2015 ANNUAL REPORT

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waypoints

HALIFAX INTERNATIONAL AIRPORT AUTHORITY

waypoints

Whether you're flying a plane or growing an international airport, clear navigation is key to reaching your destination. But that end-point doesn't just appear. The journey is marked by milestones that confirm you're on the right path.

In aviation, these markers are called 'waypoints.' They're the physical landmarks and coordinates that connect the dots between departure and arrival.

Our 2015 annual report chronicles the many waypoints that defined and measured Halifax International Airport Authority's progress throughout the year. These accomplishments – from increased property development to improved customer experience – are waypoints along the path to fulfilling our mission of being a 'world-class airport creating prosperity for our region by connecting Atlantic Canada to the world through flight.'

Message from the Chair

Wadih M. Fares
Chair of the Board of Directors

As I took on the role of Chair in early 2015, after serving on the Board of Halifax International Airport Authority for almost a decade, I already knew just how important our airport is to business in the region.

There are big numbers to support that.

Halifax Stanfield is a major economic engine for the province, responsible for a total of 13,295 full-time equivalent positions, including 5,725 direct jobs, and over $600 million in wages and salaries. In all, the airport contributed over $1.3 billion to Nova Scotia's economy in 2014, up $23 million from the previous year.

Then there is the record number of passengers and cargo processed in 2015 – 3.7 million and 32 thousand metric tonnes respectively. And with 17 airlines, operating 1,200 weekly flights to 43 non-stop destinations, Halifax Stanfield punches well above its weight in the number of airlines and routes available to travellers, given the size of our population.

However, our airport is more than just a place where airplanes come and go. It is a place where, very often, emotion trumps economics.

You see it every day. Courage. Determination. Compassion. Kindness. Passion. Motivation. Excitement. Confidence. Jubilation. Joy.

The courage of our first responders who answer the call, no matter the situation, and provide assistance to those in need. The determination of our maintenance and airfield crews who, like the often quoted motto of the U.S. postal service, "*neither snow nor rain nor heat of day nor dark of night shall keep these carriers from the swift completion of their appointed rounds,*" keep our runways and taxiways operating safely. The compassion and kindness shown by our volunteers and front-line staff to passengers, visitors and colleagues. The passion and motivation of everyone in our airport community who, time and again, pull together in the face of unexpected and challenging circumstances.

The excitement of a family embarking on a dream vacation. The confidence of a seasoned traveller. And best of all: the joy and jubilation of coming home – perhaps for the very first time in a new land.

It's based on these emotional connections that we developed The Stanfield Way, our award-winning customer service culture program. As a graduate myself, I am proud to see the virtues of this program displayed so prominently.

There is no doubt that Halifax Stanfield International Airport is one of the most critical pieces of transportation infrastructure in Atlantic Canada. Yet the airport is a universal experience – intricately woven into the fabric of our lives. And it is the people – attending to their duties day in and day out – that give our airport heart and soul.

Standing beside them in support is the Board of Directors – a strong, skilled group of business and community leaders. We welcomed four new members in 2015, including Ann MacGregor, Ann MacKenzie, Ann MacLean and Sherry Porter, and we bid a fond farewell to Past Chair Peter McDonough, as well as Jeff Hunt, Michele Wood-Tweel, and Robin Wilber as they completed their time with us. We thank them sincerely for their service.

Working together in 2015, we managed challenges, implemented plans, and celebrated shared success. And working together, we look forward to 2016.

Message from the President & CEO

Joyce Carter
President & CEO

On February 1, 2015, we celebrated fifteen years of managing Halifax's international airport. By any account, we've come a long way since that first day when, to quote our very first annual report, *"we stepped into the cockpit and took over operational control of Halifax International Airport… setting course for a prosperous future."*

Throughout that decade and a half, one thing has remained steadfast – the effort and dedication of everyone at Halifax International Airport Authority. I want to thank each of them for their contributions.

And much like that eventful 15-year journey, 2015 itself was a time of ups and downs, gains and losses, successes and setbacks.

The first quarter of the year was a challenge, indeed. Battered by a winter for the ages, more than 1,400 flights were cancelled, testing the mettle of all our employees and airlines to get travel-weary passengers to their destinations. As well, denying us significant revenue while driving up our costs.

And still firmly in winter's grip, Air Canada flight 624 crash-landed on our main runway in the early hours of March 29. We are so very grateful that no one was seriously injured. I want to, once again, thank all those in the airport community who responded, and in particular our firefighters, and say how proud I am of the Airport Authority team. The safety of passengers, employees, and the entire airport community is our top priority and one of the cornerstones that guides us as we manage the airport.

We served 3.7 million passengers in 2015 – the most in our history. This milestone was achieved through a strong performance in the domestic sector, which was up by 2.7 per cent over 2014.

Air Canada rouge™, WestJet Encore, and Porter Airlines contributed to this domestic growth.

International traffic increased 1.4 per cent, highlighted by WestJet's introduction of daily summer service to Glasgow and Air Transat offering summer service to Punta Cana in the Dominican Republic.

However, our domestic and international growth was tempered with an 11.5 per cent decline in direct service to the United States as American-based airlines continued to rationalize and consolidate their operations in our market.

As part of our response, we have laid the groundwork for a new strategy that will see us market Halifax Stanfield as a hub between Europe and North America. Taking advantage of our geographic location, we believe this approach will open up new opportunities for air service development.

Thanks to the efforts of our cargo partners, 32,020 metric tonnes of air cargo was processed in 2015. Halifax Stanfield continues to play an important role in working toward Nova Scotia's goal of a fifty per cent increase in exports over 10 years.

Despite the increased costs of winter operations, our financial position remained solid, with excess revenues over expenses of $2.6 million in 2015. And we were gratified that our long-standing, prudent fiscal management was rewarded by having our A+ Stable credit rating re-affirmed by Standard & Poor's for a tenth consecutive year.

2015 saw one of the most significant changes to the airport landscape as we opened the new one-way loop road system, enhancing safety and efficiency for airport access. This perimeter roadway also created an opportunity for additional commercial development, and paved the way for two new service facilities: Jiffy Lube and Irving Oil.

We were delighted to receive several awards in 2015. Passengers rated Halifax Stanfield as one of the best airports in the world and the airline community honoured us with a World Routes Marketing Award.

During 2015, I made a number of organizational changes to improve efficiency and better position us to take advantage of industry opportunities. Most notably, we added a Chief Commercial Officer and a Director, Real Estate and Commercial Development, and hired a new Director, Business Solutions and Information Technology. And we said goodbye to friend and colleague Jerry Staples, Vice President, Air Service Marketing & Development who retired in December. Over his 28-year tenure with us, Jerry made countless contributions to the airport and we thank him very much.

Achieving success doesn't just happen. It comes about through strong leadership and dedicated teamwork. I am grateful for the expert guidance from our Board, and the consistent effort of our dedicated employees and volunteers. Inspired by a robust plan and resilient spirit, together we marked the many memorable waypoints of 2015.

Starting Point

“ The great thing in the world is not so much where we stand, as in what direction we are moving.”

– Oliver Wendell Holmes

Having a strong framework from which to operate is fundamental to success.

Our integrated four-tier planning process – 20-year Master Plan, 10-year Capital and Financial Plan, five-year Strategic Plan, and annual Business Plan – has served as an effective management tool.

This steadfast base enables us to provide a safe and efficient air travel experience while working collaboratively with our airline and commercial partners.

It’s also the platform from which we draw our strength through strategy; and alongside, our enthusiasm for excellence.

