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ANNUAL REPORT 2015



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.





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.

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.

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ANNUAL REPORT 2015

Message from the Chairman of the Board of Directors



I am pleased to report to you as Chairman of the Board on behalf of the Directors of Saint John Airport Inc. with respect to our fiscal and operating year 2015.

Our community has a very dedicated and hardworking Board of Directors. We thank Jonathan McKenzie, Ross Jefferson and Christopher Waldschutz, whose terms on the board ended in 2015, and we welcomed Paulette Hicks and Kevin Scott. We await a nomination from Transport Canada to fill

the remaining vacancy, but there is no doubt we have a well-rounded board with a broad skill set and representation from across our catchment area.

The Strategic Plan of the Airport remains focused on four primary pillars for growth:

- Enhance facilities and infrastructure
- Broaden air service
- Drive community engagement
- Diversify our revenue stream

The first pillar includes the requirement to refurbish our runways in the near term and we recognize that infrastructure projects will continue to preoccupy the board for the foreseeable future. Financially, although times are challenging,

we continue to manage the affairs of the airport prudently. We have not yet had to borrow and remain debt free. This approach will need to change as we continue to look for new sources of revenue, including government funding mechanisms, to sustain the airport in the future.

At this time, the board thanks David Allen for his two and a half years of service to the airport as CEO. David resigned in August 2015 due to personal reasons. At the same time, we wish to recognize Angela McLean and the management team for their exemplary work in continuing to manage our airport and chase new opportunities as we seek a new president and CEO. We are very pleased with their accomplishments.

Please feel free to contact any member of our board with any concerns or ideas you may have to help us improve the Saint John Airport. It is your airport – and we urge you to continue to use it.

Norman McFarlane
Chairman of the Board of Directors

Committees of the Board

Finance, Audit & Investment Committee | Chair – Mark Bettle

A committee of three Directors and senior management meet on a regular basis to review the operational and corporate financial activities, review the Annual Business Plan, Capital Plan, and Financial Budget and makes appropriate recommendations to the Board of Directors.

The annual audit is reviewed with the Corporation's auditors prior to presentation to the Board of Directors for approval. The Finance & Audit Committee recommends investment options to the Board of Directors and, as required, recommends options for the appointment of the Corporation's auditors.

Governance Committee | Chair – Susan Layton

A committee of five Directors and senior management meet 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 & procedures. New Board member attraction and orientation is also the responsibility of the committee. This committee evaluates Board training options, committee Terms of Reference, Board composition, and any potential gaps in Board expertise and diversity.

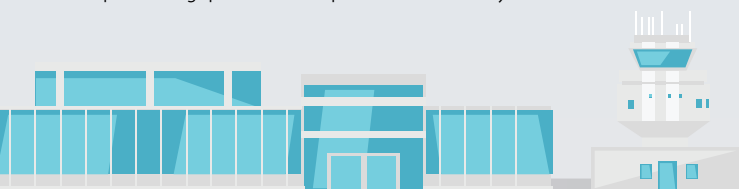
Facilities and Air Service Committee | Chair – Andrew MacGillivray

A committee of four directors and senior management 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 our air service options.

The committee also 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 – Norm 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 and business of the Corporation, in such a manner as it deems best for the interests of the Corporation.



Message from the CEO



2015 was a very successful year for the Saint John Airport. Building on the previous passenger record of 2014, we saw even further growth this year, setting a new all-time passenger record and surpassing the elusive 250,000 passenger count for the first time. We can attribute a great deal of that success to the tremendous charter season experienced by Sunwing direct from Saint John to four sun destinations. We were pleased to build on that relationship with Sunwing last fall by announcing service to Orlando direct from Saint John for the first time ever starting in February, 2016.

Our long-standing partnership with Air Canada continues to be strong, and their commitment to honour the harmonization of fares within New Brunswick is evidence of that, as is the return of the fourth daily flight to Toronto through the summer months. This spring will also see the up-gauging of aircraft for the late night/early morning flight to/from Halifax. As airlines, including Air Canada, continue to move toward larger and more fuel-efficient aircraft, we will continue to work with them to ensure our infrastructure meets their needs for the long-term.

