HALIFAX INTERNATIONAL AIRPORT AUTHORITY

BEYOND

2014 ANNUAL REPORT

Halifax Stanfield International Airport continues to evolve.

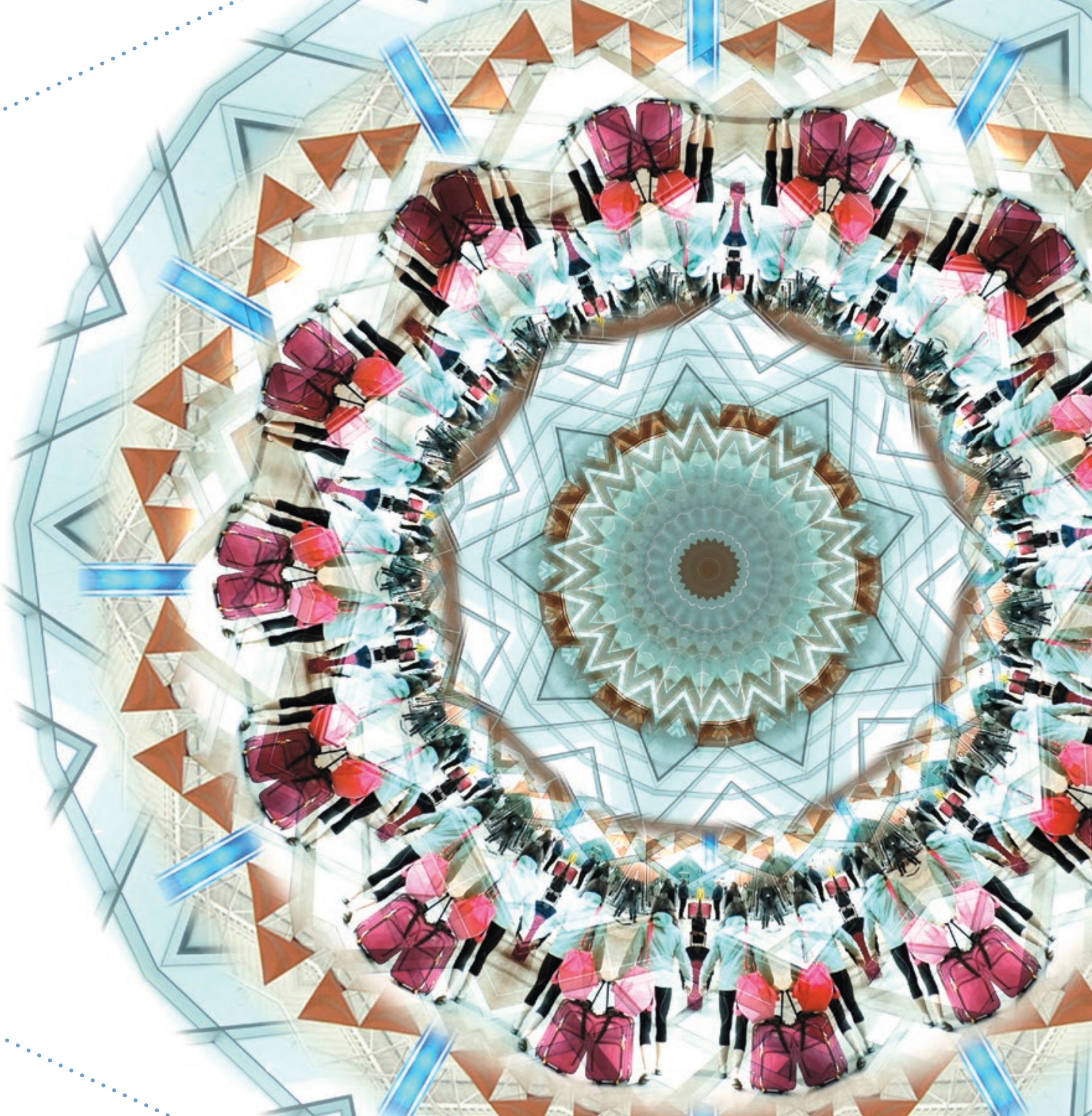
And everyone at Halifax International Airport Authority helps contribute to its success.

We explore new ways to deliver superior service. We look beyond the horizon, building for today while planning for tomorrow.

We reach beyond traditional boundaries, seeking new opportunities for growth and development. We stretch above and beyond to be a community leader and an economic gateway.

Together we go beyond the ordinary, re-imagining what an airport can be – for our passengers and visitors, our employees, and our community.

HALIFAX STANFIELD INTERNATIONAL AIRPORT



MESSAGE FROM THE CHAIR

Peter McDonough
Chair of the Board of Directors

2014 was truly a year worthy of celebration at our airport.

Halifax Stanfield International Airport is one of the most critical pieces of transportation infrastructure in Atlantic Canada. In 2014, the second year of our current five-year strategic plan, we significantly improved its facilities and boosted its impact on the larger community.

It was a year in which we changed the airport landscape with infrastructure upgrades, introduced new routes, both domestic and overseas to Glasgow and Paris, and set a record for passengers and air cargo. We also continued our award-winning Stanfield Way customer service culture program – bringing the tally to 623 graduates in the past three years.

Our commitment to continuous improvement was recognized by our recertification in 2014 as Airport Service Quality (ASQ) Assured. It is our industry's global seal of approval for top service and we are one of only 17 airports worldwide to reach this pinnacle of passenger satisfaction.

Our airport also continues to be a major contributor to the provincial economy, responsible for 5,735 full-time jobs and $544.9 million in wages and salaries.

In all, the airport contributed $1.29 billion to Nova Scotia's economy in 2013, up $19 million from the previous year.

The Board's most important task in 2014 involved hiring a new President and Chief Executive Officer to lead our airport's evolution as an economic driver and transportation hub. Our selection of Joyce Carter has worked out exceedingly well. We sought a skilled leader to replace Tom Ruth, who departed following six strong years – and we got one. Our airport is in very capable hands.

My 10-plus years on the Airport Authority Board have corresponded with a period of immense improvements, including a new parkade, U.S. preclearance, the on-site ALT Hotel, Gateway Facilities, an extended main runway, our Combined Services Complex, improved baggage handling and check-in systems, and a slew of international awards. Passenger and cargo numbers also increased in the period, both hitting record levels in 2014. It has been a decade of constant advancement, impressive growth, and new frontiers.

And more lies ahead, including the opportunity for commercial development of the land between the terminal and Highway 102. It's a project that promises to unlock even more economic development potential.

Though I'm sad to depart the Board, I know the organization will prosper under the experienced leadership of incoming Chair, Wadih Fares. New Board members John Fitzpatrick and Tom Traves will add their own expertise. And, I want to acknowledge and thank Cheryl Newcombe for her service on the Board, as she completed her tenure with us in 2014.

I have no doubt the coming years will see our airport continue to flourish and expand its position as an important transportation hub.

MESSAGE FROM THE PRESIDENT & CEO

Joyce Carter
President & CEO

2014 was a record-setting year for our airport. We welcomed 3.66 million passengers – the most in our history.

I want to start by thanking all members of our airport team for their contributions in 2014, my first year as President & CEO. I would also like to thank Tom Ruth, our outgoing President & CEO, for setting a solid foundation upon which we can build.

As our airport grows, we are continually improving and upgrading its facilities, ensuring our passengers have the best possible experience.

Case in point: Halifax Stanfield became the first airport in North America to offer self-serve baggage drop for all flights. The award-winning system, combined with upgrades to our baggage screening system and check-in hall, enhanced security and further elevated the traveller experience. Passengers are now moving more swiftly through the check-in area, just as their bags are moving faster through the security screening process.

In 2014, we welcomed new airlines and new destinations – with the promise of more to come. Canadian North introduced seasonal flights to Iqaluit and Europe Airpost launched summer service to Glasgow and Paris, further strengthening our European connections. Air Canada announced their leisure airline, rouge™, would begin non-stop seasonal service between Halifax and Calgary and WestJet announced new daily summer service to Glasgow, both beginning in May 2015.

It was also a record year for air cargo in 2014, highlighted by Korean Air Cargo transporting hundreds of tonnes of fresh lobster to Asia. The opening of trade channels in Europe and Asia is providing new opportunities for Atlantic Canadian businesses, and Halifax Stanfield is an increasingly important gateway for getting local exports to market. Our airport connects Atlantic Canada to the world.

Our financial position remains solid, with a healthy surplus in 2014, as well as the continuation of our A+ Stable credit rating by Standard & Poor's. We are focused on increasing our revenue from non-aeronautical sources, which helps us stay competitive from an aeronautical fee perspective.

Our accomplishments and growth are the result of sound management, expert guidance from our Board, and the consistent effort of our dedicated employees and volunteers.

In 2014, we conducted our bi-annual employee survey. The results were very positive with 82 per cent of Airport Authority workers indicating that they were either satisfied or very satisfied with their jobs. That high level of enthusiasm helped produce a new four-year collective bargaining agreement in 2014, negotiated with the Union of Canadian Transportation Employees (UCTE) Local 80829 in just six days. The collaborative and respectful process illustrates the shared vision, values and objectives of our management and employee teams.

The end of 2014 also brought a leadership transition on our Board, with Peter McDonough concluding his term as Chair in January 2015. With over a decade of service, Peter has provided guidance and strategic thinking that has fuelled our progress and solidified our position as an industry leader. I know that Peter's successor, Wadih Fares, will add to the airport's impressive record of innovation, success and growth, particularly with the advancement of our commercial development plan. Our two new executive management team members will also help propel us forward: Paul Brigley, Vice President, Finance and Chief Financial Officer and Mike Christie, Vice President, Human Resources joined our team in 2014. And I want to extend my sincere thanks to Lydia Bowie, Vice President, Human Resources who retired in April after 10 years with us.

Together, we accept the call to action put forth in the One Nova Scotia Report, issued in 2014. We see our renewed focus on immigration, tourism, and international trade as tangible ways we can contribute to the goals it has set for our province.