Maintaining a high level of performance is essential when it comes to safety and security – our top priority.

On a daily basis, our Emergency Response Services (ERS) personnel stand ready 24/7 to take firefighting action when necessary, as they did in the wee hours of a very windy and snowy March 29 when Air Canada flight 624 crash-landed on our main runway.

Then there’s our airfield and maintenance crews who respond, around the clock, to keep our runways and taxiways, aprons and airfield, systems and services, operating safely.

In 2015, we implemented new processes to comply with enhanced aviation security regulations and began preparation for changes to security screening procedures for vehicles entering the airfield. We also installed state-of-the-art automated security exit portals in the domestic arrivals area. This new egress system employs leading edge technology to enhance airport security.

We earned a certificate of recognition after successfully passing all requirements of an external audit that meets Workers Compensation Board safety standards.

Environmental stewardship is an integral part of our business strategy. In 2015, we upgraded our deicing pads to help improve glycol recovery. Several million litres of glycol-contaminated run-off is collected and processed throughout the year, and then recycled for use.

We began the process to adopt the Incident Command System to manage incidents and events. This model provides a standardized incident management response and improves inter-agency cooperation.

And, to facilitate our ongoing efforts to provide education, training and development for our people, we started a due diligence process to research and select a more formalized training and professional development program.

Claude Cunningham,
Heavy Equipment Mechanic, HIAA

Danny Kennedy,
Heavy Equipment Operator, HIAA

Todd Ball,
Firefighter, HIAA

WAYPOINT 1

Keeping our passengers and visitors safe and secure is our top priority – it's what we do every day.

Point to Point

> "Travel and change of place impart new vigor to the mind."
>
> – Seneca

Halifax Stanfield served 3,702,705 passengers in 2015 – a 1.1 per cent increase over 2014 – and the most in our history.

This milestone is even more impressive when you consider 1,400 flights were cancelled during the snowy winter of 2015.

The largest segment of our air service traffic is in the domestic sector, which was up by 2.7 per cent over 2014.

Air Canada rouge™ began non-stop seasonal service to Calgary. WestJet expanded its Edmonton service to year-round and WestJet Encore launched regional daily non-stop flights to Deer Lake, Gander and Sydney, as well as additional capacity to St. John's and Ottawa. And Porter Airlines increased its summer seasonal service to Stephenville to twice a week.

International traffic grew by 1.4 per cent, highlighted by WestJet's introduction of daily summer service to Glasgow, and Air Transat's summer service to Punta Cana in the Dominican Republic. Europe Airpost (now ASL Airlines France) extended its seasonal service to Paris, and added Dublin to the route.

However, as American-based airlines continued to rationalize and consolidate operations in our market, service to the United States, representing the transborder sector, was down 11.5 per cent. The value of the Canadian dollar, and a pilot shortage in the U.S., also impacted our transborder numbers.

As part of our plan to mitigate this loss, we have laid the groundwork for a new strategy that will see us market Halifax Stanfield as a hub between Europe and North America. Taking advantage of our geographic location, unrestricted 24/7 operations, and well-developed facilities, we believe this approach will open up new opportunities for air service development.

In 2015, 32,020 metric tonnes of air cargo was processed through Halifax Stanfield. A large part of our air cargo is live lobster and seafood exports. With several foreign trade agreements signed or in the works, we are optimistic for continued growth and eager to do our part to help Nova Scotia achieve its goal of a 50 per cent increase in exports over 10 years.

Halifax Stanfield accounts for 40 per cent of all seat capacity in Atlantic Canada, and based on departing seats per capita, it is number one in the country. Not resting on our laurels, we continue to pursue additional service. In 2015, several airlines made announcements that will benefit us in 2016: WestJet to Boston beginning in April; a four-week extension to WestJet's summer seasonal service to Glasgow; Condor to Munich; a significant increase in Air Canada's capacity to Florida; Air Transat's up-gauge of aircraft and extended schedule to Cuba and the Dominican Republic; new service to Iqaluit and Ottawa through FlySarvaq and Nolinor Aviation; and the return of Air Canada rouge™ to Calgary, Europe Airpost (now ASL Airlines France) to Dublin and Paris with an extended summer schedule, and Celebrity Cruises' "all included" Caribbean vacations with air service provided by Canadian North.

WAYPOINT 2

As Atlantic Canada's air gateway, we're moving people, goods and ideas quickly and easily around the globe

Nicole Scaplen,
Business Development Analyst, HIAA

Jung-Joo Maeng,
International Co-op Student, HIAA

Strong Point

"A journey of a thousand miles starts with a single step."

– Lao Tzu

One of the most noteworthy changes to the airport landscape happened in 2015, as we opened the new one-way loop road system. The new configuration improves traffic safety and wayfinding, reduces congestion, and increases the road network capacity.

It also forms the foundation for our commercial development plans. By design, the circular alignment of the roadway creates an inner core which will be home to new amenities and facilities at the airport. The first phase of this property development was completed in 2015, with construction of two crossroads, a new main street, and associated services.

We developed a passenger experience improvement plan aimed at enriching the ambience and cleanliness of the terminal building. First and foremost: refurbish and modernize the washrooms. Two locations were completely upgraded in 2015 – in the domestic arrivals and food court areas – and work began on a third location on the departures level. We also conducted a demographic survey of passengers and will use the results to help steer our future efforts.

Construction began on a project to expand an area of the departures level, building up from the first floor roof. The additional space – about 5,000 square feet – will create room for up to five new retail and food and beverage outlets.

Work began on an initiative to improve the redundancy of the electrical power supply systems at Halifax Stanfield, while expanding back-up power systems for the terminal building and airfield. These upgrades will also lessen the possibility of power loss to the terminal building and airfield. A complex undertaking, the project will take about two years to complete, from planning and consulting to testing and final implementation.

We invested in upgrades to our information technology enterprise systems to expand functionality and capability, and replace equipment that had reached the end of its life-cycle.

On the airfield, the concrete apron panels at gate 23 were replaced. This remediation work is all part of our ongoing airfield infrastructure restoration program to maintain the runways, taxiways, and aprons in good operating condition and to ensure safety.

WAYPOINT 3

Ongoing planning and development keeps our airport modern, efficient and innovative.

Tonya McLellan, P. Eng.,
Airside/Groundside Infrastructure Manager, HIAA

Selling Point

“Do not follow where the path may lead. Go instead where there is no path and leave a trail.”

– Ralph Waldo Emerson

For any investor, a balanced portfolio is essential. We apply that same approach to generating revenue.

In 2015, we gave particular attention to our non-aeronautical revenue streams.

Through an organizational restructuring, we hired a Chief Commercial Officer to oversee all revenue-generating activities. And a Director of Real Estate and Commercial Development was brought on board to focus on leasing land and developing airport real estate.

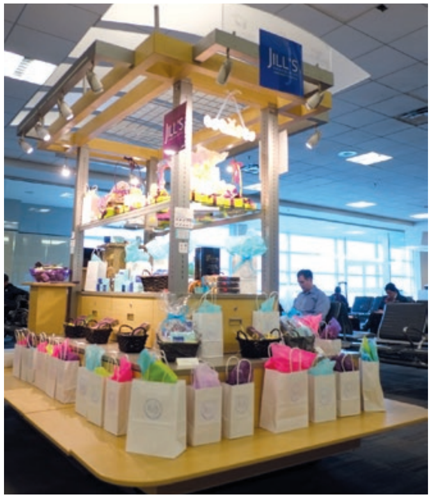
With the completion of our roadway network, two new property tenants joined the airport community. Jiffy Lube opened in August offering oil changes and auto detailing, adding tire services in the fall. In November, Irving Oil became the first tenant in our commercial core development, with 12 fuelling lanes and a convenience store.