We also finished the year on a high note with our employees, reaching an agreement on a new four-year collective agreement in October. This gives us the stability and confidence to move forward on a number of different, strategic areas of business development as outlined in our business plan. I thank the negotiating team, particularly Judith Brown (Director of Finance and Administration) and Andrew Hunter (President, PSAC-UCTE Local 60615), for their leadership and collegial approach on this file throughout the year.

Operationally, the business enterprise was managed to the absolute realities of our revenue generation. The outcome of this operating standard was a modest year-end operating surplus. While we continue to manage with no operating debt and we finished the year in a positive cash-flow position, we recognize that significant resources, including financing, will be required in order to meet our infrastructure needs in the coming years.

On this front, we continue to work with the group of six Small-NAS Airports to seek a government-funding solution for near-term infrastructure requirements, as well as longer-term funding stability.

Capital work in 2015, led by our Director of Operations Brian Wiggins, included a significant rock-removal project on the airfield, which was required in order to restore, and enhance, our navigation capabilities. Further infrastructure work included rehabilitation of the roof of the Air Terminal Bldg., construction of a fifth aircraft parking slot on our apron, replacement of sections of perimeter security fencing and enhancements to petroleum product transfer areas.

We are pleased to see that many of our commercial tenants also experienced strong growth in 2015, and we look forward to working with them to enhance airport offerings in the future.

Continued and aggressive efforts to improve air access were a primary objective in 2015. Five main air service issues were identified as paramount to the economic and social development of the region:

- Transborder service to the NE United States
- Increased capacity on existing routes to Halifax, Montreal and Toronto
- Additional charter options for seasonal, sun destinations
- Enhanced capacity to access Saint John for tourism, convention, conference and meetings delegates
- Direct service to emerging key markets

The "Here for you since '52" public awareness campaign that we rolled out in 2015 brought attention to our ongoing commitment as an economic enabler and service provider to the region. The airport is a proud component of the economic and social development of Saint John and southwestern New Brunswick, and we will continue to manage it to local realities and community needs.

I thank the board, management, staff and the community for their ongoing support.

Angela McLean
Interim President & CEO, VP Airport Operations

Board of Directors as at December 2015

Chair: Norman McFarlane
Nominated by: Transport Canada

Vice-Chair: Andrew MacGillivray
Nominated by: Saint John Airport Inc.

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

Nell Halse, Cooke Aquaculture
Nominated by: Saint John Airport Inc

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

Kevin Scott, Irving Oil Limited
Nominated by: City of Saint John

Susan Layton, Emera New Brunswick
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

Paulette Hicks, Delta Brunswick Hotel
Nominated by: The City of Saint John

Philip Reeves
Nominated by: Regional Services Commission 9

Gary Rent
Nominated by: Enterprise Fundy

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



Your Saint John Airport

Proud Part of Saint John

The expansion of the Local Art Program was a highlight of the Saint John Airport's community engagement activities in 2015. We are proud to feature the work of well-known local artists to enhance the welcoming atmosphere for arriving and departing passengers. Located throughout the first floor of the terminal building, the exhibits include paintings, displays of 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.





Your Saint John Airport Proud Part of Saint John



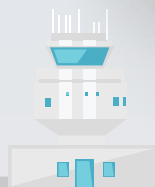
Proud Sponsor, Tours and Special Events

We were proud to sponsor several major community organizations, events and activities in 2015, including the Empty Stocking Fund, Saint John Sea Dogs, Saint John Mill Rats, Saint John Neighbourhood Police Council, Saint John Theatre Company, Imperial Theatre, the Salvation Army, Safe Harbour, Royal Canadian Legion, Children's Wish Foundation, Crime Prevention Association of NB, KV Outreach, Kings Way LifeCare Alliance, Junior Achievement of New Brunswick, NB Competitive Festival of Music, NB Fire Chiefs Safety Booklet and several memorial donations.