Together, we will lift Atlantic Canada's largest airport, and Canada's eighth busiest airport, to new heights.

ABOVE AND BEYOND

Putting people first

Success is not only measured by the bottom line.

Our annual achievements are also based on the satisfaction of everyone who passes through our doors. The cornerstone of that approach is The Stanfield Way. This unique airport service culture program instills the virtues of being happy, helpful, courteous, caring and kind – creating an atmosphere where everyone feels welcome, relaxed and safe. By year end, a total of 623 members of our airport community had graduated from The Stanfield Way, including 162 in 2014.

Then there's our Tartan Team – a group of more than 100 volunteers who provide a warm greeting to passengers and visitors and selfless assistance to anyone in need. They are at the heart and soul of our customer service philosophy.

Our commitment to customer service was recognized in 2014 as we were recertified as Airport Service Quality (ASQ) Assured.

ASQ is our industry's global seal of approval for superior service. Halifax Stanfield was one of just 17 airports in the world to reach this top level of passenger satisfaction in 2014. We are extremely proud of this honour.

Halifax Stanfield was also rated by passengers to be among the world's best in the Skytrax World Airport Awards. This independent survey program ranked Halifax Stanfield third in the Best Regional Airport in North America category, third best worldwide for its size – the only Canadian airport in the Top 10 in this category, and seventh best overall in North America.

We also work hard to connect with passengers in person and online, particularly through our growing social media presence. We now have more than 20,000 friends and followers on Facebook and Twitter.

And, of course, we are charged with keeping our airport safe and secure – a responsibility we take very seriously. Whether it's holding a major inter-agency emergency training exercise, proactively complying with our Safety Management System requirements, marking 283 days in 2014 with no lost time due to injury, or keeping runways and roadways clear and operational year-round, we are committed to meeting, or indeed exceeding, our safety and security obligations.

At Halifax Stanfield, we're committed to going above and beyond for our passengers, visitors and each other.

BEYOND THE ORDINARY

Moving ahead through innovation

The Airport Authority continues to upgrade Halifax Stanfield's terminal, facilities and property. And 2014 was another ground-breaking year for infrastructure improvements at the airport.

We officially unveiled a new, state-of-the-art baggage handling system for domestic and international passengers. A similar system was completed for non-stop U.S.-bound flights. The system screens bags to the standard required by American aviation regulations, thus allowing for shorter connection times when flying to U.S. destinations. Both systems boost baggage handling capacity and provide a greater level of security and efficiency.

Along with the new baggage system we redesigned the domestic/international check-in hall, making it bigger, brighter and more modern. Of particular note is the new self-serve baggage drop.

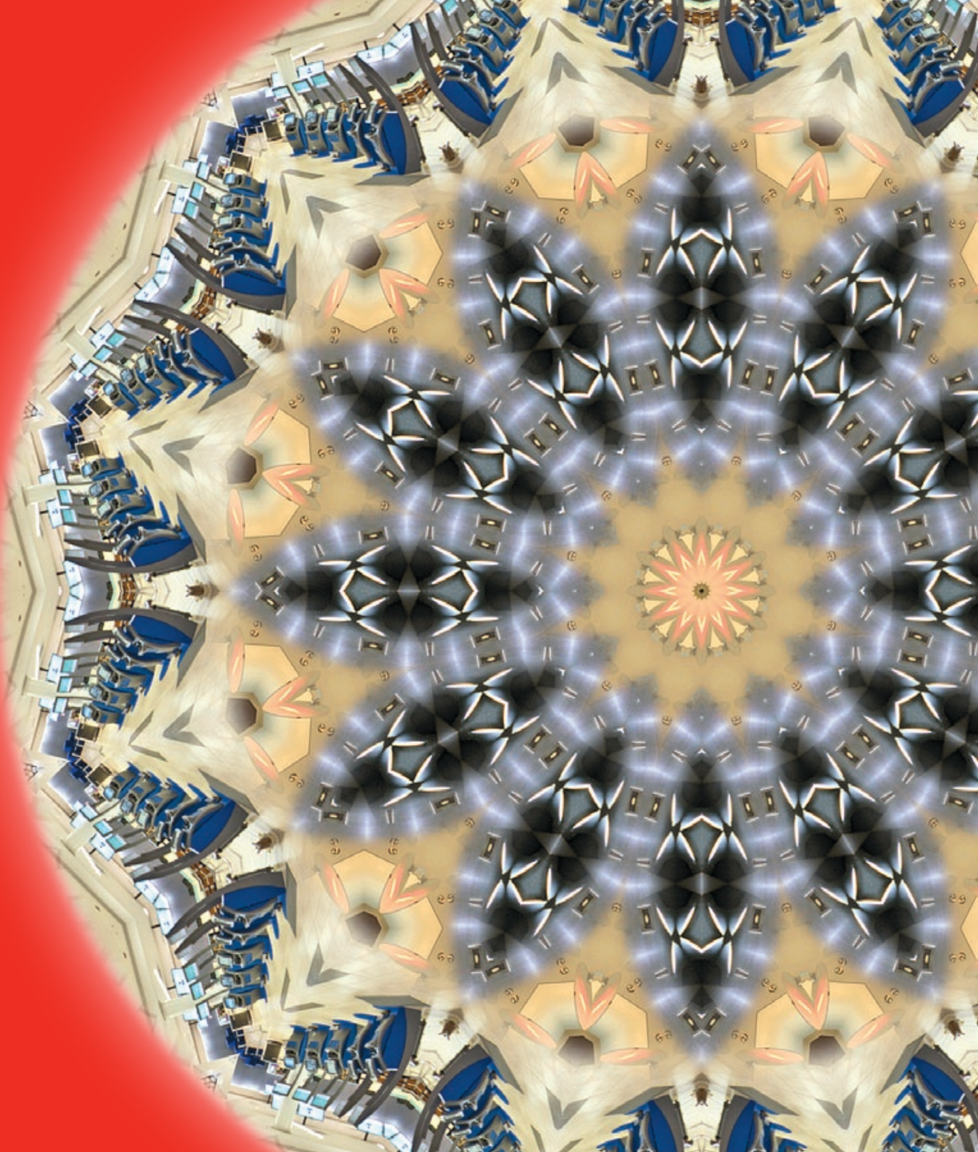
Using advanced technology, the custom-built system allows travellers to print their own baggage tag and drop their bags off without delay.

Impressively, the fully-automated system cuts the average check-in time from about 10 minutes to less than two. With almost two million passengers carrying two million pieces of luggage through the airport annually, those reduced wait times are saving passengers thousands of hours – time they can use to shop, read or simply relax.

Halifax Stanfield is the only airport in North America to offer self-serve baggage drop for all passengers. Our position as an industry leader was confirmed in November when we received a national Ingenious Award: our new baggage system was named one of Canada's most innovative technology achievements by the Information Technology Association of Canada.

Innovation helps support a viable future. Through our Environmental Management System we continued to make our airport a sustainable facility with a smaller environmental footprint. For example, LED lighting installed in our parkade has reduced electricity use. And we will use technology to help drive improvements through our Airport Environmental Sustainability Action Plan. At Halifax Stanfield, environmental stewardship is an integral part of our business strategy.

Our 2014 upgrades and innovations have improved security, efficiency, sustainability and passenger satisfaction. It all adds up to a travel experience beyond the ordinary.



LOOKING BEYOND

Laying the groundwork for future growth

Having a resilient and effective framework from which to operate is paramount to success. Our integrated four-tier planning process – 20-year Master Plan, 10-year Capital and Financial Plan, 5-year Strategic Plan, and annual Business Plan – has been a firm foundation for advancement.

This steadfast base has guided us through significant capital investment, enabling us to provide a safe and efficient air travel experience while working collaboratively with our airline partners and tenants.

And in 2014, we continued that passion for progress, focusing on projects that will lead to further growth, revenue, and economic benefit for our community.

