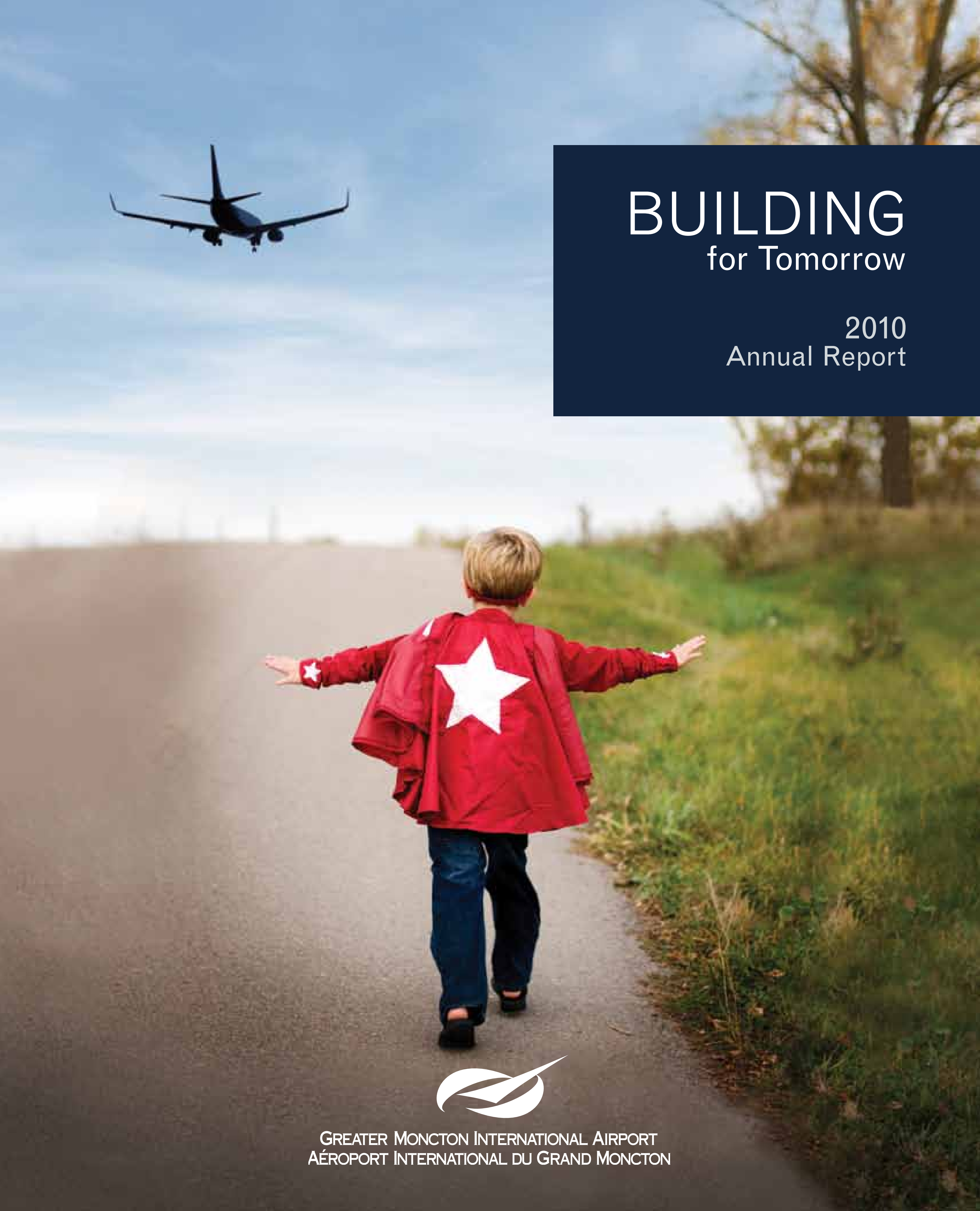
BUILDING
for Tomorrow

2010
Annual Report



GREATER MONCTON INTERNATIONAL AIRPORT
AÉROPORT INTERNATIONAL DU GRAND MONCTON

Vision
To be the airport of choice in Atlantic Canada.