Several tours of the airport were conducted throughout the year and staff participated in several community partnership events and committees, such as Port Days, the True Growth Network Partnership and the MacDonald Consolidated School Career Fair. A number of special flights and visitors were also welcomed at the Airport this year including the Irish government delegation, several election-related flights, the new federal Liberal cabinet, and entertainers such as Paul Brandt and Dean Brody. We were also honoured to welcome the first Syrian refugee family for the Region in late December.

Local Education

We were proud to build on our Partners Assisted Local Schools (PALS) relationship with our neighbours at Loch Lomond School (LLS) this year. In addition to 70 LLS kids participating in our Fifth Annual 5k/10k/Kids Fun Run, we once again provided space for their district track and field meet. The school's choir entertained arriving passengers on Valentine's Day and Christmas holidays and students provide artwork for our Student Artwork Wall throughout the year – with one of the pieces selected for use in our ad in the LLS yearbook. And, we donate all of our recyclable cans and bottles to the school for redemption.





Runway Run 2015

In May, the Fifth Annual 5k/10k/Kid's Fun saw airport staff and tenants volunteer to make this a successful event for the 300 runners who raised nearly \$2,500 for the Saint John Boys and Girls Club. The Saint John Airport Runway Run has become the model for several charity runway runs at other airports across the country and plans for the Sixth Annual Runway Run are well underway for May 2016.



We were very pleased to nominate our Runway Run race directors, Garth and Helena Millar of Fundy Sports and Tourism, for this year's Chamber of Commerce Outstanding Business Achievement Awards. We were even more thrilled when the chamber awarded them the 2015 Emerging Enterprise Award. Congratulations Garth and Helena!



Regulatory Responsibilities & Obligations

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



Safety:

Safety is a keynote to the psyche and operating standards of the business. In 2015, we continued to implement the Safety Management System, which saw us build on our electronic program management system. This led to improvements in safety reporting, trend analysis and communication as well as in aviation safety overall.

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

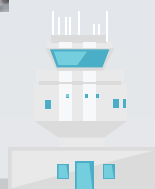
Following a significant airfield rock removal project in the summer of 2015, enhanced navigation systems are now in place, which serve to facilitate aviation safety.

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) this year. We also completed a table-top emergency exercise and tested our security emergency response with our first responding agencies. This serves as a training tool for security responses.

In preparation for the new Sunwing flight direct to Orlando, Florida, the Transportation Security Agency (US TSA) conducted a thorough security audit.





Environmental:

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

A significant environmental enhancement completed in 2015 was the construction of new petroleum product transfer areas at all fuel transfer locations.

We continued with the implementation of a new risk-based model for environmental management. Based on an ISO-type 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 several hundred tonnes of solid waste from the landfill.

We also reviewed construction projects for environmental impacts.

Regulatory Matters, general:

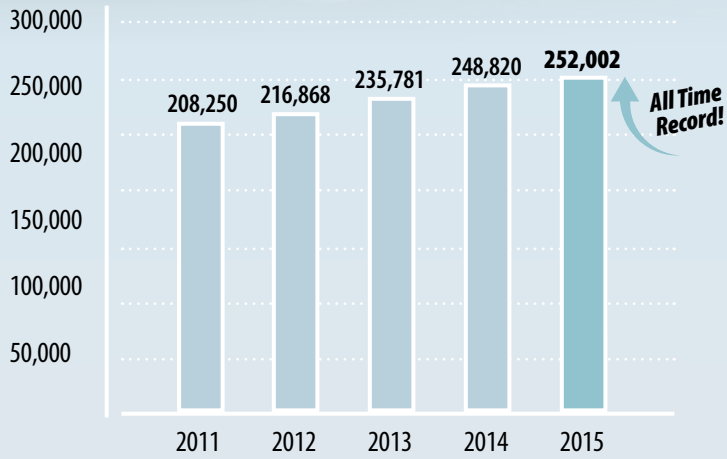
Other audited programs in 2015 included: ground lease compliance, Canadian Transportation Agency compliance, insurance requirements, Canadian Occupational Health and Safety regulations, Environment Canada (for fuel storage tanks and refrigeration systems and units), potable water, wastewater and storm water reporting, as well as inspections and/or testing of boilers, sprinklers, alarms, extinguishers, hydrants, lifts/hoists/fall protection, gas systems, runway friction viability. Oversight of the airport's regulatory requirements falls under the capable lead of Cindy Thorn, Manager of Regulatory Affairs.