In January, International Currency Exchange (ICE) began operating as Halifax Stanfield’s currency exchange provider, offering a wide range of currency exchange and buyback services, including Click and Collect – a free online foreign currency reservation service.

Anticipating the lease expiration of several existing retail locations in the terminal building, we sought proposals from the marketplace. After an in-depth review process, the successful proponents were chosen and will open new shops in 2016.

Building on the success of our kiosk program with the Centre for Entrepreneurship Education and Development (CEED), three new businesses started up – Bella Bizou Boutique, The 7 Virtues, and East Coast Lifestyle. As well, Jill’s Chocolates expanded, opening its own kiosk in February.

Following a competitive tendering process, Astral Out of Home, a division of Bell Media and one of Canada’s leading out-of-home advertising companies, was awarded an indoor (terminal building) advertising contract for Halifax Stanfield. The contract, effective May 1, spans the next 10 years.



WAYPOINT 4

We love offering travellers more options by providing new amenities and retail services and being part of local success stories.

Corinne Castle,
Sales Associate, East Coast Lifestyle

Glenda Gillam,
Accounting Services Specialist, HIAA

On Point

"A journey is best measured in friends, rather than miles." – Tim Cahill

We know airports can be stressful at times. That's why we aspire to share our culture of superior service – in small ways and big – every day.

The cornerstone of that approach is The Stanfield Way. This unique service program instills the virtues of being happy, helpful, courteous, caring and kind – creating an atmosphere where everyone feels welcome, relaxed and safe. In 2015, over 150 members of our airport community graduated from The Stanfield Way, bringing the total to 782 since the program launched in May 2012.

Our Tartan Team – a group of more than 100 volunteers – provides a friendly smile and warm welcome to passengers and visitors, and are there to assist anyone in need. In 2015, our contingent of volunteers grew to include seven of the four-legged furry variety, and their handlers, as we introduced a therapy dog program. Therapy dogs have become a familiar sight in hospitals, retirement homes and care facilities, and we were delighted to partner with St. John Ambulance to bring this uplifting program to Halifax Stanfield – the first airport in Atlantic Canada to do so.

We also offer performances in the terminal building to help enhance the travel experience while showcasing local and international vocalists, musicians, dancers, and performers.

This service commitment has extended reach, too. On-line we connect with more than 30,000 followers on Facebook and Twitter, and millions more through our web site at www.flyhalifax.com.

In the community, we step up to support worthy causes: helping to organize the fourth annual Runway Run for the Lung Association of Nova Scotia, holding an annual golf tournament and corporate giving program for the United Way, donating funds to meet basic community needs through our union-management sponsored Humanities Fund, participating in national and local charitable activities, and donating surplus firefighting equipment to the Walton Volunteer Fire Department.

By waiving our usual fees, we assisted 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 third annual Trim a Tree for Charity airport community event that provided support for Tim Horton Children's Foundation.

We entered the third and final year of our signature partnership with Parker Street Food & Furniture Bank. Over the course of our three-year collaboration, we contributed $100,000, as well as provided rewarding opportunities for our people to volunteer with the organization.

And we partnered with Dalhousie University to create job opportunities for international students and with the Nova Scotia College of Art and Design to bring unique, original student artwork to Halifax Stanfield.

Through our Community Outreach Program, we donated $207,700 and gave in-kind support to over 200 organizations, including charities, business and community groups, local sports teams, and various fund-raising efforts.

While our commitment to customer service is its own reward, we were delighted to receive third-party recognition in 2015. 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 2015.

Halifax Stanfield was also rated by passengers as one of the world's best in the Skytrax World Airport Awards. This independent survey program ranked Halifax Stanfield in the top 10 of five categories, including third Best Airport in the World for its size (under five million passengers).

And we were honoured to receive a World Routes Marketing Award for excellence in airport marketing, as determined exclusively by the airline community.

Making sure you have a happy airport experience – The Stanfield Way.

WAYPOINT 5

Kelly Corbett,
Volunteer Program Coordinator, HIAA

Pearl Seaward,
Tartan Team Volunteer

Bob Hawkley, Therapy Dog Volunteer,
St. John Ambulance and Willow

High Point

2015 HIGHLIGHTS AND ACCOMPLISHMENTS

Welcomed 3,702,705 passengers – the most in the airport's history.

Processed 32,020 metric tonnes of air cargo.

Contributed over $1.3 billion to the Nova Scotia economy in 2014, and directly provided 5,725 full-time equivalent jobs.

Strengthened our executive team with the addition of two positions: Chief Commercial Officer and Director, Real Estate and Commercial Development, as well as hiring a new Director, Business Solutions and Information Technology.

Installed state-of-the-art automated security exit portals in the domestic arrivals area.

Completed construction of a new one-way loop road system that improves traffic safety and wayfinding, reduces congestion, and increases the road network capacity.

Added and expanded routes, including new service by Air Canada rouge™ to Calgary; year-round WestJet service to Edmonton; WestJet Encore's new regional daily non-stop flights to Deer Lake, Gander and Sydney, as well as additional capacity to St. John's and Ottawa; WestJet's introduction of daily summer service to Glasgow; extension of Europe Airpost's (now ASL Airlines France) seasonal service to Paris and the addition of Dublin to the route; increased seasonal service to Stephenville by Porter Airlines; and Air Transat's summer service to Punta Cana in the Dominican Republic.

Connected with more than 30,000 followers on Facebook and Twitter, and millions more through our web site.

Earned a certificate of recognition after successfully passing all requirements of an external audit that meets Workers Compensation Board safety standards.

Offered performances in the terminal building to help enhance the travel experience while showcasing local and international vocalists, musicians, dancers, and performers.

Announced new air service for 2016, including WestJet to Boston; a four-week extension to WestJet's summer seasonal service to Glasgow; Condor to Munich; a significant increase in Air Canada's capacity to Florida; Air Transat's up-gauge of aircraft and extended schedule to Cuba and the Dominican Republic; new service to Iqaluit and Ottawa through FlySarvaq and Nolinor Aviation; and the return of Air Canada rouge™ to Calgary, Europe Airpost (now ASL Airlines France) to Dublin and Paris with an extended summer schedule, and Celebrity Cruises' "all included" Caribbean vacations with air service provided by Canadian North.

Upgraded our deicing pads to help improve glycol recovery.

Began the process to adopt the Incident Command System to manage incidents and events.

Expanded our entrepreneur kiosk program with the addition of Bella Bizou Boutique, The 7 Virtues, East Coast Lifestyle, and Jill's Chocolates.

Invested in upgrades to our information technology enterprise systems to expand functionality and capability, and replace equipment that had reached the end of its life-cycle.

Replaced the concrete apron panels at gate 23.

Signed on two new property tenants including Jiffy Lube and Irving Oil – the first tenant in our commercial core development.

Issued a request for proposals for new concessions in the terminal building.

Researched options for a more formalized training and professional development program.

Began construction to expand an area of the departures level to create additional concession space.

Initiated a project to improve the airport's electrical power supply and back-up systems.

Provided $207,700 in donations, along with in-kind and coin box support, to more than 200 charities, business and community groups, and local sports teams through our Community Outreach Program.

Developed a passenger experience improvement plan to enrich the ambiance and cleanliness of the terminal building, including refurbishment and modernization of two washroom locations.

Donated surplus firefighting equipment to the Walton Volunteer Fire Department.