Mission
Leadership in operating a safe, clean, efficient, friendly, profitable airport with a distinctive sense of place.

Values
Operating a safe and secure environment.

Delivering service excellence by encouraging customer responsiveness, training and cooperation with staff, community and business partners.

Ensuring professional and entrepreneurial airport management operating in an ethical and open manner.

Providing an efficient and profitable airport.

Maintaining a commitment to the development of successful partnerships.

Table of contents

GREATER MONCTON INTERNATIONAL AIRPORT
AÉROPORT INTERNATIONAL DU GRAND MONCTON

Chairman's Message

From a Greater Moncton International Airport Authority Inc. (GMIAA) Board perspective, 2010 was a year in which the Greater Moncton International Airport (GMIA) began its recovery from the worst recession the world has experienced since the Great Depression. And while we did not reach the record levels reached in 2008, the numbers attained with respect to air travellers served and air cargo handled were very encouraging nonetheless and, most importantly, have raised expectations that 2011 will see a new record for customers using our facility. This recovery is part of a world-wide phenomenon taking place in the air transportation industry, which is forecast to continue for the foreseeable future.

Your GMIAA Board of Directors realized several major accomplishments throughout the year. The approval of two major studies that focused on a runway extension and the development of air cargo and an associated on-airport cargo village are but two examples. Two others included the approval of a new Governance Manual comprising a new format, as well as updated Board policies. All of this was in addition to a fact-finding trip to Liège, Belgium, as part of an effort to determine how that airport was able to transform itself into the number one (1) air cargo airport in Belgium and number five (5) in Europe – in only thirteen (13) years. This latter initiative was in support of one of the GMIAA's Strategic Objectives to increase air services in both the passenger and cargo sectors.

As well, all Board Committees were very active throughout the year, tackling policy issues as they related to the environment, finances, strategy and governance. Each Committee member worked tirelessly to ensure that the

Robert Deluce, President and CEO of Porter Airlines; George Cooper, Chairman of the GMIAA Board of Directors; and Rob Robichaud, President and CEO of GMIAA

GMIA maintained its status as New Brunswick's preeminent airport and a major contributor to the local and provincial economies. The Board is very proud of the airport staff and management team as they too worked extremely hard throughout 2010 to ensure that our customer service levels remained second to none and that the facility continued to be a strong attractant for new airlines, as witnessed by the welcome addition of Porter Airlines in June 2010. Our appreciation goes out to our management firm, Vancouver Airport Services (YVRAS), for all their efforts to make this new service a reality.

In terms of external activities in support of the GMIAA's objectives, the GMIA continues to be a member of the Canadian Airports Council (CAC) as well as the Atlantic Canada Airports Association (ACAA), two organizations that continuously lobby the provincial and federal governments on behalf of large and small airports. Issues such as the elimination of rent payments and the need for governments to recognize airports as economic development generators for their respective communities, rather than "cash cows", continued to be in the forefront of any and all discussions throughout 2010.

Regrettably, we had to say farewell to two members of the Board in 2010. Leaving us were Julie McSorley, representing the City of Moncton, and Mr. Barrie Hould, the Moncton District Labour Council. Both were thanked for their tremendous Board and Committee contributions during their respective tenures. Replacing them were Mr. Chris Bacich and Kathryn-Ann Leger respectively, and to both I offer a sincere "Welcome Aboard" on behalf of the GMIAA Board and the entire airport team.

In closing, 2010 was, in every respect, a success story when compared to 2009 and it could only have been accomplished by very hard work on the part of every Board Member, the management group and staff personnel, our tenants and without doubt, our customers. I offer a sincere and appreciative "thank you" to all for your efforts as we look forward to an even more prosperous 2011!

George Cooper
Chairman

"The Board is very proud of the airport staff and management team as they too worked extremely hard throughout 2010 to ensure that our customer service levels remained second to none…"

President & CEO's Message

2010 was a year filled with both challenges and rewards. Having to overcome the adverse effects of a recession that gripped the world for over two years was not an easy task, but I am pleased to report that both passenger and air cargo volumes were up noticeably over those reported at 2009 year-end. Indeed, the Greater Moncton International Airport (GMIA) saw a 7% and 6% growth in these sectors respectively. This could not have been accomplished without the hard work and dedication of the hundreds of men and women who work at the GMIA every day, as well as our loyal customers who choose to use these facilities over any other in the region.