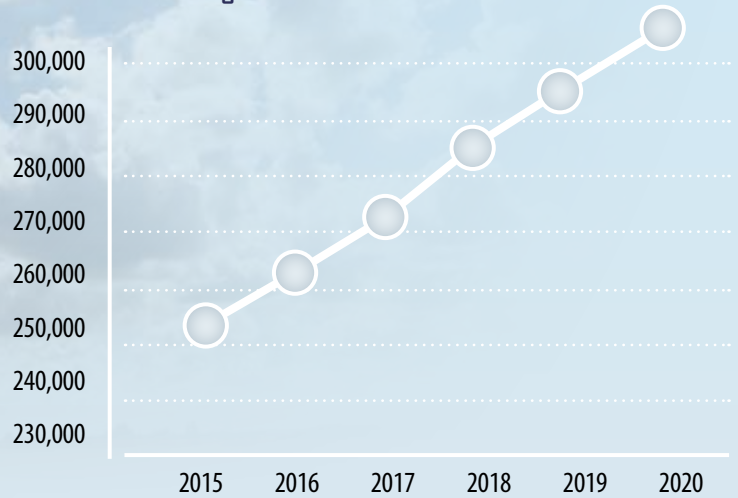
Planning for Our Future



Connecting 250,000 people per year to the world and back!



Five Year Passenger Forecast

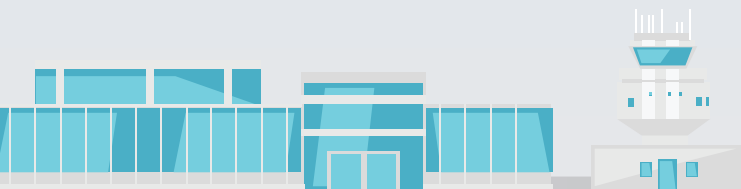


5 Year Passenger Forecast

	Passengers	Increase	% increase
2013	235,815	18,947	8.7%
2014	248,280	12,465	5.3%
2015	252,000	3,720	1.5%
F2016	257,040*	5,040	2.0%
F2017	262,181*	5,141	2.0%
F2018	267,424*	5,244	2.0%
F2019	272,773*	5,348	2.0%
F2020	278,228*	5,455	2.0%

Air traffic growth is a function of population, economic growth, tourism and air service stimulation

**Forecast passenger growth of 2% for each year 2016-2020*



Business Plan Forecast 2016-2020

	2016	2017	2018	2019	2020
Revenue (Note 3)	6,146,000	6,350,000	6,442,000	6,536,000	6,633,000
Expenses (Note 2)	4,876,000	4,998,000	5,123,000	5,251,000	5,383,000
Capital Expenditures (Note 4)	2,041,500	4,316,767	12,991,767	5,956,767	1,318,000

2015 Actual vs Business Plan

	Plan (\$)	Actual (\$)	fav (unfav)	Variance Explanation
Revenue (Note 1)	6,123,080	6,218,000	94,920	Favorable variances - landing & terminal fees, concessions and vehicle parking revenue due to the additional Sunwing program
Expenses (Note 2)	4,976,811	4,859,000	117,811	Favorable variance - decrease in the cost of fuel
Capital Expenditures (Note 4)	2,390,000	1,308,082	1,081,918	Favorable variance - Terminal Building upgrades deferred to future years.