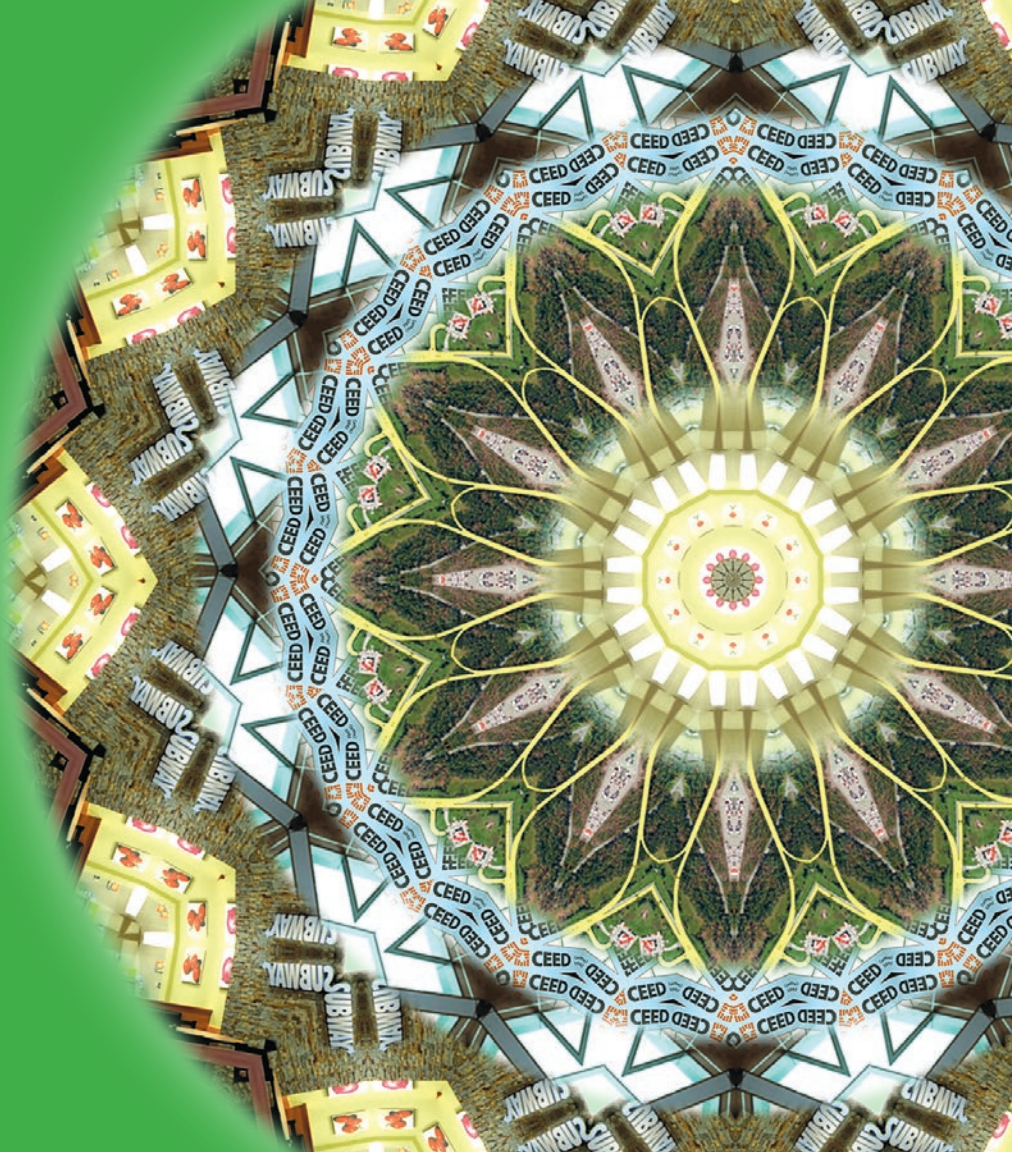
We began work to upgrade the roadway system that will improve the flow of traffic to and from the terminal, reduce congestion, and increase road network capacity. It also paves the way for our commercial development plan.

Working from this plan, we finalized design for the first commercial block, with development expected to start in 2015. It is a highly anticipated project – one fully in line with our strategic goal of increasing non-aeronautical revenue.


Our domestic arrivals area played host to a dozen entrepreneurs in 2014, thanks to a partnership with the Centre for Entrepreneurship Education and Development (CEED). The entrepreneurs took turns setting up at a kiosk, allowing them to gain sales, exposure and customer insights.

We welcomed a fresh addition to our food and beverage options as a Subway™ restaurant opened in September.

As we look forward, we are confident that our measured approach will continue to serve us well tomorrow and beyond.



BEYOND BORDERS

Pushing boundaries and expanding our reach

Halifax Stanfield served 3,663,039 passengers in 2014, making it the busiest year in the airport's history. This represents about half of all air travellers in Atlantic Canada.

That fact is even more impressive considering nearly 1,100 flights were cancelled during the snowy winter of 2014. Passenger numbers rebounded, however, accelerating in the third and fourth quarters.

Halifax Stanfield continues to be an important transportation hub for our region. And based on departures per capita, it is number one in the country – a testament to the dedicated efforts of our airport team.

New winter service included Air Canada to Fort Lauderdale, Sunwing to St. Petersburg, Florida and Freeport in the Bahamas, and Air Transat to La Romana in the Dominican Republic.

In the summer, Canadian North launched service to Iqaluit, French carrier Europe Airpost introduced flights to Glasgow and on to Paris, and Porter offered service to Stephenville.

As well, two airlines made announcements that will benefit us in 2015. Air Canada's leisure airline, rouge™, will operate seasonal non-stop service to Calgary and WestJet will introduce transatlantic summer service to Glasgow – both beginning in May.

And, we were delighted to welcome the first commercial flight of Air Canada's new Boeing 787 Dreamliner as it entered service in May 2014.

Air cargo jumped 8.5 per cent in 2014, hitting a record 32,003 metric tonnes. Thanks to all our cargo carriers, including Air Canada, CargoJet, FedEx, UPS, Purolator and Korean Air Cargo, for contributing to this growth.

A big part of Halifax Stanfield cargo is fresh lobster and seafood exports, and demand is growing. With our extended runway and new free trade agreements signed and in the works, we have many good reasons to be optimistic about the future of air cargo activity.

Our ability to secure additional flights and add new destinations is having a positive impact for business and leisure travellers, as well as promoting our region abroad. We will continue to pursue new opportunities – going beyond our borders to attract new business.

REACHING BEYOND

Community support and engagement

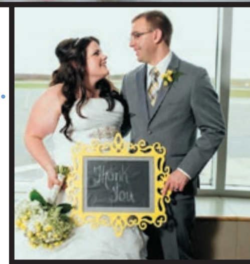
Halifax Stanfield is more than a place where airplanes come and go.

It's a venue for showcasing the talents of musicians, buskers and choirs through our Performing Arts Program. It's a destination for unique events, like weddings and film premieres. It's the front door as we help promote and welcome world class sports competitions, festivals, and arts and cultural events.

The Airport Authority is a strong supporter of worthy causes. From helping to organize the third annual Runway Run for the Lung Association of Nova Scotia, holding an annual golf tournament and corporate giving program for the United Way, and donating funds to meet basic community needs through our union-management sponsored Humanities Fund, to participating in a variety of national and local charitable activities, our people step up and generously give back.

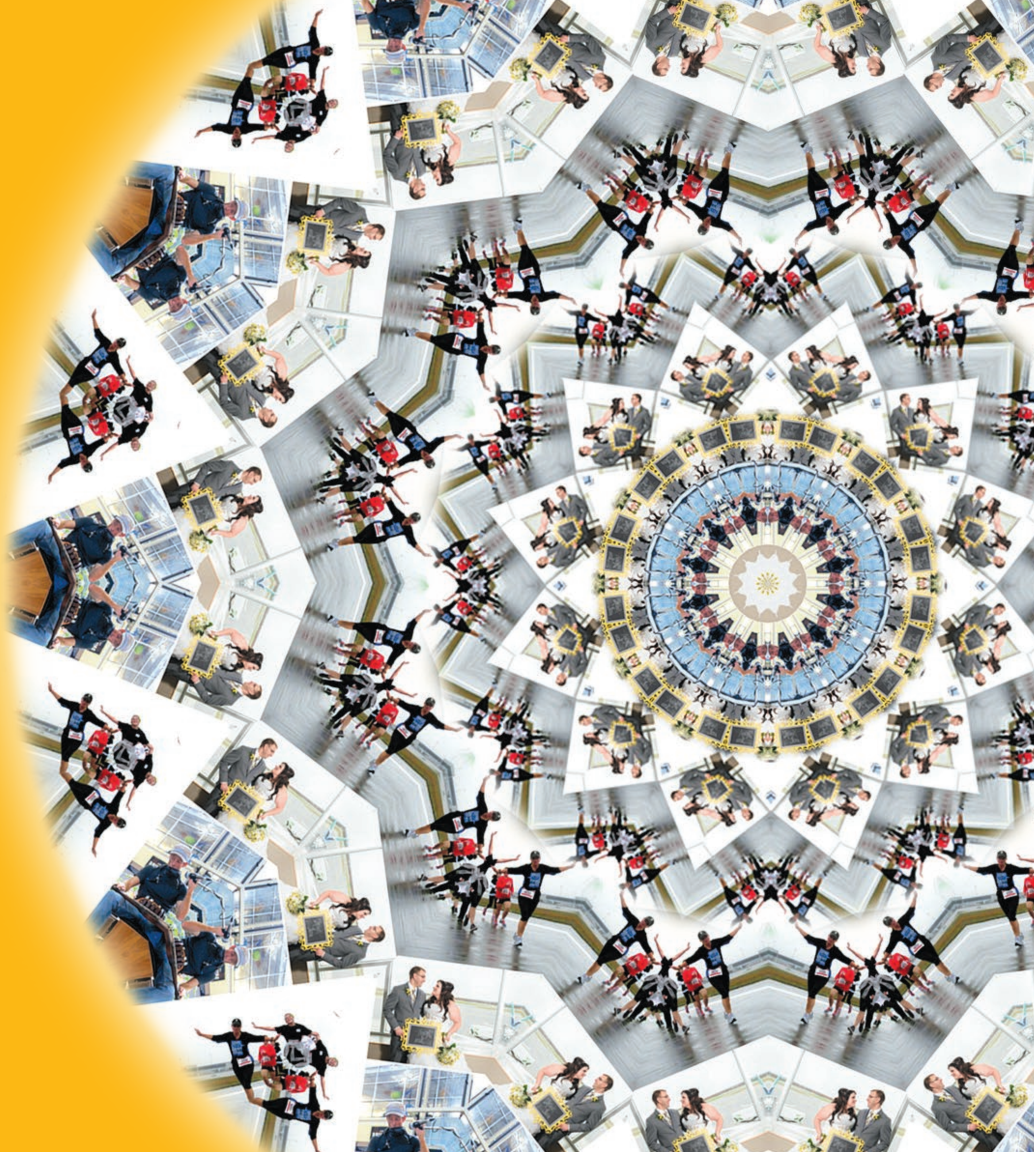
By waiving our usual fees, we were delighted to once again assist Air Canada's Dreams Take Flight initiative, which offers financially challenged children a chance to visit Walt Disney World Resort for a day. We held our second annual Trim a Tree for Charity airport community event that resulted in support for Ronald McDonald House.

We entered the second year of our signature partnership with Parker Street Food & Furniture Bank. Over the course of our three-year collaboration, the Airport Authority will donate $100,000, as well as provide rewarding opportunities for our people to volunteer with the organization.



In all, our Community Outreach Program distributed $190,000 in 2014. Add to that our in-kind and charitable coin box programs, and we supported over 250 organizations – including charities, business and community groups, local sports teams, and various fund-raising efforts.