That support translated into approximately 553K passengers and 23K tonnes of air freight, compared to 515K and 21K tonnes respectively in 2009. Naturally, there was a positive impact on overall revenues as a result, and because management was able to keep costs under control throughout the year, the bottom line was much improved when compared to the previous year's results. More specifically, the net income for 2010 was $2,181,504 versus $1,750,168 in 2009.

Some of the other positives for the year involved the reconstruction of the intersection for runways 06/24 and 11/29 at a cost of approximately $5 million. This project was delivered under budget and well ahead of schedule. Another major highlight was the announcement by Porter Airlines that it would begin serving New Brunswick, and the GMIA was the airport chosen from which to launch the twice daily service. Thanks in large part to the hard work of the Airport Commercial Development staff, the inaugural flight took place on June 25, 2010.

Rob Robichaud, President and CEO of GMIAA and Robert Deluce, President and CEO of Porter Airlines

GMIA employees

> "...the GMIA's success is linked directly to the surrounding communities that we serve..."

On the cargo front, FedEx introduced a B757 freighter replacing the daily B727 service while Cargojet did likewise. The fact that both of these aircraft represent a significant cargo capacity increase bodes well for the integrator business at the GMIA as well as the respective companies.

As has been said many times, the GMIA's success is linked directly to the surrounding communities that we serve. So when we were asked to support the IAAF World Junior (Track and Field) Championships that were held in Moncton this past summer, or the first ever regular scheduled CFL game in the fall, it was with pride that we did so. The GMIA fully appreciates that it has a role to play in such events as we represent a "Gateway" to our communities, particularly for first-time visitors, whose airport experiences, whether arriving and/or departing, can leave a lasting impression of their overall visit to our region.

In closing, 2010 saw a strong emergence from a significant downturn in passenger travel and air cargo traffic the year prior. It could not have been accomplished without a lot of hard work by a lot of hard working people and the continued support of our customers, both repeat and new.

You have my assurance that we, along with our parent company YVRAS, will continue to work with the GMIAA Board of Directors, the staff and tenants to improve the services and the airport experience, such that everyone who works at or passes through our facilities will be proud to be part of the airport growth as we move confidently forward with our vision.

Rob Robichaud
President & CEO

"2010 saw the successful completion of the first year of a three year, $24 million airside rehabilitation project."

Operations Report

This year signified an important year for Operations. While efficiency and safety remained the objective, 2010 saw the successful completion of the first year of a three year, $24 million airside rehabilitation project.

Fleet Efficiency

GMIA continued with its fleet renewal program by replacing a 1989 truck used as a snow plow, with a 'Snow Mauler' from Airport Technologies. This is the second Mauler purchased by GMIA and it has proven to be a very effective and efficient dedicated airport snow plow. Updating the fleet has seen lower maintenance costs and much greater reliability over the older equipment that was in use. GMIA continued with the cost effective practice in 2010 by rebuilding an existing runway sweeper in place of purchasing a new unit. A light vehicle was purchased for the Operations department for general utility.

Airfield Rehabilitation

2010 saw the completion of Phase I of a three year airfield rehabilitation project. The main components of the airfield rehabilitation consist of rehabilitation of airside surfaces and drainage for the aprons, taxiways and a runway (11/29). Phase I work, totalling over $4 million, included rehabilitating the runway intersection, the taxi lane on Apron 1 and taxiway A. Dexter Construction was awarded the construction contract while Hatch Mott MacDonald was previously selected for the engineering design work. This Phase presented some significant challenges, but operational impacts were kept to a minimum and the project was completed on budget and on time. The project was structured so there was no interference with the additional flights for the IAAF World Junior (Track and Field) Championships that were held in July. We would like to thank both Dexter Construction, Hatch Mott MacDonald and all our stakeholders for seeing to the success of this phase of construction.

Operations Staff Notes

There was one retirement within operations for 2010. We want to wish our former Heating Plant Supervisor all the best for the future. At the same time, we welcomed a new Manager of Airside Operations, Mr. Brian Hackett, to the GMIA family.