2015 Capital Initiatives

Capital Projects implemented by the Saint John Airport in 2015 were:

Terminal Building roof repair	\$ 195,581
CSB service road	235,161
Front End Loader	247,142
Security fencing	64,909
Terminal Building mechanical systems	41,500
Other fixed assets <\$10,000	52,294
Paint Machine	14,815
Mobile Equipment	255,398
Rock Outcrop removal	201,282
	\$ 1,308,082

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 2% for 2016 to 2020
- 4 Capital forecast includes runway rehabilitation, fleet equipment, building renovations, and service road repaving.

External funding will be required to complete the 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.

Love travelling but not the packing?
We can help with that.

Introducing
Saint John Airport Pack & Fly

Download Our Free App
for helpful tips and
Arrival & Departure Times

Google play App Store

YSJ
Packandfly.ca
Aéroport de SAINT JOHN Airport

Your local gateway to the world.

For 63 years, we've given our community a lift.
Onward and upward!

since52.ca

Since officially opening the terminal for its first flights in 1952, the Saint John Airport has served passengers throughout southwestern New Brunswick, from Sussex to St. Stephen. Its services have expanded over the years, and now flights operate within Canada, to the Dominican Republic, Mexico, Cuba and most recently, Orlando, Florida. And in 2015, it reached a record number for passenger traffic when it surpassed 250,000 passengers, for the first time ever.

Last year, the Saint John Airport initiated its Here for you since '52 campaign, celebrating 64 years of aviation in the current location. During those years, the airport has invested in its facility, parking and runway improvements to provide safe and reliable service. To continue our momentum, the Saint John Airport will be investing \$60 million in upgrades over the next ten years. These investments will enhance runways, navigation aids, and safety areas, upgrade onsite emergency response vehicles, improve water and wastewater facilities, and support terminal retrofits to electrical systems and the building envelope.

That's all great news for the region as it will maintain and improve the airport's existing air services, position the airport to adapt to increased passenger traffic, attract new services – such as direct connections to the U.S. – and create jobs and additional community spinoffs. We appreciate the past 64 years of support and look forward to being the local gateway to the world for many more years to come.



1920s

Home to one of Canada's first municipal airfields



1930s

Starting point for the first East-West Trans-Atlantic flight...and Amelia Earhart landed here!



1950s

YSJ was founded in '52 at its current location; control tower built in '56



1960s

Passenger levels exceeded 100,000 per year by '67



1980s

\$3-million upgrade U.S. Air Force's largest here in '87





*A Proud Part
Of Saint John*

- Private, not-for-profit company, reinvesting revenue in our operations
- Maintain and improve existing air services
- Supporter of local sports, art, theatre and public safety organizations
- Direct daily flights to Toronto, Montreal and Halifax provide 1-stop connection to the world

Here For You



since

52

**Attract
New Services**
particularly direct
connections to the
USA

Position the
airport to adapt to
**Increased
Passenger
Traffic**

Serving
**300,000
People**  within a
**3-Hour
Drive**



Aéroport de
SAINT JOHN
Airport



...s completed for '85 Canada Games;
...gest aircraft, the C-5 Galaxy, landed



1990s

YSJ is privatized in '99 as part of the
National Airport Program



2000s

Sunwing Vacations began direct
charters to the Caribbean in '07



2010s

Passenger levels surpassed
250,000 per year in '15

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.



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 December 31, 2015, 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, 2015, 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.

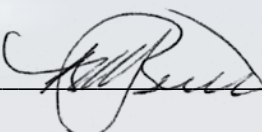
Teed Saunders Doyle & Co.
CHARTERED PROFESSIONAL ACCOUNTANTS
Saint John, NB