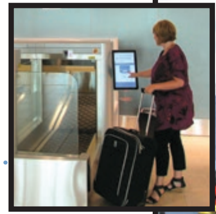
At Halifax Stanfield we believe in reaching beyond to help our community move forward.



BEYOND MEASURE

2014 Highlights and Accomplishments

- Welcomed 3,663,039 passengers – the most in the airport's history, representing about half of all air travellers in Atlantic Canada.
- Processed a record 32,003 metric tonnes of air cargo.
- Contributed $1.29 billion to the Nova Scotia economy in 2013, directly creating 5,735 full-time equivalent jobs.
- Appointed Joyce Carter as the new President and Chief Executive Officer.
- Named Paul Brigley as Vice President Finance and Chief Financial Officer and Mike Christie as Vice President, Human Resources.
- Added and expanded routes, including new service by Air Canada to Fort Lauderdale; Sunwing to St. Petersburg, Florida and Freeport, Bahamas; Air Transat to La Romana, Dominican Republic; Canadian North to Iqaluit; Europe Airpost to Glasgow and on to Paris; and Porter to Stephenville.
- Announced new air service for 2015, including non-stop summer service to Calgary by Air Canada's leisure airline, rouge™, and daily seasonal service to Glasgow by WestJet.
- Welcomed the first commercial flight of Air Canada's new Boeing 787 Dreamliner as it entered service in May.



- Expanded the domestic/international check-in hall and revitalized the transborder (U.S.) check-in area.
- Completed installation of a state-of-the-art baggage handling system, creating a greater level of security and efficiency.
- Became the first airport in North America to offer self-serve baggage drop for all passengers, reducing wait times and receiving an Ingenious Award from the Information Technology Association of Canada as one of Canada's most innovative technology achievements.
- Embarked on a project to upgrade the roadway system that will improve the flow of traffic to and from the terminal, reducing congestion and increasing capacity.
- Installed energy-efficient LED lights in the parkade.
- Hosted a major inter-agency emergency training exercise in cooperation with airport tenants and several public sector emergency responders.
- Added a Rosenbauer Airwolf Rapid Intervention Vehicle to our fleet of firefighting equipment and two light duty trucks to our complement of vehicles used for field condition reporting.
- Earned a certificate of recognition after successfully passing all requirements of an external audit that meets Workers Compensation Board safety standards.
- Marked 283 days of no lost time due to injury during 2014.
- Welcomed a fresh addition to our food and beverage options as a Subway™ restaurant opened in September.
- Partnered with the Centre for Entrepreneurship Education and Development (CEED) in bringing a dozen entrepreneurs into the terminal to promote their products.
- Ended the year with a strong bottom line and maintained our A+ Stable credit rating from Standard & Poor's for a ninth straight year.
- Reached an agreement with Halifax Water for additional water treatment capacity, allowing for future growth, while at the same time ensuring competitive water and waste water rates for ourselves and airport tenants.
- Received approval from Transport Canada for an amendment that extends our ground lease by 20 years, to January 31, 2080.

2014 Highlights and Accomplishments (continued)

- Further expanded The Stanfield Way – our airport service culture program – with more than 162 new graduates in 2014, for a total of 623.
- Recertified as Airport Service Quality (ASQ) Assured, making Halifax Stanfield one of only 17 airports in the world to reach this top level of passenger satisfaction.
- Rated by passengers to be among the world's best in the Skytrax World Airport Awards, ranking third in the Best Regional Airport in North America category, third best worldwide for its size – the only Canadian airport in the Top 10 in this category, and seventh best overall in North America.
- Ratified a new four-year collective agreement with the Union of Canadian Transportation Employees (UCTE) Local 80829, negotiated in just six days.
- Conducted our bi-annual employee opinion survey, revealing that 82 per cent of Airport Authority workers are satisfied or very satisfied with their jobs.
- Named by Progress magazine as one of the Top 101 Companies in Atlantic Canada.
- Provided $190,000 in donations, along with in-kind and coin box support, to more than 250 charities, business and community groups, and local sports teams through our Community Outreach Program.
- Proudly supported employee-led charitable activities aiding organizations such as the Lung Association of Nova Scotia and the United Way.
- Continued our signature partnership with Parker Street Food & Furniture Bank, providing financial support, as well as rewarding volunteer opportunities for our people.

- Hosted entertainers and musicians in the terminal through our Performing Arts Program, and served as the venue for welcoming world class sports competitions, festivals, and arts and cultural events.
- Connected with our passengers through social media – reaching more than 20,000 friends and followers on Facebook and Twitter.

BUSINESS STRATEGIES

Halifax International Airport Authority has identified six business strategies that support its mission and vision.

AIR SERVICE SUMMARY 2014

Scheduled and Charter Passenger Services

19 Domestic Destinations

Calgary, AB
Charlottetown, PE
Charlo, NB
Deer Lake, NL
Edmonton, AB
Fredericton, NB
Gander, NL
Goose Bay, NL
Hamilton, ON
Iqaluit, NU
Moncton, NB
Montréal, QC
Ottawa, ON
Saint John, NB
St. John's, NL
Stephenville, NL
Sydney, NS
Toronto, ON
Toronto City Centre, ON

13 Transborder (USA) Destinations

Atlanta, Georgia
Boston, Massachusetts
Chicago, Illinois
Detroit, Michigan
Fort Lauderdale, Florida
Newark, New Jersey
New York (LGA), New York
Orlando, Florida
Philadelphia, Pennsylvania
St. Petersburg, Florida
Tampa, Florida
Washington (Dulles), Virginia
Washington (National), Virginia

17 International Destinations

Bahamas – Freeport
Cuba – Cayo Coco, Holguin, Santa Clara, Varadero
Dominican Republic – Puerto Plata, Punta Cana, Samana
France – Paris (one-stop via Glasgow)
Germany – Frankfurt
Iceland – Reykjavik
Jamaica – Montego Bay
Mexico – Cancun
Scotland – Glasgow
St. Pierre et Miquelon
United Kingdom – London (Gatwick), London (Heathrow)

Scheduled and Charter Air Carriers

18 Passenger Carriers

Air Canada
Air Canada Jazz
Air Georgian / EVAS (AC Express)
Air St. Pierre
Air Transat
CanJet Airlines
Canadian North
Condor Flugdienst
Delta Air Lines
Europe Airpost
Icelandair
Porter Airlines
Provincial Airlines
Sky Regional Airlines
Sunwing Airlines
United Airlines
US Airways
WestJet

11 Cargo Carriers

Air Canada
Air St. Pierre
Air Transat
Cargojet
Condor Flugdienst
Icelandair
Kelowna Flightcraft (Purolator)
Korean Airlines
Morningstar Express (FedEx)
Skylink Express
WestJet

FIVE-YEAR FORECAST

	ACTUAL			FIVE-YEAR FORECAST*				
YEAR	2012	2013	2014	2015	2016	2017	2018	2019
Passenger Volume	3,605,701	3,585,864	3,663,039	3,741,765	3,838,238	3,935,805	4,030,181	4,123,390
Per cent Change	0.3 %	-0.6 %	2.2 %	2.1 %	2.6 %	2.5 %	2.4 %	2.3 %
Total Aircraft Movements	84,486	83,347	81,030	82,931	83,976	85,230	86,474	87,809
Per cent Change	-2.7 %	-1.3 %	-2.8%	2.3 %	1.3 %	1.5 %	1.5 %	1.5 %
Expenditures on Capital Assets, net Government Contributions ($000's)	$ 24,315	$ 39,993	$ 36,613	$ 28,200	$ 35,400	$ 35,000	$ 25,000	$ 50,600
Rent Payable to Transport Canada ($000's)	$ 5,284	$ 5,938	$ 6,229	$ 6,400	$ 6,700	$ 7,000	$ 7,400	$ 7,700

* The forecast figures indicated are subject to change.

BEYOND EXPECTATIONS

2014 Financial Overview

The Airport Authority's management of Halifax Stanfield International Airport is underscored by solid fiscal administration and reliable earnings performance. The results in 2014 continue that trend.

The strength of our financial position is clearly demonstrated by our A+ Stable credit rating. Standard & Poor's affirmed this rating again in 2014 – the ninth straight year we have secured that impressive grade. It's further evidence of our prudent financial planning, strong business profile, low debt burden, and overall fiscal health.

In 2014, total revenues climbed to $90.8 million, up from $87.1 million in 2013. Expenses rose from $80.1 million in 2013 to $83.0 million in 2014. That increase was largely driven by higher amortization costs and increases in salaries, wages and benefits. Security, maintenance and energy costs were also up in 2014.

The Airport Authority's prudent fiscal management resulted in excess revenues over expenses of $7.8 million for 2014, before consideration of defined benefit pension gains or losses. As a result of accounting standard changes, these non-operating gains and losses have been separated from operating earnings to reflect their volatility from year to year. After consideration of these gains and losses, the excess of revenues over expenses totalled $11.3 million in 2014 compared to $5.2 million in 2013. As always, the surplus will be reinvested in airport development, to improve facilities and services.

A new four-year collective bargaining agreement was ratified in late 2014. Having the agreement in place provides long-term clarity on labour costs, which represent more than 40 per cent of our operating expenses, and improves our ability to plan long-term.

During 2014, an agreement was reached with Halifax Water for additional water treatment capacity, allowing for future growth, while at the same time ensuring competitive water and waste water rates for ourselves and airport tenants.

Halifax Stanfield is a valuable provincial asset. According to our latest economic impact report, the airport was worth $1.29 billion to the Nova Scotia economy in 2013, up $19 million from the previous year.

That tremendous impact can be seen in the 5,735 full-time equivalent jobs, including 2,243 full-time jobs at IMP Group, Air Canada, and Jazz, who together employ more than 40 per cent of the airport community's workforce.