2015 HIGHLIGHTS AND ACCOMPLISHMENTS (CONTINUED)

Named by Progress magazine as one of the Top 101 Companies in Atlantic Canada.

Honoured with a World Routes Marketing Award for excellence in airport marketing, as determined exclusively by the airline community.

Launched a therapy dog program in partnership with St. John Ambulance – the first airport in Atlantic Canada to do so.

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 one of the world's best in the Skytrax World Airport Awards, finishing in the top 10 of five categories, including third Best Airport in the World for its size (under five million passengers).

Welcomed International Currency Exchange (ICE) as the airport's new currency exchange provider.

Entered the third and final year of our signature partnership with Parker Street Food & Furniture Bank, providing financial support and volunteer opportunities for our people.

Partnered with Dalhousie University to create job opportunities for international students and with the Nova Scotia College of Art and Design to bring unique, original student artwork to Halifax Stanfield.

Proudly supported employee-led charitable activities aiding organizations such as the Lung Association of Nova Scotia, Air Canada's Dreams Take Flight, Tim Horton Children's Foundation, and the United Way.

Awarded a 10-year indoor (terminal building) advertising contract to Astral Out of Home, a division of Bell Media.

Ended the year with a solid bottom line and maintained our A+ Stable credit rating from Standard & Poor's for the tenth straight year.

Continued to advance The Stanfield Way – our airport service culture program – with more than 150 new graduates in 2015, for a total of 782.

Air Service Summary 2015

Scheduled and Charter Passenger Services			Scheduled and Charter Air Carriers	
17 Domestic Destinations	**8 Transborder (USA) Destinations**	**18 International Destinations**	**17 Passenger Air Carriers**	**12 Cargo Carriers**
Calgary, AB	Boston, Massachusetts	Bahamas – Freeport	Air Canada	Air Canada
Charlottetown, PE	Fort Lauderdale, Florida	Cuba – Cayo Coco, Holguin, Santa Clara, Varadero	Air Canada Jazz	Air St. Pierre
Deer Lake, NL	Newark, New Jersey	Dominican Republic – Puerto Plata, Punta Cana, Samana	Air St. Pierre	Air Transat
Edmonton, AB	New York (JFK), New York	France – Paris (one-stop via Dublin)	Air Transat	Cargojet
Fredericton, NB	New York (LGA), New York	Ireland – Dublin	American Airlines (formerly US Airways)	Condor Flugdienst
Gander, NL	Orlando, Florida	Germany – Frankfurt	Canadian North	Icelandair
Goose Bay, NL	Philadelphia, Pennsylvania	Iceland – Reykjavik	Condor Flugdienst	Purolator
Hamilton, ON	St. Petersburg, Florida	Jamaica – Montego Bay	Delta Air Lines	Korean Airlines
Moncton, NB	Tampa, Florida	Mexico – Cancun	Europe Airpost (now ASL Airlines France)	Federal Express (FedEx)
Montréal, QC		Scotland – Glasgow	EVAS	Skylink Express
Ottawa, ON		St. Pierre et Miquelon – St. Pierre	Icelandair	WestJet
Saint John, NB		England – London (Gatwick/Heathrow)	Porter Airlines	CAL Cargo
St. John's, NL			Provincial Airlines	
Stephenville, NL			Sunwing Airlines	
Sydney, NS			United Airlines	
Toronto, ON			WestJet	
Toronto City Centre, ON			WestJet Encore	

Plans and Performance

BUSINESS STRATEGIES

Through its five-year strategic planning process, Halifax International Airport Authority has identified six business strategies that support its mission and vision, and serve as a roadmap to guide airport activities and initiatives. From that over-arching plan, an annual business plan is developed for each calendar year.

These strategic priorities, along with long-term targets, are used to direct and measure performance over the plan period, currently 2013-2017.

The end targets for 2017 and our performance to-date are as follows:

Total annual revenues of $100 million
Annual revenues have grown steadily over the past three years. We forecast that trend to continue over the next two years and expect to achieve this goal.

Total annual operating revenue of $68.5 million, of which $32.5 million will be non-aeronautical
Operating revenue has increased each year of the current plan period. However, to better reflect our anticipated revenue growth we adjusted these targets in 2015 to $63.0 million total annual operating revenue, of which $30.5 million will be non-aeronautical.

To achieve these financial goals, in 2015, we:

- leased the first commercial development lot
- hired a Chief Commercial Officer and Director, Real Estate and Commercial Development
- Developed a Master Concessions Plan
- Began a construction project to create an additional 5,000 square feet of terminal space for new concessions

Total annual passengers of 4.2 million
Passenger growth has not progressed as anticipated at the onset of the current plan. Although in the current year we fell just short of the target of 3,739,962 (or a 2.1 per cent increase of passengers over 2014), we achieved passenger numbers of 3,702,705, a 1.1 per cent increase over 2014, and a new passenger record. To address this shortcoming, in 2015, we adjusted the total annual passenger goal down to 3.9 million and we developed an air service hub strategy that we will use to market Halifax Stanfield as a hub between Europe and North America. Taking advantage of our geographic location, we believe this approach will open up new opportunities for air service development.

Total annual cargo of 38,000 metric tonnes
Air cargo has grown year over year, although not to the extent forecasted. In 2015, two new carriers operated at Halifax Stanfield: CAL Cargo Airlines and Qatar Airways Cargo, helping us achieve 32,020 metric tonnes processed. We will continue to employ an aggressive air cargo sales strategy.

Annual economic impact on the Province of Nova Scotia of $1.45 billion
Halifax Stanfield is a critical piece of transportation infrastructure and a major economic engine for the Province of Nova Scotia, contributing $1.3 billion to Nova Scotia's economy in 2014 (latest data available), up $23 million from the previous year. The airport's benefit to the region continues to grow year over year and we expect to achieve this goal.

ASQ score of 4.55
Customer service is extremely important at Halifax Stanfield International Airport. To measure customer satisfaction, we have participated in the Airport Service Quality (ASQ) survey for over a decade. The survey measures 34 separate elements of passenger airport experience and how well each element satisfies passenger expectations. In 2015, we adjusted the ASQ target down to 4.40. As well, we developed and began implementation of a cross-departmental Passenger Experience Improvement (PEI) plan, which includes both human and financial resources, designed to improve the passenger experience, and in turn, improve ASQ key driver scores through enhanced terminal building cleanliness and ambiance. We believe the PEI plan will assist us in reaching this revised target.

Averaged over the five years, training and development expenditures of two per cent of annual gross salaries and wages
While we continue to provide education, training and development opportunities for all our people, this goal has been a challenge to meet, in part due to insufficient dedicated resources and inability to track all training and development. However, in 2015, we started a due diligence process to research and select a more formalized training and professional development program. We will launch the program in 2016.

Five-Year Forecast

	ACTUAL			FIVE-YEAR FORECAST*				
YEAR	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Passenger Volume	3,585,864	3,663,039	3,702,705	3,880,435	3,985,207	4,092,808	4,203,314	4,316,803
Per cent Change	-0.6 %	2.2 %	1.1 %	4.8 %	2.7 %	2.7 %	2.7 %	2.7 %
Total Aircraft Movements	83,347	81,030	78,324	81,124	82,260	83,411	84,579	85,763
Per cent Change	-1.3 %	-2.8 %	-3.3 %	3.5 %	1.4 %	1.4 %	1.4 %	1.4 %
Expenditures on Capital Assets, net of Government Contributions ($ 000's)	$ 39,993	$ 36,613	$ 23,196	$ 54,100	$ 33,900	$ 29,100	$ 50,600	$ 41,200
Rent Payable to Transport Canada ($ 000's)	$ 5,938	$ 6,229	$ 6,284	$ 6,800	$ 7,100	$ 7,600	$ 7,900	$ 8,200

* The forecast figures indicated are subject to change.