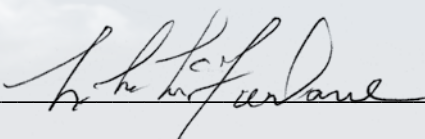
February 24, 2016

Financial Statements

Statement of financial position As at December 31, 2015

	Restated (Note 2)	
	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT		
Cash (Notes 2 and 3)	\$ 836,831	\$ 1,176,968
Accounts receivable (Notes 2 and 3)	389,383	360,969
Parts inventory (Note 2)	101,533	105,065
Prepaid expenses	<u>80,662</u>	<u>73,658</u>
	<u>1,408,409</u>	<u>1,716,660</u>
ACCRUED DEFINED BENEFIT PENSION		
ASSET (Notes 2, 3 and 6)	<u>1,228,000</u>	<u>889,000</u>
RESTRICTED INVESTMENTS FOR CAPITAL		
ASSET REPLACEMENT (Notes 2 and 3)	<u>5,250,142</u>	<u>5,182,066</u>
CAPITAL ASSETS (Notes 2 and 4)	<u>6,194,740</u>	<u>5,980,652</u>
	<u>\$ 14,081,291</u>	<u>\$ 13,768,378</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 2 and 3)	636,795	\$ 1,026,759
Harmonized sales tax payable	<u>85,126</u>	<u>13,586</u>
	<u>721,921</u>	<u>1,040,345</u>
PROVISION FOR RETIREMENT		
ALLOWANCE (Notes 2, 3 and 6)	<u>67,596</u>	<u>142,210</u>
DEFERRED GRANT FOR AIRPORT CAPITAL		
IMPROVEMENTS (Notes 2 and 5)	<u>1,581,669</u>	<u>2,041,570</u>
NET ASSETS		
NET ASSETS		
Unrestricted	1,846,892	1,423,106
Invested in capital assets (Note 9)	4,613,071	3,939,081
Internally restricted - Replacement Reserve Fund (Note 2)	<u>5,250,142</u>	<u>5,182,066</u>
	<u>11,710,105</u>	<u>10,544,253</u>
	<u>\$ 14,081,291</u>	<u>\$ 13,768,378</u>
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, 2015

	Invested In Capital		Replacement Reserve		Restated (Note 2) Total	Restated (Note 2) Total
	<u>Unrestricted</u>	<u>Assets</u>	<u>Subtotal</u>	<u>Fund</u>	<u>2015</u>	<u>2014</u>
BALANCE AT BEGINNING OF YEAR	\$ 1,423,107	\$ 3,939,081	\$ 5,362,188	\$ 5,182,066	\$ 10,544,254	\$ 9,825,516
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	1,603,027	(600,252)	1,002,775	68,076	1,070,851	689,738
EMPLOYEE FUTURE BENEFITS OTHER REMEASUREMENT ITEMS (Notes 2 and 6)	95,000	-	95,000	-	95,000	29,000
CAPITAL ASSETS PURCHASED	(1,308,083)	1,308,083	-	-	-	-
CAPITAL ASSETS DISPOSED OF	<u>33,841</u>	<u>(33,841)</u>	-	-	-	-
BALANCE AT END OF YEAR	<u>\$ 1,846,892</u>	<u>\$ 4,613,071</u>	<u>\$ 6,459,963</u>	<u>\$ 5,250,142</u>	<u>\$ 11,710,105</u>	<u>\$ 10,544,254</u>

Statement of Operations For the year ended December 31, 2015

		Restated (Note 2) <u>2015</u>	Restated (Note 2) <u>2014</u>
REVENUE (Notes 2 and 8)			
Aircraft landing and terminal fees		\$ 1,621,045	\$ 1,558,305
Vehicle parking		755,877	719,354
Concessions		517,110	528,649
Land and office rentals		214,037	214,435
Airport services		149,485	157,862
Gain on disposal of capital assets		33,841	6,000
Other		13,421	8,449
Interest income		<u>439</u>	<u>3,714</u>
		3,305,255	3,196,768
Passenger facility fee		<u>2,946,301</u>	<u>2,727,612</u>
Passenger facility fee		<u>6,251,556</u>	<u>5,924,380</u>
EXPENDITURE			
Salaries, wages and benefits		2,274,582	2,336,085
Materials, supplies and services		1,234,900	1,253,101
General and administrative		1,349,206	1,438,786
Net amortization expense (Note 10)		<u>634,093</u>	<u>522,946</u>
		<u>5,492,781</u>	<u>5,550,918</u>
EXCESS OF REVENUE OVER EXPENDITURE FROM OPERATIONS		758,775	373,461
DEFINED BENEFIT PENSION INCOME (Notes 2 and 6)		<u>244,000</u>	<u>240,000</u>
EXCESS OF REVENUE OVER EXPENDITURE		<u>\$ 1,002,775</u>	<u>\$ 613,461</u>
ALLOCATED TO:			
Unrestricted		\$ 1,603,027	\$ 1,130,407
Invested in Capital Assets		<u>(600,252)</u>	<u>(516,946)</u>
		<u>\$ 1,002,775</u>	<u>\$ 613,461</u>

