan. 1, 2014. The valuation was performed using the projected unit credit 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 20.2 per cent (2013 -24.0 per cent) of the employees' earnings plus an additional special contribution of $14,953 per month (2013 - $17,283). These contribution requirements will remain in effect until the next actuarial valuation scheduled for Jan. 1, 2015.

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

	2014	Restated (Note 2) 2013
Fair market value of plan assets	$ 4,339,000	$ 3,760,000
Accrued benefit obligation	3,450,000	3,140,000
Accrued benefit asset	$ 889,000	$ 620,000
Accrued benefit asset - beginning of year as previously stated	$ 886,000	$ 668,000
Prior period adjustment (Note 2)	(266,000)	(578,000)
Accrued benefit asset - as restated	620,000	90,000
Net pension expense for the year	(37,000)	(59,000)
Employer contributions	277,000	312,000
Other remeasurement items	29,000	277,000
Accrued benefit asset - end of year	$ 889,000	$ 620,000
Employee contributions	$ 18,000	$ 18,000
Pension and termination benefits paid	103,000	107,000

The actuarial present value of accumulated benefits for the 2014 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 $42,027 (2013 -$41,975) towards this plan.

Retiring Allowance

Following the guidelines set forth by the Saint John Airport Collective Agreement, employees who have 10 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 (2013 -$nil).

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; one per cent of the portion of airport revenue in excess of $5,000,000 but equal to or less than $10,000,000; five per cent of the portion of airport revenue in excess of $10,000,000 but equal to or less than $25,000,000; eight per cent of the portion of airport revenue in excess of $25,000,000 but equal to or less than $100,000,000; 10 per cent of the portion of airport revenue in excess of $100,000,000 but equal to or less than $250,000,000; and 12 per cent 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 Dec. 31, 2014, there are no known environmental liabilities.

During the year, the corporation entered into a year-long agreement with a consulting firm to explore additional air service and attracting new carriers. The contract is for $25,000 (USD) per month plus expenses. The contract can be terminated without penalty by providing 60 days notice.

During the year, the corporation entered into an agreement with the consulting firm in the above paragraph provider to provide a $700,000 (USD) loan repayable provided certain targets as defined in the agreement are met. The agreement can be terminated providing 60 days notice. Subsequent to year end, the Board of Directors renegotiated this agreement and approved an increase in the loan of $800,000 (USD) to $1,500,000 (USD) total.

8. ECONOMIC DEPENDENCE

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

	2014	2013
Invested in capital assets, beginning of year	$ 3,505,783	$ 3,619,924
Amortization of capital assets	(985,455)	(989,954)
Amortization of deferred grant	462,509	495,511
Gain on disposal of capital assets	6,000	-
Purchase of capital assets	956,244	380,302
Proceeds on disposal of capital assets	(6,000)	-
Invested in capital assets, end of year	$ 3,939,081	$ 3,505,783

Compensation and Disclosures

Compensation for the Board of Directors and Management

Annual fee to 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 $29,600

The total compensation paid to the management team was $480,889

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

A construction contract to expand vehicle and aircraft parking spaces $424,000

A construction contract for terminal building renovations $110,278

Contracts awarded over $75,000
Without Public Tender

A contract to continue to provide consulting services was awarded to Mintage Financial Corporation as few Canadian companies provide air service and financial consulting and Mintage was strongly recommended by Price Waterhouse

A contract to provide consulting services was awarded to Flock management to provide advice on expanding air service

NOTES

Contacts

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

Telephone (506) 638-5555
FAX (506) 638-5550
e-mail: fly@sjairport.ca
Website: www.saintjohnairport.com

Executive Management

President & CEO
David Allen
dallen@sjairport.ca
(506) 638-5558

Vice-President, Airport Operations
Angela McLean
amclean@sjairport.ca
(506)638-5578

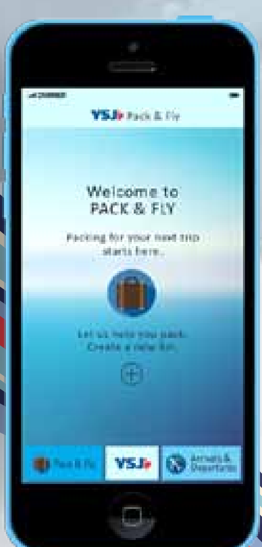
Director, Finance and Administration
Judith Brown
jbrown@sjairport.ca
(506) 638-5552

Director, Maintenance and Operations
Brian Wiggins
bwiggins@sjairport.ca
(506) 638-5574

Auditors
Teed Saunders Doyle & Co.
39 Canterbury Street
Saint John, NB E2L 4S1

Legal Counsel
Lawson Creamer
133 Prince William Street,
Saint John, NB E2L 4S2

Banker
RBC Royal Bank
100 King Street, Saint John, NB E2L 4B3



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