Decimal Point

2015 FINANCIAL OVERVIEW

> "It is good to have an end to journey toward; but it is the journey that matters, in the end."
>
> – Ernest Hemingway

The hallmark of our success over these past fifteen years has been our sound approach to managing Halifax Stanfield International Airport. And in 2015, we continued that trend.

Despite challenges in the early part of the year, including severe winter weather and associated increased operational costs, our financial position remained solid. This assessment was validated by Standard & Poor's as they reaffirmed our A+ Stable credit rating for a tenth consecutive year. Their confidence serves as further evidence of our prudent financial planning, strong business profile, low debt burden, and overall fiscal health.

In 2015, total revenues increased to $91.7 million, up from $90.8 million in 2014. This increase is attributable to growth in non-aeronautical revenue led by increased earnings from concessions and rental agreements.

Expenses rose from $83.0 million in 2014 to $89.1 million in 2015. That increase was largely driven by higher winter operating and amortization costs. Security, marketing, maintenance, and energy costs were also up in 2015.

The net result was excess revenues over expenses of $2.6 million for 2015, before accounting for the non-cash impact of our defined benefit pension plan. These non-operating gains and losses have been separated from operating earnings to isolate their anticipated volatility from year to year. After consideration, the gains in 2015 were negligible, leaving the excess of revenues over expenses at $2.6 million compared to $11.3 million in 2014. As always, the surplus will be reinvested in airport development, to improve facilities and services.

Halifax Stanfield is a valuable provincial asset. According to our latest economic impact report (2014), the airport was worth over $1.3 billion to the Nova Scotia economy, up $23 million from the previous year.

That tremendous impact can be seen in the 5,725 full-time equivalent jobs directly attributable to the airport, including 2,288 by major employers IMP Group, Air Canada, and Jazz, who together employ 40 per cent of the airport community's workforce.

Total salary and wage impacts of Halifax Stanfield on the provincial economy was $600.8 million, and airport community employees contributed $63.1 million in personal income tax to the province and $31.6 million in retail sales tax. Simply put, Halifax Stanfield is a major generator of jobs and economic strength in Nova Scotia.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Directors of the **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, 2015 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, 2015 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 10, 2016

Chartered Accountants

Balance sheet

As at December 31

[in thousands of dollars]	2015 $	2014 $
ASSETS		
Current		
Cash and cash equivalents	26,228	30,839
Accounts receivable	5,198	4,915
Prepaid expenses	1,526	839
Inventories	965	934
Total current assets	33,917	37,527
Capital assets, net *[note 3]*	370,319	367,700
Debt Service Reserve Fund *[note 4]*	7,427	7,427
Accrued benefit asset *[note 7]*	5,978	3,769
	417,641	416,423
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	22,193	23,203
Deferred contributions and revenue	615	1,009
Current portion of long-term debt *[note 4]*	—	80
Total current liabilities	22,808	24,292
Long-term debt *[note 4]*	283,397	283,373
Security deposits	841	885
Total liabilities	307,046	308,550
Equity in capital assets *[note 5]*	110,595	107,873
	417,641	416,423

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]	2015 $	2014 $
REVENUE		
Terminal and passenger security fees	18,545	18,394
Parking	12,735	12,692
Concessions	11,251	10,892
Landing fees	10,322	10,752
Rental	3,594	2,765
Interest *[note 5]*	341	581
Other *[note 3]*	635	595
	57,423	56,671
Airport improvement fees *[note 5]*	34,257	34,084
	91,680	90,755
EXPENSES		
Salaries, wages and benefits	20,545	19,503
Amortization	20,680	18,849
Materials, services and supplies	19,954	18,231
Interest on long-term debt *[notes 4 and 5]*	14,620	14,486
Ground lease rent	6,284	6,229
General and administrative *[note 3]*	5,581	4,244
Property taxes	1,446	1,431
	89,110	82,973
Excess of revenue over expenses before pension plan gain	2,570	7,782
Defined benefit pension plan gain *[note 7]*	72	3,489
Excess of revenue over expenses for the year	2,642	11,271
Equity in capital assets, beginning of year as reported	107,873	96,522
Equity in capital assets, beginning of year as restated	110,515	107,793
Amortization of deferred financing costs	80	80
Equity in capital assets, end of year *[note 5]*	110,595	107,873

See accompanying notes

Statement of Cash Flows

Year ended December 31

[in thousands of dollars]	2015 $	2014 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	2,642	11,271
Add (deduct) items not affecting cash		
Amortization	20,680	18,849
Accrued benefit asset	(2,209)	(5,911)
Net change in non-cash working capital balances related to operations	(2,448)	(861)
Cash provided by operating activities	18,665	23,348
INVESTING ACTIVITIES		
Expenditures on capital assets	(23,196)	(36,613)
Cash used in investing activities	(23,196)	(36,613)
FINANCING ACTIVITIES		
Decrease in deferred rent	(80)	(81)
Cash used in financing activities	(80)	(81)
Net decrease in cash during the year	(4,611)	(13,346)
Cash and cash equivalents, beginning of year	30,839	44,185
Cash and cash equivalents, end of year	26,228	30,839

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.

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.

[Tabular amounts are in thousands of dollars]

2. Summary of Significant Accounting Policies (continued)

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.

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.

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.

[Tabular amounts are in thousands of dollars]

3. Capital Assets

Capital assets consist of the following:

	2015			2014
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Computer hardware and software	13,324	9,712	3,612	3,942
Leasehold improvements	464,760	120,110	344,650	327,368
Machinery, equipment, furniture and fixtures	13,545	10,073	3,472	3,837
Vehicles	16,156	7,184	8,972	10,045
Construction in progress	9,613	—	9,613	22,508
	517,398	147,079	370,319	367,700

During the year, $6,154,000 in government contributions were received [2014 – nil] and was applied to capital assets. The contributions relate to capital development.

During the year, a gain of $1,500 [2014 – $16,000] was recognized in other income and a loss of $1,510 [2014 – $99,000] 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:

	2015 $	2014 $
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
	285,000	285,080
Less current portion	—	80
Less transaction costs, net of accumulated amortization	1,603	1,627
	283,397	283,373

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, 2015, an amount of $12.6 million of the operating and letter of credit facility had been committed, with $2.1 million designated to pension plan funding regulations and $10.5 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, 2015, the Debt Service Reserve Fund included $7.4 million [2014 – $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 $11.5 million will be required to fund the Operating and Maintenance Reserve Fund in 2016. 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 $370,000 [2014 – $504,000] 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, 2015 was $25 [2014 – $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:

	2015 $	2014 $
AIF revenue [net]:		
AIF revenue	36,478	36,293
AIF collection costs	(2,221)	(2,209)
	34,257	34,084
Interest on surplus funds	341	581
Net funds received	34,598	34,665
Capital expenditures funded by AIF	18,247	36,613
Interest expense funded by AIF	14,620	14,486
	32,867	51,099
Excess of expenditures over AIF revenue	1,731	(16,434)
Excess of expenditures over AIF revenue, beginning of year	(326,911)	(310,477)
Excess of expenditures over AIF revenue, end of year	(325,180)	(326,911)

From January 1, 2001 to December 31, 2015, the cumulative capital expenditures funded by AIF totaled $617,834,000 [2014 – $584,967,000] and exceeded the cumulative AIF revenue by $325,180,000 [2014 – $326,911,000].