Statement of Cash Flows For the year ended December 31, 2015

	<u>2015</u>	<u>2014</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess of revenue over expenditure	\$1,002,775	\$613,462
Items not involving cash		
Amortization of capital assets	1,093,994	985,455
Amortization of deferred grant	(459,901)	(462,509)
Gain on disposal of capital assets	(33,841)	(6,000)
Defined benefit pension income	(244,000)	(240,000)
Increase (decrease) in provision for retirement allowance	<u>(74,614)</u>	<u>44,023</u>
	1,284,413	934,431
Changes in non cash working capital balances		
Accounts receivable	(28,414)	(18,777)
Parts inventory	3,532	(15,962)
Prepaid expenses	(7,004)	1,081
Accounts payable and accrued liabilities	(389,962)	431,183
Harmonized sales tax payable	<u>71,540</u>	<u>(60,955)</u>
	<u>934,105</u>	<u>1,271,001</u>
Investing activities		
Purchase of capital assets	(1,308,083)	(956,244)
Proceeds on disposal of capital assets	<u>33,841</u>	<u>6,000</u>
	(1,274,242)	(950,244)
INCREASE (DECREASE) IN CASH	(340,137)	320,757
CASH AT BEGINNING OF YEAR	<u>1,176,968</u>	<u>856,211</u>
CASH AT END OF YEAR	<u>\$ 836,831</u>	<u>\$ 1,176,968</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	<u>\$ 68,515</u>	<u>\$ 79,990</u>

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

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not for profit organizations ("ASNFP").

Cash and Cash Equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days. The cash balance at year end consists of funds held in bank accounts.

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 December 31, 2015, the market value was \$5,250,142 (2014 \$5,182,066).

Employee Future Benefits Defined Benefit Pension Plan

The Corporation reports its employee future benefits based on the going concern funding valuation basis.

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 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 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 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 December 31, 2015.

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, 2015, 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

		<u>2015</u>		<u>2014</u>
		Accumulated		
	<u>Cost</u>	<u>Amortization</u>	<u>Net</u>	<u>Net</u>
Leasehold improvements				
Buildings	\$ 6,153,264	\$ 3,888,941	\$ 2,264,323	\$ 2,375,066
Runways, roads and grounds	7,609,606	4,831,044	2,778,562	2,730,567
Vehicles	2,783,760	2,142,994	640,766	540,76
Machinery and equipment	1,160,513	707,154	453,359	263,949
Systems and software	131,810	109,870	21,940	34,807
Furniture and fixtures	<u>70,892</u>	<u>35,102</u>	<u>35,790</u>	<u>35,497</u>
	<u>\$17,909,845</u>	<u>\$ 11,715,105</u>	<u>\$ 6,194,740</u>	<u>\$ 5,980,651</u>

5. DEFERRED GRANT FOR AIRPORT CAPITAL IMPROVEMENTS

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 2,041,570	\$ 2,504,079
Amortized during the year	(459,901)	(462,509)
Balance at end of year	<u>\$ 1,581,669</u>	<u>\$ 2,041,570</u>

6. EMPLOYEE FUTURE BENEFITS

	<u>2015</u>	<u>2014</u>
Accrued Defined Benefit Pension Asset	<u>\$ 1,228,000</u>	<u>\$ 889,000</u>
Provision for Retirement Allowance	<u>\$ 67,596</u>	<u>\$ 142,210</u>

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:

	<u>2015</u>	<u>2014</u>
Compensation escalation rate	3.00%	3.00%
YMPE escalation rate	3.00%	3.50%
Indexation rate	2.50%	2.50%
Discount rate	5.25%	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 January 1, 2015. 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 20.0% (2014 20.2%) of the employees' earnings plus an additional special contribution of \$11,928 per month (2014 \$14,953). These contribution requirements will remain in effect until the next actuarial valuation scheduled for January 1, 2016.