Total salary and wage impacts at Halifax Stanfield totalled $544.9 million in 2013, and airport community employees contributed $57.2 million in personal income tax to the province. Simply put, Halifax Stanfield is a major generator of jobs and economic strength in Nova Scotia.

And that will continue for decades to come. In 2014, the Airport Authority received approval from Transport Canada for an amendment that extends our ground lease by 20 years, out to January 31, 2080. This provides long-term stability as we move forward, and creates more flexibility for commercial expansion and development.

With a solid financial base from which to grow, we are poised for a future beyond expectations.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Directors of
Halifax International Airport Authority

We have audited the accompanying financial statements of **Halifax International Airport Authority** [the "Authority"], which comprise the balance sheet as at December 31, 2014 and the statements of operations and changes in equity 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 private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 in our audit 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 **Halifax International Airport Authority** as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Halifax, Canada
March 27, 2015

Chartered Accountants

Balance Sheet

As at December 31

[in thousands of dollars]	2014 $	2013 $
ASSETS		
Current		
Cash and cash equivalents	30,839	44,185
Accounts receivable	4,915	4,917
Prepaid expenses	839	865
Inventories	934	810
Total current assets	37,527	50,777
Capital assets, net *[note 3]*	367,700	349,833
Debt Service Reserve Fund *[note 4]*	7,427	7,427
Accrued benefit asset *[note 7]*	3,769	—
	416,423	408,037
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	23,203	23,282
Accrued pension liability *[note 7]*	—	2,142
Deferred contributions and revenue	1,009	1,179
Current portion of long-term debt *[note 4]*	80	80
Total current liabilities	24,292	26,683
Long-term debt *[note 4]*	283,373	283,430
Security deposits	885	1,402
Total liabilities	308,550	311,515
Equity in capital assets *[note 5]*	107,873	96,522
	416,423	408,037

Commitments *[note 6]*
Contingencies *[note 10]*

See accompanying notes

On behalf of the Board:

Director

Director

Statement of Operations and Changes in Equity

Year ended December 31

[in thousands of dollars]	2014 $	2013 $
REVENUE		
Terminal and passenger security fees	18,394	17,697
Parking	12,692	11,722
Concessions	10,892	10,768
Landing fees	10,752	9,501
Rental	2,765	2,505
Interest *[note 5]*	581	776
Other *[note 3]*	595	671
	56,671	53,640
Airport improvement fees *[note 5]*	34,084	33,428
	90,755	87,068
EXPENSES		
Salaries, wages and benefits	19,503	18,781
Amortization	18,849	17,638
Materials, services and supplies	18,231	17,531
Interest on long-term debt *[note 4] [note 5]*	14,486	14,878
Ground lease rent	6,229	5,938
General and administrative *[note 3]*	4,244	3,881
Property taxes	1,431	1,418
	82,973	80,065
Excess of revenue over expenses before pension plan gain (loss)	7,782	7,003
Defined benefit pension plan gain (loss) *[note 7]*	3,489	(1,783)
Excess of revenue over expenses for the year	11,271	5,220
Equity in capital assets, beginning of year as reported	96,522	99,393
	107,793	104,613
Change in accounting policy *[note 2]*	—	(8,171)
Equity in capital assets, beginning of year as restated	107,793	96,442
Amortization of deferred financing costs	80	80
Equity in capital assets, end of year *[note 5]*	107,873	96,522

See accompanying notes

Statement of Cash Flows

Year ended December 31

[in thousands of dollars]	2014 $	2013 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	11,271	5,220
Add (deduct) items not affecting cash		
Amortization	18,849	17,638
Accrued benefit asset / liability	(5,911)	(722)
Net change in non-cash working capital balances related to operations	(861)	3,029
Cash provided by operating activities	23,348	25,165
INVESTING ACTIVITIES		
Expenditures on capital assets	(36,613)	(39,993)
Cash used in investing activities	(36,613)	(39,993)
FINANCING ACTIVITIES		
Deferred contribution related to capital assets	—	(719)
Decrease in deferred rent	(81)	(80)
Cash used in financing activities	(81)	(799)
Net decrease in cash during the year	(13,346)	(15,627)
Cash and cash equivalents, beginning of year	44,185	59,812
Cash and cash equivalents, end of year	30,839	44,185

See accompanying notes

[Tabular amounts are in thousands of dollars]

1. GENERAL

Halifax International Airport Authority [the "Authority" or "HIAA"] was incorporated on November 23, 1995 as a corporation without share capital under Part II of the *Canada Corporations Act*. On February 1, 2000, the Authority signed a 60-year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Halifax Robert L. Stanfield International Airport [the "Airport" or "HSIA"]. In 2014, the Authority was granted an extension of the lease for an additional 20 years, extending the lease to January 31, 2080. The excess of revenue over expenses for the year is retained and reinvested in airport operations and development.

HSIA is a world-class airport creating prosperity for its region by connecting Atlantic Canada to the world through flight. The airport is the largest airport in Atlantic Canada, and the region's gateway to the world.

The Authority is governed by a Board of Directors whose members are nominated by the Halifax Regional Municipality, the Province of Nova Scotia and the Government of Canada, as well as the Halifax Chamber of Commerce. The nominated members can also appoint additional members who represent the interests of the community.

The Authority is exempt from federal and provincial income taxes, federal large corporation's tax, and Nova Scotia capital tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority's financial statements have been prepared in accordance with Part II of the Chartered Professional Accountants ["CPA"] of Canada Handbook – Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada, and include the significant accounting policies described hereafter.

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

[Tabular amounts are in thousands of dollars]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

Government assistance

Amounts received or receivable resulting from government programs for capital development are reflected as reductions of the cost of the assets to which they relate when the Authority becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

Inventories

Inventories consist of materials, parts and supplies and are stated at the lower of cost, determined on an average cost basis, and net realizable value.

Ground lease

The ground lease with Transport Canada is accounted for as an operating lease.

Capital assets

Capital assets are recorded at cost, including interest on funds borrowed for capital purposes, net of contributions and government assistance, and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Computer hardware and software	20% - 33%
Leasehold improvements	2.5% - 10%
Machinery, equipment, furniture and fixtures	5% - 20%
Vehicles	5% - 17%

Construction in progress is recorded at cost and is transferred to leasehold improvements when the projects are complete and the assets are placed into service.

[Tabular amounts are in thousands of dollars]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized over the term of the debt.

Revenue recognition

Landing fees, terminal fees, parking revenue and passenger security fees are recognized as the airport facilities are utilized. Concession revenue is recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum guarantees where applicable. Rental revenue is recognized over the terms of the respective leases, licenses and permits. Airport improvement fees ["AIF"] are recognized when originating departing passengers board their aircraft as reported by the airlines.

Deferred contributions

Deferred contributions relate to funds for future capital acquisitions. These contributions are applied as the related capital expenditures are realized.

Employee benefit plans

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit and defined contribution components. In valuing pension obligations for its defined benefit component, the Authority uses the accrued benefit actuarial method prorated on services and best estimate assumptions. Pension plan assets are valued at current market values. Defined contribution component amounts are expensed as incurred.

Actuarial gains and losses are recognized in full in the period in which they occur. Current service cost and the interest cost on the accrued benefit obligation are included in the results of the Statements of Operations and Equity. The change in the long-term pension benefit obligation in the year is recognized in the Statements of Operations and Equity.

[Tabular amounts are in thousands of dollars]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

Financial instruments

The Authority's financial instruments consist of cash and cash equivalents, accounts receivable, Debt Service Reserve Fund, accounts payable and accrued liabilities and long-term debt. Accounts receivable are accounted for at amortized cost. Cash and Cash Equivalents and the Debt Service Reserve Fund are recorded at fair value with realized and unrealized gains and losses reported in earnings in the period during which they arise. Accounts payable and accrued liabilities and longterm debt are accounted for at amortized cost with gains and losses reported in earnings in the period during which they arise. The Authority has no held-to-maturity or available-for-sale financial assets.

Transaction costs are capitalized and added to the cost of financial assets and liabilities not classified as held-for-trading.

Change in accounting policy – employee future benefits

In May 2013, the Canadian Accounting Standards Board issued a new accounting standard for Section 3462, Employee Future Benefits *[note 7]*. The accounting standard was effective as of January 1, 2014. The change in accounting policy from the deferral and amortization method to immediate recognition of actual gains and losses resulted in a retrospective restatement of the December 31, 2013 financial statements including an adjustment to the equity in capital assets at January 1, 2013 of $8.721 million. The effect on the 2013 financial statements was an increase in Salaries, wages and benefits expense of $550,000, a reduction in the accrued pension asset of $6.579 million, and an increase in accrued pension liability of $2.142 million.

[Tabular amounts are in thousands of dollars]

3. CAPITAL ASSETS

Capital assets consist of the following:

	2014			2013
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Computer hardware and software	12,371	8,429	3,942	3,854
Leasehold improvements	430,311	102,943	327,368	301,982
Machinery, equipment, furniture and fixtures	13,089	9,252	3,837	4,249
Vehicles	15,982	5,937	10,045	10,924
Construction in progress	22,508	—	22,508	28,824
	494,261	126,561	367,700	349,833

During the year, no government contributions were received [2013 – $1,114,000] or owing to the Authority and was applied to capital assets. The contributions relate to capital development.

During the year, a gain of $16,000 [2013 – $51,000] was recognized in other income and a loss of $99,000 [2013 – nil] was recognized in general and administrative expenses that related to the disposal of capital assets.