Equity in capital assets of the Authority is as follows:

	2015 $	2014 $
Equity in capital assets provided by AIF	40,792	41,493
Equity in capital assets provided by other operations	69,803	77,223
Opening adjustment to equity in capital assets	—	(10,843)
Equity in capital assets, end of year	110,595	107,873

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 [2014 – $80,000] and cumulative amortization to date amounts to $720,000.

[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:

	$
2016	6,800
2017	7,100
2018	7,600
2019	7,900
2020	8,200

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:

	$
2016	14,854
2017	14,854
2018	14,854
2019	14,854
2020	14,854

Construction in progress

As at December 31, 2015, the Authority had outstanding contractual construction commitments amounting to approximately $2.6 million [2014 – $6.4 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, 2016 for the purposes of funding the Plan. A measurement date of December 31, 2015 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, 2015, 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, 2015. The next scheduled actuarial valuation for funding purposes will be performed as at January 1, 2016.

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:

	2015 $	2014 $
Plan assets	49,569	45,865
Accrued benefit obligation	(43,591)	(42,096)
Funded status – plan surplus	5,978	3,769

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

	2015 $	2014 $
Employers' current service cost	(721)	(761)
Interest cost on accrued benefit obligation	(1,991)	(1,928)
Expected return on the assets	2,204	1,864
	(508)	(825)
Actuarial gain on accrued benefit obligation	149	138
Difference between expected and actual return on assets	431	4,176
Pension gain	72	3,489

[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:

	2015 %	2014 %
Discount rate – year end benefit obligation	4.25	4.75
Discount rate – net benefit expense	4.75	4.75
Rate of compensation increase	3.25	3.75

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

	2015 $	2014 $
Employer's contribution	2,137	2,422
Employees' contributions	154	161
Benefits paid	1,222	1,469

	2015 %	2014 %
Equity securities	42	48
Fixed income securities	50	45
Real estate securities	8	7
	100	100

Pension expense amounted to $757,000 [2014 – $753,000] 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 2015 was $72,000. In 2014, the pension gain was $3,489,000 for the defined benefit component.

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, 2015, the balance outstanding, excluding any current portion, amounts to $283,397,000 [2014 – $283,373,000].

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, 2015, 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, 2015, the Authority satisfies the requirements for both of these reserve funds.

[Tabular amounts are in thousands of dollars]

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 $283,397,000.

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.

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.

[Tabular amounts are in thousands of dollars]

9. Financial Instruments (continued)

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 51% [2014 – 50%] 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:

Government of Canada	2
Province of Nova Scotia	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. However, at any given time, by a vote of the Board, one director's term can be extended for three years, to a maximum total of 12 years. 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 has overall responsibility for the stewardship of Halifax International Airport Authority, overseeing governance and strategic direction. The Board also oversees management, who are responsible for the day-to-day conduct of the business, with the fundamental objective of ensuring that the Airport Authority meets its obligations and operates in a safe, efficient and responsible manner. The Board meets as often as is required to carry out its responsibilities and maintains four standing committees, which are accountable to the Board: the Executive Committee, chaired by Peter McDonough (January 1 to January 21) and Wadih Fares (January 22 to December 31); the Audit Committee, chaired by Marie Mullally; the Capital Projects Committee, chaired by Wadih Fares (January 1 to January 21) and Stephen Dempsey (January 22 to December 31); and the Governance Committee, chaired by Jeff Hunt (January 1 to February 5) and Rob Batherson (March 27 to December 31). The purpose of each Committee is as follows.

Executive Committee
The Executive Committee assists the Board by (i) within the limits of its delegated authority, addressing matters that arise between regular Board meetings that require immediate attention/action; (ii) carrying out functions as delegated to the Executive Committee by the Board and in particular those functions pertaining to the President and Chief Executive Officer (CEO) position; and (iii) acting in an advisory capacity to the President and CEO on matters that will be brought to the full Board for future consideration.

Audit Committee
The Audit Committee assists the Board by (i) approving the Airport Authority's quarterly unaudited financial statements and reviewing the annual audited financial statements; (ii) monitoring the integrity of the Airport Authority's financial reporting process and internal control system regarding financial reporting; and (iii) monitoring the independence and performance of the Airport Authority's external auditors. The Audit Committee acts in an advisory capacity to the Board except for approving the quarterly unaudited financial statements and the annual audit plan.

Capital Projects Committee
The Capital Projects Committee assists the Board in (i) approving and reviewing the 10-Year Capital and Financial Plan and all proposed major capital projects; and (ii) monitoring the progress and results of approved projects against pre-established measures and targets.

Governance Committee
The Governance Committee assists the Board by providing a focus on governance that is intended to enhance the Board's performance as well as to add value and support to the Airport Authority in achieving its corporate objectives. As part of this mandate, the Governance Committee leads the Board nomination process and receives reports and makes recommendations on a variety of governance matters including (i) the Board Governance Framework, consisting of the Board Governance Policy and accompanying plans/programs; (ii) Board composition and effectiveness; and (iii) the terms of reference for each Board committee.

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.

CORPORATE GOVERNANCE (CONTINUED)

During 2015, 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 2015 follow.

Board of Directors Total Compensation

Chair: W. Fares (effective January 22, 2015)	$ 58,321
Chair: P. McDonough (term completed January 21, 2015)	$ 21,527
Vice Chair: M. Mullally (effective January 22, 2015)	$ 37,023
Secretary: J. S. Cowan	$ 31,500

DIRECTORS:

R. Batherson (appointed Chair, Governance Committee March 27, 2015)	$ 24,211
B. Buckles	$ 20,300
S. Dempsey (appointed Chair, Capital Projects Committee January 22, 2015)	$ 27,407
J. Fitzpatrick	$ 20,400
J. Hunt (term ended February 5, 2015)	$ 9,821
A. MacGregor (joined the Board March 27, 2015)	$ 11,037
A. MacKenzie (joined the Board March 27, 2015)	$ 10,037
A. MacLean (joined the Board February 1, 2015)	$ 12,716
S. Porter (joined the Board March 27, 2015)	$ 9,337
T. Traves	$ 18,900
R. Wilber (term completed January 31, 2015)	$ 5,149
M. Wood-Tweel (term completed March 27, 2015)	$ 7,256

Notes: Amounts represent payments made in 2015

Executive Compensation

The salary range for the President & CEO and for the Vice Presidents of the Airport Authority during 2015 was $135,000 to $310,000. In addition to base salaries, performance incentive payments totalling $335,212 were paid during the year. Performance incentives are contingent upon corporate achievements.

Contracts in excess of $110,290

In accordance with its lease with Transport Canada, Halifax International Airport Authority is required to report all contracts in excess of $110,290 ($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 2015, the Airport Authority entered into five sole source contracts.

A sole source contract was awarded to ARINC International of Canada ULC for three years of software licensing and support for the Airport Authority's Common Use Terminal Equipment and Common Use Self-Serve systems. The value of the contract was $339,487. ARINC had provided the original proprietary technology in 2005 as the result of a competitive tender and continued system support could not be provided by a third party.

The Airport Authority awarded a sole source contract valued at $125,000 to Sean Williams Marketing Group (SWMG) for Branding Consultation Services. SWMG was engaged to follow up on previous research and incorporate preliminary recommendations into a comprehensive brand strategy including visual design. SWMG's ability to expand on previous work was deemed to be the most efficient and cost-effective project approach.