Paving work

Paving the runway intersection

Marketing & Business
Development Report

The Year in Numbers
The year 2010 ended at a comfortable 7.2% increase resulting in a total of 552,629 passengers at the Greater Moncton International Airport (GMIA). On the cargo front, the year ended at a 5.2% increase with volumes at 22,789 metric tonnes.

Air Service Development
Porter Airlines commenced service on June 25. The inaugural flight was greeted by a ceremonial water cannon salute by airport fire trucks. Guests, politicians and local business representatives celebrated the new service at a welcome reception held at the Greater Moncton International Airport.

“This is another great example of how Enterprise Greater Moncton and our communities collaborated to attract a new, first class air service that will ultimately benefit not only this region, but the Province of New Brunswick as a whole”, said Rob Robichaud, President and CEO of the GMIAA.

Continental Airlines increased and up gauged for a second year in a row its transborder service (twice daily) during the holidays (mid-December to mid-January) to New York (Newark) with very positive load factors.

Air Canada Jazz is now offering the daily Ottawa service on a yearly basis. During the IAAF World Junior (Track and Field) Championships event, Air Canada Jazz also significantly augmented frequency to accommodate increase in travel. This was a result of close working relations with the airline and the community.

During the 2010 winter charter season, Transat Holidays and Sunwing offered travelers a choice of three destinations: Cancun, Punta Cana and Varadero. There was double the seat capacity in total for all southern destination flights in comparison to 2009.

In January, WestJet introduced a weekly seasonal service to Cancun. Then unfortunately in October, WestJet decreased its service to Hamilton, although they continued daily service to Toronto.

In December there were the two announcements for two new sun destinations for winter 2011: Orlando offered by WestJet and Montego Bay offered by Sunwing Vacations.

Cargo Development

GMIA continued with aggressive planning and development efforts in the air cargo sector. The positioning to be the Air Cargo Logistics Centre of Excellence for Atlantic Canada has seen much success. A best practice mission to Liège Airport in Belgium with key community stakeholders, the GMIAA Chair and Vice-Chair, was part of major cargo activities.

In preparation for continued growth in the international air cargo sector, the GMIA commissioned a study to review the feasibility of extending Runway 06/24 and also commissioned an overall Air Cargo Master Development Plan. Both studies will be used to focus on the long-term development efforts in the air cargo sector at GMIA in order to be known as the Air Cargo Logistics Centre of Excellence for Atlantic Canada.

2010 brings a positive outlook on development in the air cargo sector. 2011 efforts will focus on expanding services and growing market share with our existing partners. In addition, discussions and development efforts are ongoing with a view to establishing a direct freighter service to European and Asian markets. This will improve access to international markets for New Brunswick and Prince Edward Island shippers.

Service Excellence Partners

In support of the GMIA's determination to become a leader in service excellence, the airport initiated the SuperHost® customer service training program in 2008 and since then a total of 99 employees have been trained. In 2010, a total of 38 employees from all partner companies attained certification. GMIA's goal is to become a recognized SuperHost® organization, providing world-class service to all visitors. Because of these efforts, the Tourism Industry Association of New Brunswick (TIANB) recognized the GMIA with the Business Excellence Award for the year 2010.

Edgar Doucett, Walker's Security in July 2010, was presented the first Customer Service Recognition Award by Johanne Gallant, Director of Commercial Development

Community Relations

GMIA and its employees have been proud partners in the following events:

The total value of the contribution for all these events or associations combined is over $30,000.

This is a list of donations and volunteering events, or associations that the GMIA employees take part in:

- Make-A-Wish Foundation
- Moncton Headstart
- Canadian Cancer Society (Daffodil Campaign)
- Chamber of Commerce
- United Way
- Transportation Discovery Centre
- Haiti Earthquake Relief Fundraising Event
- School to Work Transition Program – District 2
- Hope Air

A total of over 300 hours were given, and over $10,000 was divided among these organizations.

Nomination

GMIA was nominated for the Greater Moncton Excellence Awards for Excellence in Business.