[Tabular amounts are in thousands of dollars]

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2014 $	2013 $
5.503%, non-amortizing Series A Revenue Bonds due July 19, 2041. Interest payable semi-annually in arrears on January 19 and July 19 of each year until maturity, which commenced on January 19, 2007.	150,000	150,000
4.888%, non-amortizing Series C Revenue Bonds due November 15, 2050. Interest payable semi-annually in arrears on May 15 and November 15 of each year until maturity, which commenced on May 15, 2011.	135,000	135,000
Transport Canada deferred rent, non-interest-bearing, repayable in monthly installments of $6,700, which commenced in 2006.	80	161
	285,080	285,161
Less current portion	80	80
Less transaction costs, net of accumulated amortization	1,672	1,651
	283,373	283,430

Bond issues

In July 2006, the Authority completed its inaugural $150 million Revenue Bond issue. The $150 million 5.503% Series A Revenue Bonds are due on July 19, 2041. In November 2010, the Authority completed a $135 million Revenue Bond issue. The $135 million 4.888% Series C Revenue Bonds are due on November 15, 2050.

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

[Tabular amounts are in thousands of dollars]

4. LONG-TERM DEBT (CONTINUED)

Credit facilities

The Authority has authorized credit facilities with the Canadian Imperial Bank of Commerce, which provide the Authority with a combined availability of $94.5 million, comprised of an $80 million Capex facility and a $14.5 million revolving operating and letter of credit facility. These facilities are secured under the Master Trust Indenture and are available by way of overdraft, prime rates, loans, or bankers' acceptances.

As at December 31, 2014, an amount of $12.5 million of the operating and letter of credit facility had been committed, with $2.1 million designated to pension plan funding regulations and $10.4 million designated to the Operating and Maintenance Reserve Fund.

Reserve funds

Pursuant to the terms of the Master Trust Indenture, the Authority is required to establish and maintain with a trustee a Debt Service Reserve Fund. The balance within this fund must be equal to at least 50% of annual bond debt service costs. As at December 31, 2014, the Debt Service Reserve Fund included $7.4 million [2013 – $7.4 million] in interest-bearing deposits held in trust. These trust funds are held for the benefit of bondholders for use in accordance with the terms of the Master Trust Indenture.

The Authority is also required to maintain an Operating and Maintenance Reserve Fund. The balance in the Operating and Maintenance Reserve Fund must be equal to at least 25% of certain defined operating and maintenance expenses for the previous fiscal year. Approximately $10.5 million will be required to fund the Operating and Maintenance Reserve Fund in 2015. The Operating and Maintenance Reserve Fund may be satisfied by cash, letters of credit, or the undrawn availability under a committed credit facility.

Capitalized interest

Interest on long-term debt amounting to $504,000 [2013 – $131,000] was capitalized as part of construction in progress during the year.

5. AIRPORT IMPROVEMENT FEES

The AIF are used to fund the cost of the Authority's capital program and related financing costs, along with debt and operational surpluses. Operational surpluses consist of excess of revenue over expenses before depreciation and interest. The AIF rate at December 31, 2014 was $25 [2013 – $25] and applies to each departing enplaned passenger. The AIF are collected by the air carriers for a fee of 6% under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving the Airport. Under the agreement, AIF revenue may only be used to pay for the capital and related financing costs as jointly agreed with air carriers operating at the Airport.

[Tabular amounts are in thousands of dollars]

5. AIRPORT IMPROVEMENT FEES (CONTINUED)

A summary of the AIF collected and capital and related financing expenditures are as follows:

	2014 $	2013 $
AIF revenue (net):		
AIF revenue	36,293	35,591
AIF collection costs	(2,209)	(2,163)
	34,084	33,428
Interest on surplus funds	581	776
Net funds received	34,665	34,204
Capital expenditures funded by AIF	36,613	39,202
Interest expense funded by AIF	14,486	14,878
	51,099	54,080
Excess of expenditures over AIF revenue	(16,434)	(19,876)
Excess of expenditures over AIF revenue, beginning of year	(310,477)	(290,601)
Excess of expenditures over AIF revenue, end of year	(326,911)	(310,477)

From January 1, 2001 to December 31, 2014, the cumulative capital expenditures funded by AIF totaled $584,967,000 [2013 – $533,868,000] and exceeded the cumulative AIF revenue by $326,911,000 [2013 – $310,477,000].

Equity in capital assets of the Authority is as follows:

	2014 $	2013 $
Equity in capital assets provided by AIF	41,493	40,164
Equity in capital assets provided by other operations	77,223	67,281
Opening adjustment to equity in capital assets	(10,843)	(10,923)
Equity in capital assets, end of year	107,873	96,522

The opening adjustment to equity in capital assets represents deferred financing costs amounting to $2.761 million related to a cash flow hedge, which was discontinued before the end of the original hedge term. The balance of these costs was allocated to equity in capital assets on January 1, 2007, the date at which the hedge was discontinued.

The deferred costs are amortized over the remaining term of the previously hedged instruments. The amortization related to the current year amounts to $80,000 [2013 – $80,000] and cumulative amortization to date amounts to $640,000.

[Tabular amounts are in thousands of dollars]

6. COMMITMENTS

Transfer agreement

Effective February 1, 2000, the Authority signed a 60-year ground lease with Transport Canada which provides for the Authority to lease the Airport. A 20-year extension was granted in 2014, extending the lease to January 31, 2080. Unless otherwise extended, the Authority is obligated to return control of the Airport to Transport Canada. Lease payments are based on a percentage of gross revenue on a progressive scale.

The estimated lease obligations over the next five years are approximately as follows:

	$
2015	6,400
2016	6,700
2017	7,000
2018	7,400
2019	7,700

Long-term debt – bond issues

The interest payable over the next five years on the Authority's Series A and Series C Revenue Bonds is as follows:

	$
2015	14,854
2016	14,854
2017	14,854
2018	14,854
2019	14,854

Construction in progress

As at December 31, 2014, the Authority had outstanding contractual construction commitments amounting to approximately $6.4 million [2013 – $13.0 million].

[Tabular amounts are in thousands of dollars]

7. PENSION PLAN

The Authority sponsors a pension plan [the "Plan"] on behalf of its employees, which has defined benefit and defined contribution components. An actuarial valuation has been prepared as at January 1, 2015 for the purposes of funding the Plan. A measurement date of December 31, 2014 has been used for the purposes of the financial statements.

The Authority has adopted various policies in respect to the Plan:

a. Plan assets are valued at fair value for the purpose of calculating the expected return on the Plan assets.
b. At December 31, 2014, the plan assets were invested in various pooled funds.
c. Due to the nature of the benefit promise, the Authority's defined benefit obligation cannot be accurately predicted. Gains and losses arise because of changes in assumptions and from experience differing from what has been assumed. Under CICA Handbook section 3462, these gains and losses are recognized immediately in the Statements of Operations and Equity.
d. Differences in the actual investment return on plan assets and the return using the discount rate are recognized immediately in the Statements of Operations and Equity.
e. The last actuarial valuation for funding purposes was prepared as at January 1, 2014. The next scheduled actuarial valuation for funding purposes will be performed as at January 1, 2015.
f. The Authority uses a December 31 measurement date.

The following table provides information concerning the assets, accrued benefit obligation, funded status and pension assets of the Plan as at December 31:

	2014 $	2013 $
Plan assets	45,865	38,711
Accrued benefit obligation	(42,096)	(40,853)
Funded status – plan surplus (deficit)	3,769	(2,142)

The following table provides information concerning the components of the pension gain (loss):

	2014 $	2013 $
Employers' current service cost	(761)	(752)
Interest cost on accrued benefit obligation	(1,928)	(1,754)
Expected return on the assets	1,864	3,939
	(825)	1,433
Actuarial gain (loss) on accrued benefit obligation	138	(2,338)
Difference between expected and actual return on assets	4,176	(878)
Pension gain (loss)	3,489	(1,783)

[Tabular amounts are in thousands of dollars]

7. PENSION PLAN (CONTINUED)

The significant actuarial assumptions adopted in measuring the Authority's accrued pension benefits, using the funding valuation basis, are as follows:

	2014 %	2013 %
Discount rate – year end benefit obligation	4.75	4.75
Discount rate – net benefit expense	4.75	4.75
Rate of compensation increase	3.75	3.75

Other information related to the Authority's defined benefit component is as follows:

	2014 $	2013 $
Employer's contribution	2,422	2,505
Employees' contributions	161	165
Benefits paid	1,469	1,236

	2014 %	2013 %
Equity securities	48	44
Fixed income securities	45	48
Real estate securities	7	8
	100	100

Pension expense amounted to $753,000 [2013 – $715,000] for the defined contribution component for which the pension expense is equal to the contributions made by the Authority to the Plan during the year.

The pension gain for the defined benefit component in 2014 was $3,489,000. In 2013 the pension expense was $1,783,000 for the defined benefit component.

[Tabular amounts are in thousands of dollars]

8. CAPITAL RISK MANAGEMENT

The Authority is a corporation without share capital and, accordingly, is funded through operating revenue, AIF revenue, reserve funds, the debt capital markets and its bank credit facility. Aeronautical charges are set each year to cover the projected operating costs, after consideration of the projected air traffic and passenger activity and non-aeronautical revenue. Any funds generated by the Authority are used to cover costs within its mandate.

The Authority's objective for managing capital is to acquire and maintain sufficient capital to safely and effectively manage the Airport's operations. The Authority aims to manage capital to deliver world-class facilities and services to the travelling public. The capital managed by the Authority is composed of long-term debt. As at December 31, 2014, the balance outstanding, excluding any current portion, amounts to $283,373,000 [2013 – $283,349,000].

The Authority's indebtedness is secured under the Master Trust Indenture, and supplemented from time to time with established common security and a set of common covenants by the Authority for the benefit of its lenders. The covenants that the Authority must meet include two specific coverage tests for operating expenses and debt service payments. The gross debt service covenant states that the total revenue, including the revenue account balance at the beginning of the year, must at least cover operating expenses, including interest and principal payments. The debt service covenant states that the net revenue for that specific year must be at least 1.25 times the total interest and principal payments for that year. As at December 31, 2014, the Authority is in compliance with all covenants outlined in the Master Trust Indenture.

In accordance with the Master Trust Indenture, two reserve funds must also be maintained: a Debt Service Reserve Fund and an Operating and Maintenance Reserve Fund. As at December 31, 2014, the Authority satisfies the requirements for both of these reserve funds.