The Airport Authority expanded a previous sole source agreement with Intervistas Consulting Inc. (IVC) for continued development of strategies to grow 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 aviation industry and the Airport Authority was deemed critical in continuing the development of the Airport Authority's strategy. The amount of the expanded contract was $200,000.

The Airport Authority awarded a sole source contract to Strum Engineering Ltd. for engineering design and project management services associated with the improvement of airport power systems. The value of the contract was $1,536,780. Strum Engineering had extensive experience in the design of the airport's existing power distribution system and their design experience and familiarity with the Airport Authority's existing infrastructure were deemed critical to the success of the project.

The Airport Authority entered into a sole source contract with Nova Scotia Power (NSP) for engineering and construction services required to upgrade power feeds to Halifax Stanfield International Airport. As the only electrical utility, NSP has ownership of the distribution system and was the only party capable of completing the work. The materials required for the contract are valued at $74,850 while labour costs, estimated to be $30,000, will be incurred in 2016.

BOARD OF DIRECTORS

Wadih M. Fares — CHAIR

C.M., P. Eng., FEC, D. Comm.
President & CEO, WM Fares Group

Nominator and Date Appointed:
Halifax Chamber of Commerce March 2006

Meeting Attendance*:

Board (Chair)	9/9
Executive Committee (Chair)	3/3

Marie Mullally — VICE CHAIR

FCPA, FCA, ICD.D
President & CEO, Credit Union Atlantic

Nominator and Date Appointed:
Halifax Chamber of Commerce April 2009

Meeting Attendance*:

Board (Vice Chair)	9/9
Executive Committee	3/3
Audit Committee (Chair)	4/4

* Ratio equals number of meetings attended / number of meetings eligible to attend. Excludes Annual Public Meeting. As Chair and Vice Chair, Mr. Fares' and Ms. Mullallys' attendance at committee meetings (other than the Executive Committee for Mr. Fares and the Audit Committee for Ms. Mullally) is discretionary and therefore, the above table does not reflect their attendance at other Committee meetings.

Robert Batherson — DIRECTOR

Senior Vice President and Co-Owner, Colour

Nominator and Date Appointed:
Halifax Regional Municipality July 2013

Meeting Attendance*:

Board	9/9
Executive Committee (effective March 27)	2/2
Governance Committee (Chair effective March 27)	7/7

Brian Buckles — DIRECTOR

Retired Scotiabank Executive

Nominator and Date Appointed:
Government of Canada May 2011

Meeting Attendance*:

Board	9/9
Audit Committee	4/4
Capital Projects Committee	6/6

BOARD OF DIRECTORS

Stephen Dempsey — DIRECTOR

Executive Director, Offshore Energy Research Association of Nova Scotia
Vice President, DDI Canada

Nominator and Date Appointed:
Halifax Regional Municipality May 2011

Meeting Attendance*:

Board	9/9
Executive Committee	3/3
Capital Projects Committee (Chair effective January 22)	6/6
Governance Committee (January 1 to March 26)	4/4

John Fitzpatrick — DIRECTOR

QC, Partner, BOYNECLARKE LLP

Nominator and Date Appointed:
Halifax Regional Municipality July 2014

Meeting Attendance*:

Board	8/9
Capital Projects Committee (effective March 27)	4/5
Governance Committee	7/7

Ann MacGregor — DIRECTOR

Radio Host and Promotions Director, Hector Broadcasting

Nominator and Date Appointed:
Government of Canada March 2015

Meeting Attendance*:

Board	8/8
Governance Committee	3/3

Ann MacKenzie — DIRECTOR

CPA, CA, MEC, ICD.D
Chief Executive Officer, ACENET

Nominator and Date Appointed:
Airport Authority March 2015

Meeting Attendance*:

Board	7/8
Audit Committee	3/3

* Ratio equals number of meetings attended / number of meetings eligible to attend. Excludes Annual Public Meeting.

BOARD OF DIRECTORS

Ann MacLean — DIRECTOR

Former Mayor of New Glasgow
Retired Senior Administrator

Nominator and Date Appointed:
Province of Nova Scotia February 2015

Meeting Attendance*:

Board	9/9
Audit Committee	3/3

Sherry Porter — DIRECTOR

Retired Corporate Executive

Nominator and Date Appointed:
Halifax Chamber of Commerce
March 2015

Meeting Attendance*:

Board	5/8
Governance Committee	3/3

Tom Traves — DIRECTOR

Professor of Management,
Dalhousie University

Nominator and Date Appointed:
Halifax Regional Municipality July 2014

Meeting Attendance*:

Board	8/9
Capital Projects Committee	5/6

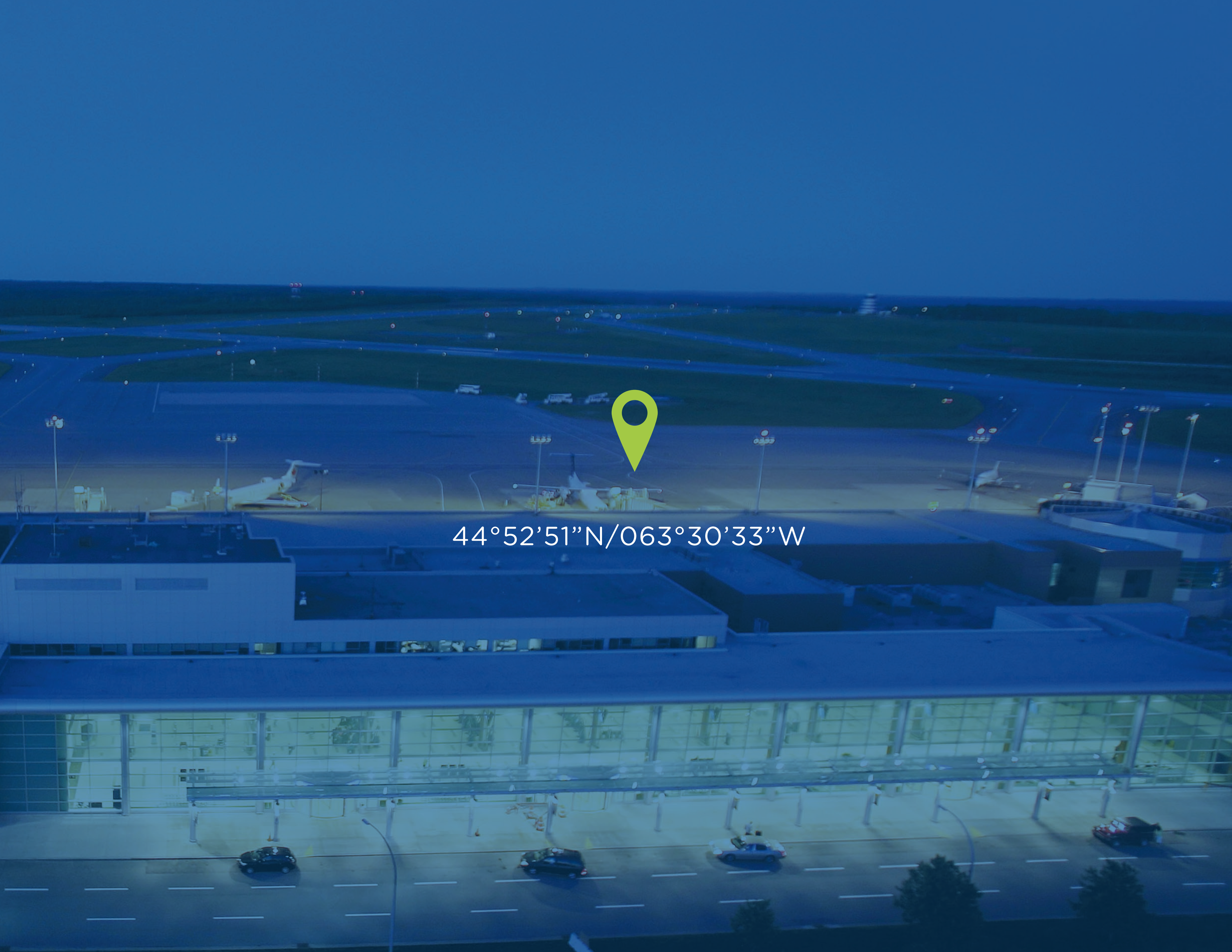
James S. Cowan — SECRETARY

QC, Senator
Partner, Stewart McKelvey

* Ratio equals number of meetings attended / number of meetings eligible to attend. Excludes Annual Public Meeting.