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

	<u>2015</u>	<u>2014</u>
Fair market value of plan assets	\$ 4,491,000	\$ 4,339,000
Accrued benefit obligation	<u>3,236,000</u>	<u>3,450,000</u>
	1,255,000	889,000
Valuation allowance adjustment	<u>(27,000)</u>	<u>-</u>
Accrued benefit asset	<u>\$ 1,228,000</u>	<u>\$ 889,000</u>
Accrued benefit asset beginning of year	\$ 889,000	\$ 620,000
Net pension expense for the year	(24,000)	(37,000)
Employer contributions	268,000	277,000
Other remeasurement items	<u>95,000</u>	<u>29,000</u>
Accrued benefit asset end of year	<u>\$ 1,228,000</u>	<u>\$ 889,000</u>
Employee contributions	\$ 11,000	\$ 18,000
Pension and termination benefits paid	398,000	103,000

The actuarial present value of accumulated benefits for the 2015 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 6% 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 \$57,534 (2014 \$42,027) 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 thirty weeks of pay. There was \$81,194 (2014 \$nil) for retirement allowances paid during the year.

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 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.

- 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, 2015 there are no known environmental liabilities.

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

	2015	2014
Invested in capital assets, beginning of year	\$ 3,939,081	\$ 3,505,783
Amortization of capital assets	(1,093,994)	(985,455)
Amortization of deferred grant	459,901	462,509
Gain on disposal of capital assets	33,841	6,000
Purchase of capital assets	1,308,083	956,244
Proceeds on disposal of capital assets	<u>(33,841)</u>	<u>(6,000)</u>
Invested in capital assets, end of year	<u>\$ 4,613,071</u>	<u>\$ 3,939,081</u>

10. NET AMORTIZATION EXPENSE

	2015	2014
Amortization of capital assets	\$ 1,093,994	\$ 985,455
Amortization of deferred grant (Note 5)	<u>(459,901)</u>	<u>(462,509)</u>
	<u>\$ 634,093</u>	<u>\$ 522,946</u>

11. 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.

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 \$35,000

The total compensation paid to the management team was \$541,890

There were no reports of non-compliance to Codes of Conduct on the part of the Board, nor on the part of Airport tenants.

Contracts awarded over \$75,000

With Public Tender / By Invitation

A contract to remove a airside rock outcrop was awarded to Debly Enterprises Ltd. due to the urgency to resolve an issue that otherwise would have had a negative impact on air service operations. \$201,300

Contracts awarded over \$75,000

Without Public Tender

A contract to provide consulting services was awarded to Shuttlerow Consulting LLC to provide advice on expanding air service as few Canadian companies provide air service and financial consulting. Contract value: \$200,000US

YSJ Team Announcements

Welcome

We welcome two new hires to the Saint John Airport team. Matt Ryan joins us as our new airport operations specialist and Natalie Withers comes on board as our administration clerk. Michael Lutz also joins us a seasonal heavy equipment operator. We would also like to congratulate three employees who assumed new roles within the organization in 2015: Andrew Hunter, Shawn Pollock, and Cindy Thorn.

Congratulations

We thank Gary Smith (35 years), Lonnie Hunter (33 years), Paul Moore (30 years) and Gilda Castillo (25 years) for their many years of teamwork and dedication. Congratulations and all the best in your retirement years.

In Memoriam

It is with heavy hearts that we say good bye to two valuable members of the Saint John Airport team. Our condolences to the families of

Edmond (Skip) Arsenault (1958-2015)
who worked as a seasonal heavy equipment operator
from 1993 to 2015

and

Kevin MacVicar (1972-2016)
who worked as an airport operations specialist
from 2014 to 2016





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