9. FINANCIAL INSTRUMENTS

Fair value

The Authority's financial instruments consist of cash and cash equivalents, accounts receivable, Debt Service Reserve Fund, accounts payable and accrued liabilities and long-term debt. The difference between the carrying values and the fair market values of the financial instruments, excluding long-term debt, are not material due to their short-term maturities. The carrying amount of the current portion of long-term debt approximates its fair value given its short-term nature. The fair value of the bonds was calculated to be $283,373,000.

[Tabular amounts are in thousands of dollars]

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risk management

The Authority is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include interest rate risk, liquidity risk, credit risk, and concentration risk. The Authority's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is subject to interest rate risk relating to its Debt Service Reserve Fund and credit facilities. The Authority manages its interest rate risk through the use of fixed-rate financing where applicable.

The Authority has entered into fixed-rate long-term debt and, accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced.

However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt.

The Authority's most significant exposure to interest rate risk relates to its credit facilities. The Authority's Capex facility, which is in place for the financing of near-term construction costs related to the Authority's Capital Program, is subject to floating interest rates. Management believes that the impact of interest rate fluctuations on construction costs is not material.

The Authority's Debt Service Reserve Fund is subject to changes in interest rates. Management believes that the impact of interest rate fluctuations on the Debt Service Reserve Fund is not representative of the Authority's exposure to interest rate risk as interest income is not essential to the Authority's operations. These funds are intended for reinvestment in airport operations and development, and not for purposes of generating interest income.

If interest rates had been 50 basis points [0.50%] higher or lower and all other variables were held constant, including timing of expenditures related to the Authority's capital expenditure programs, the Authority's earnings for the year would not have been significantly impacted.

[Tabular amounts are in thousands of dollars]

9. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The Authority manages its liquidity risk by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis, and by matching its long-term financing arrangements with its cash flow needs. The Authority has ready access to sufficient financing as well as committed lines of credit through credit facilities with a major Canadian bank.

The future annual payment requirements of the Authority's obligations under its long-term debt are described in *note 6*.

Credit and concentration risks

The Authority is subject to credit risk through its accounts receivable, which consist primarily of current aeronautical fees and AIF owing from air carriers. The Authority performs ongoing credit valuations of receivable balances and maintains an allowance for potential credit losses. The Authority's right under the *Airport Transfer (Miscellaneous Matters)* Act to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. The majority of the Authority's accounts receivable are paid when they are due.

A significant portion of the Authority's revenue, and resulting receivable balances, are derived from air carriers. The Authority derives approximately 50% [2013 – 51%] of its landing fee and terminal fee revenue from Air Canada and its affiliates. Management believes, however, that the Authority's long-term exposure to any single airline is mitigated by the fact that approximately 80% of the passenger traffic through the Airport is origin and destination traffic and therefore other carriers are likely to absorb the traffic of any carrier that ceases operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

10. CONTINGENCIES

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business and may enter into agreements that provide contingent support for new business. The Authority believes any liabilities arising from these matters would not reasonably be expected to have a material adverse effect on its financial position.

CORPORATE GOVERNANCE

Halifax International Airport Authority (Airport Authority) is governed by a Board consisting of a maximum of 14 directors nominated by the following entities:

Federal Government	2
Provincial Government	1
Halifax Regional Municipality	4
Halifax Chamber of Commerce	3
Airport Authority Board of Directors	4

Generally, a director may serve no more than a total of nine years from the date of transfer, February 1, 2000. Collectively, directors are expected to possess knowledge relating to the aviation industry, air transportation, business, finance, administration, law, government, engineering, labour organizations, and the interests of consumers.

The Board oversees the conduct and operation of the Airport Authority; reviews and approves corporate strategies, plans and financial objectives; appoints the Chief Executive Officer; assesses the performance of the Board and the Chief Executive Officer; ensures effective communication with the nominators and the community; and ensures the effectiveness of the Airport Authority's internal controls and systems in preserving and enhancing the Airport Authority's assets and pursuing its mission. The Board meets as often as is required to carry out its responsibilities and maintains three standing committees that make recommendations to the Board with respect to matters within their jurisdiction: the Governance Committee, chaired by Jeff Hunt; the Audit Committee, chaired by Marie Mullally; and the Capital Projects Committee, chaired by Wadih Fares.

The Airport Authority has adopted conflict of interest guidelines to govern the conduct of, and the disclosure and avoidance of conflicts of interest for, all officers and directors. These disclosures are updated as required.

During 2014, the Governance Committee of the Board reported that there were no breaches of the conflict of interest guidelines by any officer or director of Halifax International Airport Authority.

Compensation of the senior officers and directors of the Airport Authority is reviewed annually. Amounts paid to Airport Authority officers and directors during 2014 follow.

Board of Directors Total Compensation

Chair: P. McDonough	$ 70,000
Vice Chair: W. Fares	$ 36,500
Secretary: J. S. Cowan	$ 33,300

DIRECTORS:

R. Batherson	$ 18,820
B. Buckles	$ 20,100
S. Dempsey	$ 20,400
J. Fitzpatrick*	$ 4,500
J. Hunt	$ 35,550
M. Mullally	$ 34,950
C. Newcombe**	$ 19,940
T. Traves*	$ 4,500
R. Wilber	$ 17,700
M. Wood-Tweel	$ 16,300

Notes: Amounts represent payments made in 2014

* J. Fitzpatrick and T. Traves joined the Board effective July 25, 2014

** C. Newcombe completed her term effective June 6, 2014

Executive Compensation

The salary range for the President & CEO and for the Vice Presidents of the Airport Authority during 2014 was $140,000 to $300,000. In addition to base salaries, annual bonus payments totalling $374,070 were paid during the year. Bonus payments are contingent upon both corporate and individual achievements.

Contracts in excess of $109,591

Halifax International Airport Authority, in accordance with its lease with Transport Canada, is required to report all contracts in excess of $109,591 ($75,000 in 1994 dollars adjusted by the Consumer Price Index) that were entered into during the year and that were not awarded on the basis of a public competitive tendering process. In 2014, the Airport Authority entered into two sole source contracts.

A sole source contract was awarded to InterVISTAS Consulting Inc. (IVC) to assist in the development of a strategy aimed at strengthening and innovatively growing Halifax Stanfield International Airport's air service hub activity. The ability of IVC to build on related work done previously, combined with their in-depth knowledge of the Airport Authority and the aviation industry was deemed critical in developing our strategy. The amount of the contract was $148,514.

The Airport Authority also entered into a sole source contract with Swissport Canada Handling Inc. for baggage system operational support. The Airport Authority contracted this interim operational support based on Swissport's existing expertise in the Airport Authority's systems. The amount of the sole source contract was $297,065. The interim contract was replaced with a long-term arrangement that was subject to a competitive tendering process.

BOARD OF DIRECTORS

Peter McDonough, QC – Chair
Peter is Counsel at McInnes Cooper and has been practicing corporate, property development and real property law for over 40 years. He has served on the Board of Governors of Dalhousie University, Nova Scotia College of Art & Design, Nova Scotia Special Olympics, and the YMCA. As well, he has been the Vice Chair of the Halifax Industrial Commission and President of the Dalhousie Alumni Association, and is the founding President of the Dalhousie Black & Gold Club.

Wadih M. Fares, C.M., P. Eng., FEC, D. Comm. – Vice Chair
Over the past 30 years, Wadih has been involved in every aspect of building design and construction. He currently serves as President and CEO of WM Fares Group.

Wadih has been the Honorary Consul of Lebanon for the Maritime Provinces for the past 18 years. He is a member of the Dalhousie University Board of Governors and chairs the Capital Projects and Facilities Committee. He is a member of the QEII Health Sciences Centre Foundation Board of Trustees, a member of an advisory panel to the Minister of Housing Nova Scotia and co-chair of the newly-created Premier's Immigration Advisory Council.

Wadih's dedication to community service has been well recognized. In 2012, he was invested into The Order of Canada, one of the country's highest civilian honours. He has received the Red Cross Humanitarian Award (2014), Dalhousie Family Legacy Award (2012), Lieutenant Governor of Nova Scotia Award for Excellence in Engineering (2011), St. Mary's University Honorary Doctorate in Commerce (2009), Laureate Induction into the Junior Achievement Nova Scotia Business Hall of Fame (2008), Lebanese Chamber of Commerce & Industry Business and Community Builder Award (2008), and Engineers Nova Scotia, Citizenship Award (2005). He was named Halifax Chamber of Commerce Business Person of the Year (2012) and Atlantic Canada Business Magazine's Top CEO of the Year (2011).

BOARD OF DIRECTORS (continued)

James S. Cowan, QC – Secretary to the Board
Jim is a member of the Senate of Canada where he serves as the Leader of the Opposition. He is also a partner of the law firm Stewart McKelvey. He was the Chair of the Board of Governors of Dalhousie University from 2000 to 2008 and past Chair of the Atlantic Provinces Transportation Commission. Upon his appointment to the Senate in March of 2005, Jim resigned from the Airport Authority Board but continues as Secretary, a position that he has held since 1995.

Robert Batherson – Director
As Senior Vice President and co-owner, Rob leads the public affairs practice for Colour, a leading communications and marketing agency with offices in Halifax, Moncton, St. John's and Toronto.

Since joining Colour more than 10 years ago, Rob has provided strategic counsel to clients in the energy, transportation, health care, financial services, construction, food service, tourism, entertainment and small business sectors. Before his move into private practice, Rob spent most of the previous decade working in the Office of the Leader of the Opposition in Nova Scotia, on Parliament Hill in Ottawa and in the Office of the Premier of Nova Scotia, first as Press Secretary, then as Communications Director.

A dedicated community volunteer, Rob currently serves as President of Neptune Theatre Foundation, Vice Chair of the Halifax Chamber of Commerce and a member of the national board of the Communications and Public Relations Foundation.