Our People

Milly Walker, Laurie Brown, Jane Scott, Chris Altass, Karen Murphy, Wayne DeCoste, Corey Teed, Paul Dalrymple, Cathy Towers, Joe MacLean, Alan Carragher, Mark Urquhart, Valerie Seager, Nicole Burchell-Isenor, Arnold Wood, Jennifer Starratt, Dean Letto, Rick Boutilier, Carl Brown, Matt McDonald, Patrick Oster, Marlene More, Reg Beeler, Carol Mackie, Zack Zunic, Cathy Paget, Daniel Archibald, Andy Lyall, Rick Wyatt, Donald Mattinson, Ruth Stoddard, Paul McLaughlin, Sherrie Clow, Sandi Nicholson, Donna Anderson, Robert Silver, Darrell Corkum, Kelly Martin, Rachael Robinson, Steve Nelson, Mike Walker, Todd Ball, Shelia Williams, Jamie Dwyer, Brian LeBlanc, Steve Bezanson, Kelly Corbett, Rachel Griffiths, Alex Skinner, Stephen Fudge, Jennifer Delorey Lyon, Gregory Shackleton, Bruce Gaudet, Tonya McLellan, Donald Myers, Brian Thomas, Jim Moulton, Tim Zinck, Roxanne Hilchie, Paul Tuttle, Leigh Robinson, Leah Sutherland, Craig Singer, Michael Hartlen, Steven Clarke, Bill Wellwood, Blair Christian, Glen Boone, Dustin Drew, Bobby Ettinger, Jonathon Heffernan, Kellie Hannam, Bill Crosman, Tara Mombourquette, Gordon Brooks, Myles Swain, Kris Stevens, Stephanie Gorman, Robert Miller, Art Nowen, Paul Brigley, Tom Antonio, Paul Baxter, Peter Khattar, Bug Turple, Doug Meek, Darin Clarke, Scott Singer, Jaime Cayaoyao, Dave St. Laurent, Twila Grosse, Larry Naugle, Tim Leeman, Debby MacLeod, Todd Hickey, Nadine Allen, Joey Young, Joyce Hoskin, Lee Nolter, Kevin Mosher, Kathryn Langridge, Claude Cunningham, Tony McMillen, Jamie Wilkins, Craig Paul, Rick Gooding, Paula Fisher, Shane Boutilier, Jeff Hauser, Reg Verge, Richard Garson, Chris Cartwright, Clayton Maynard, Peter Sworin, Anita Chisholm, John Melbourne, Keith Gurschick, Jo-Anne McLean, Tom Murray, David Dawe, Joel Christie, Sally Inglis, Mark Fletcher, David Brown, William Cowan, Tom Winsor, Rhonda Brassard, Jack Weir, Peter Hilton, Michael Samson, Burton Wright, Nancy Fong, Glenda Gillam, Jeff MacMillan, Ashley Gallant, Shawn Hicks, Derek Forrest, Drake Clarke, Peter Spurway, Brian Gillette, Ian Arthur, Michael Healy, Jay Cameron, Matthew Flynn, Dean Bouchard, Mel Thomas, Joey MacPherson, Harry McMullen, Catherine Huddleston, Norman Ross, Robert Hewitt, Sean Dempsey, Nicole Scaplen, Robert Clarke, Malcolm Phippen, Jaan Soosaar, Janet Young, Mike Christie, Danny Chaplin, Troy Appleby, Ron Conway, Kyle Mohler, Taras Chemerys, Joyce Carter, Daniel Chandler, Tim Bull, Delbert Geddry, Edward Dempsey, Jerry Staples, Dan Tanner, Paul Chisholm, Laila Nargis, Betsy McCully, Chris Collier, Bill Turple, Tim Fisher, Steven Hilchie, Gerry Rygiel, Ken Bayers, Kim Oakley, Kim Porter, Scott Roberts, Scott Baines, Paula Cannon, Jennifer Best-White, Danny Kennedy, Alex Lyall, Scott Robertson, Dan Pride, Todd D'Arcy, Jim Tanswell, Paul Hood, Mike Rantala, Howard Rose, Alexa Chegrinec, Shawn DeLong, Marcel Laforest, Chris Waugh, Terry Hilchey, Kevin Boutilier, Doug Eisan, Karen Sinclair (during 2015).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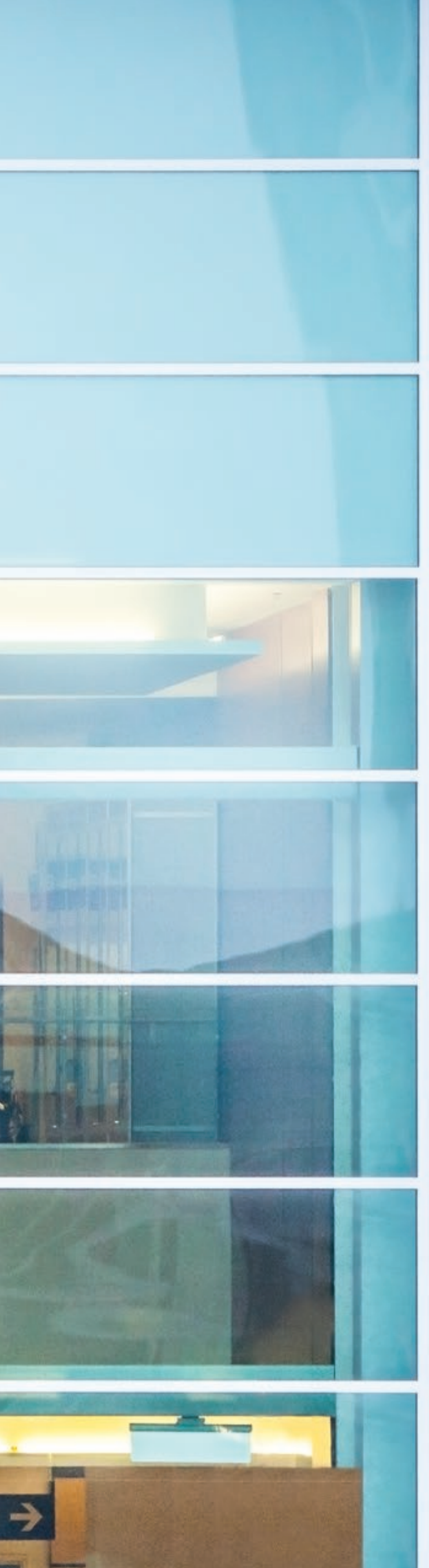

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HALIFAX STANFIELD INTERNATIONAL AIRPORT

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