Brian Buckles – Director
Brian had over 40 years experience with Scotiabank prior to retiring in 2004. He is a Fellow of the Institute of Canadian Bankers and held various Management positions in both Nova Scotia and the New Brunswick and Prince Edward Island Regions.

Brian has served as Chair for the Pictou County United Way, New Glasgow Downtown Development, and as a director for the Pictou County Chamber of Commerce.

BOARD OF DIRECTORS (continued)

Stephen Dempsey – Director
Stephen is the Executive Director of the Offshore Energy Research Association of Nova Scotia, and Vice President of DDI Canada. A former CEO of the Greater Halifax Partnership, Stephen's contributions have been recognized by being named one of the Top 50 CEO's in Atlantic Canada.

Stephen serves his community by participation on several boards and is currently chair of the board for Partners for Care Association, as well as having served as past chair of the Halifax Gateway Council and the Atlantic Provinces Chambers of Commerce.

John Fitzpatrick, QC – Director
John is a Partner at BOYNECLARKE LLP where he is the Chair of the firm's Creditor Practice Group. He was appointed Queen's Counsel in 2008 and has been included in "The Best Lawyers in Canada" since 2012. He is Chair of the Board of Governors at Saint Mary's University and a member of the Board of Directors of World Wildlife Canada.

John is a recipient of the Queen Elizabeth II Diamond Jubilee Medal, the Canadian Bar Association Community Service Award, and the 2014 Weldon Award for Unselfish Public Service.

Jeffrey R. Hunt – Director
Jeff is a Partner with the Truro office of Patterson Law. He is immediate Past Chair of the firm's Litigation Group, with a practice in areas of insurance, employment and general litigation. He has been with Patterson Law since 1992 and a Partner since 1997.

Jeff is the Past Division Chair of the United Way of Colchester County Campaign Cabinet, Past Member of the Parish Council and Finance Committee for St. John's Anglican Church, and a Board Member of the Honourable G. I. Smith Memorial Trust. He has served as a member of the Regional Assessment Appeal Court since 2008, and has served as a one person Board of Inquiry under the Police Act. In 2009, Jeff was appointed to the Election Commission of Nova Scotia.

BOARD OF DIRECTORS (continued)

Marie Mullally, FCA, MBA – Director
Marie is President & CEO of Credit Union Atlantic (CUA). CUA is a customer owned financial institution providing banking services and financial solutions to individuals and businesses in Greater Halifax/Dartmouth, and is one of the largest credit unions in Atlantic Canada.

Marie has served as a member of a number of private, not-for-profit and public sector boards, includling the QEII Health Sciences Centre Foundation and the Atlantic Lottery Corporation, and is currently a member of the Nova Scotia Business Inc. Board of Directors and the HR Governance Committee. She holds a Fellow Chartered Accountants designation and a Certified Director designation from the Institute of Corporate Directors. She was named CA of the Year in 2008 and has also been named one of Atlantic Business Magazine's Top 50 CEOs in Atlantic Canada.

Cheryl Newcombe – Director
Cheryl is President of the Human Resources Association of Nova Scotia, Chair of the Canadian Council of Human Resource Associations, and is the past Chair of the Halifax Regional Water Commission.

Dr. Tom Traves – Director
Tom retired as President of Dalhousie University in 2013 after 18 years in office. He is currently a member of the boards of directors of Clearwater Seafoods Ltd. and Symphony Nova Scotia and serves as the Chair of the Invest Nova Scotia Board, a provincial development agency. Tom is a Professor in the Faculty of Management at Dalhousie, and also works as a consultant to government and universities on policy and organizational issues.

BOARD OF DIRECTORS (continued)

Robin Wilber – Director
Robin is President of Elmsdale Lumber Company Limited, a position he has held for over 30 years. He is responsible for the management of day to day operations of the sawmill, and provides leadership and direction to upwards of 60 staff. Robin is also Partner in Wilber & Fenton, a housing development company and Corridor Developments, a residential rental development company. He is the immediate past Chairman of the Maritime Lumber Bureau, President of L&R Property Management Ltd., a member of the East Hants Water Advisory and Protection Committee, and a founding member of the East Hants & District Chamber of Commerce.

Michele A. Wood-Tweel, FCA, CFP, TEP – Director
Michele is CEO and Executive Director of The Institute of Chartered Accountants of Nova Scotia (ICANS). Before joining ICANS, she practiced with KPMG LLP for over 20 years. Recently, she received an Honorary Doctor of Civil Law from Saint Mary's University.

Michele is a member of the Board of Trustees of the IWK Health Centre Foundation, a Director of EfficiencyOne and she is the Vice Chair of Sacred Heart School of Halifax. She is a past Chair of Saint Mary's University Board of Governors and has previously served on the Boards of the Halifax-Dartmouth Bridge Commission, The Royal Nova Scotia International Tattoo Society and the Halifax Chamber of Commerce.

OUR PEOPLE

Dan Pride, Patrick Oster, Todd Ball, Ivan Frame, Arnold Wood, Joey Young, Marcel Laforest, Bobby Ettinger, Daniel Chandler, Stephanie Gorman, Jamie Wilkins, Joey MacPherson, Dan Tanner, Alex Skinner, Danny Chaplin, Reg Verge, Janet Young, Mark Urquhart, Clayton Maynard, Jennifer Best-White, Mike Maxwell, Kevin Boutilier, Keith Gurschick, Sean Dempsey, Gordon Brooks, Marlene More, Kellie Hannam, Jay Cameron, Mike Rantala, Zack Zunic, Jennifer Starratt, Terry Hilchey, Malcolm Phippen, Joyce Hoskin, Robert Miller, Troy Appleby, Carol Mackie, Gerry Rygiel, Tom Antonio, Jeff MacMillan, Tim Leeman, Chris Cartwright, Tara Mombourquette, Kevin Mosher, Robert Silver, Paul Chisholm, Rick Gooding, Ron Conway, Carl Brown, Ashley Gallant, Todd D'Arcy, Paul Brigley, Alex Lyall, Laurie Brown, Rachel Griffiths, Karen Murphy, Steven Clarke, Steven Hilchie, Mike Christie, John Melbourne, Betsy McCully, Kelly Martin, Donnie Myers, Garth Barber, Tim Fisher, Tara Wheaton, Tonya McLellan, Kelly Corbett, Mike Walker, Dave Dawe, Alexa Chegrinec, Ken Bayers, Corey Teed, Jennifer Delorey Lyon, Nancy Fong, Sherrie Clow, Steve Bezanson, Peter Spurway, Rhonda Brassard, Dean Bouchard, Twila Grosse, Bill Crosman, Mel Thomas, Nicole Scaplen, Paul Baxter, Taras Chemerys, Scott Roberts, Dustin Drew, Darrell Corkum, Joyce Carter, Harry McMullen, Paul Dalrymple, Lee Nolter, Kim Porter, Mike Hartlen, Roxanne Hilchie, Danny Kennedy, Paul Tuttle, Bug Turple, Valerie Seager, Al Pace, Rachael Robinson, Todd Hickey, Scott Singer, Peter Hilton, Jamie Dwyer, Chris Altass, Gord Duke, Doug Meek, Richard Garson, Kris Stevens, Brian Thomas, Darin Clarke, Paula Cannon, Alan Carragher, Donna Anderson, Jim Moulton, Tom Ruth, Tony McMillen, Michael Samson, Bill Turple, Paul Hood, Kim Oakley, Stephen Fudge, Chris Collier, Tom Murray, Laila Nargis, Debby MacLeod, Nicole Burchell-Isenor, Ed Dempsey, Reg Beeler, Robert Hewitt, Larry Naugle, Daniel Archibald, Anita Chisholm, Rick Wyatt, Andy Lyall, Rick Boutilier, Jo-Anne McLean, Tom Winsor, Bill Cowan, Cathy Towers, Drake Clarke, Doug Eisan, Donald Mattinson, Jack Weir, Brian Gillette, Michael Healy, Cliff Gillie, Peter Sworin, Shawn DeLong, Kyle Mohler, Milly Walker, Jaime Cayaoyao, Catherine Huddleston, Jeremy Bedard, Steve Nelson, Norman Ross, Delbert Geddry, Joe MacLean, Peter Khattar, Scott Baines, Tim Bull, Shelia Williams, Blair Christian, Ruth Stoddard, Burton Wright, Art Nowen, Tim Zinck, Dean Letto, Matt Flynn, Lydia Bowie, Jim Tanswell, Howard Rose, Wayne DeCoste, Matt McDonald, Craig Singer, Jeff Hauser, Robert Clarke, Bill Wellwood, Mark Fletcher, Leigh Robinson, Dave St. Laurent, Cathy Paget, Jane Scott, Sally Inglis, Bruce Gaudet, Jerry Staples, Sandi Nicholson, Derek Forrest, Paul McLaughlin, Shawn Hicks, David Brown, Jonathon Heffernan, Marcia Connolly, Gregory Shackleton, Karen Sinclair (during 2014).

In Memoriam

Bernard F. Miller, Jr.

Canada's aviation community lost a great leader and a true friend with the passing of Bernard F. Miller, Jr. on January 3, 2015.

Bernie led the negotiations in the transfer of Halifax Stanfield International Airport from Transport Canada to Halifax International Airport Authority in 2000, and played a significant role in the airport's operation and development in the years that followed.

An original member of the Airport Authority Board of Directors, Bernie served as Chair for 10 years and twice acted as the Authority's Chief Executive Officer.

Our community and its ability to grow through air travel is stronger and richer thanks to Bernie's many contributions.

While saddened, we remain forever grateful for his tremendous legacy.

THE STANFIELD WAY

HALIFAX STANFIELD INTERNATIONAL AIRPORT

Our Vision

Great people creating the best airport community in the world

1 Bell Boulevard, Enfield, N.S. B2T 1K2
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