As a finalist in the nomination, we were so very pleased to submit a formal entry for the Greater Moncton Excellence Awards. As a former winner in the Marketing category, not only do we understand the importance of these awards, but also the responsibility of organizations who have been nominated, to showcase their organization, their commitment to excellence and, in particular, their commitment to our community.

In short, the GMIA has become an engine for economic development in our region and one of our community's most important pieces of local infrastructure: it is our community's vital link to national and international trade and commerce, as well as tourism, investment, immigration and economic development. The GMIA contributes more than $380 million annually into the New Brunswick and local economies.

Retailing

Aramark undertook phase one (1) of their renovations plan. The "Travelers" restaurant received a fresh face-lift with new furniture and lighting, along with a new open refrigerator presenting a variety of ready to go healthy food choices.

Looking ahead to 2011

Priority targets include a link to Newfoundland, additional transborder service, additional sun destinations, additional frequency on established routes and freighter service to Europe and Asia.

"...the GMIA has become an engine for economic development in our region and one of our community's most important pieces of local infrastructure..."

Strategic Initiatives

For 2011, the focus of the Board and management will be to support the GMIAA's stated strategic objectives by:

- continuing the pursuit of new passenger and air cargo airlines, as well as commercial opportunities, with a view to growing the business approximately 5-10%;
- as part of the Atlantic Gateway initiative, continue working with all stakeholders to leverage this airport's natural strategic advantages as part of a thrust to enhance the air cargo business, including all-freight;
- continuing to develop the Greater Moncton region as the Air Cargo Logistics Centre of Excellence for Atlantic Canada;
- identifying and pursuing funding options for the implementation of operational and strategic infrastructure to further enhance the GMIA's existing strategic advantages;
- identifying and implementing "green initiatives" where practical and feasible;
- continuing to work with the City of Dieppe's request for a land swap; and
- identifying ways to enhance revenues, with emphasis on non-aeronautical sources, in support of future operational and strategic infrastructure needed to grow the business.

"...the focus of the Board and management will be to support the GMIAA's stated strategic objectives..."

For the period 2011-2015, the focus of the GMIAA Board and management will be:

- a continuance of growth in both the air passenger and air cargo sectors to over 650,000 and 32,000 tonnes respectively;
- the lengthening of one runway;
- to begin preliminary work for the establishment of an air cargo precinct, inclusive of cargo-related infrastructure, as part of developing the region into Air Cargo Logistics Centre of Excellence for Atlantic Canada;
- replacement of aging operational infrastructure;
- a continuance of identifying "green initiatives" where economically practical and feasible;
- a continuance of working with all stakeholders regarding the above issues; and
- working with the Canadian Airport's Council (CAC) and others, to encourage the federal government to eliminate airport rent for small airports.

2010 Actual vs. Business Plan (shown in millions of dollars)

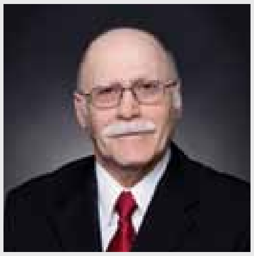
	Actual	Plan	Difference	Explanation
Revenue	12.5	12.2	0.3	Increase in passengers and cargo
Expenses	10.3	10.1	(0.2)	Increased activity
Capital expenditures	5.1	5.3	(0.2)	Lower construction costs

Business Plan Forecast 2011 - 2015

	2011	2012	2013	2014	2015
Revenue	14.2	14.6	15.0	15.5	16.0
Expenses	12.0	11.8	12.8	12.9	13.0
Capital expenditures	14.2	7.4	1.1	6.0	1.1

The GMIAA Inc. Board of Directors

Mr. George L. Cooper
Title: Chairman
Occupation: Barrister & Solicitor, Cox and Palmer
Nominator: Greater Moncton International Airport Authority Inc.



Mr. Clifford Lavigne, BED
Title: Director
Occupation: Retired
Nominator: City of Moncton

Mrs. Kim Wilson
Title: Vice-Chair
Occupation: Manager, Social Responsibility Atlantic Lottery
Nominator: Greater Moncton International Airport Authority Inc.

Mr. S. Boyd Anderson, CFP
Title: Director
Occupation: Certified Financial Planner, Anderson Financial Services
Nominator: Government of Canada

Mr. Jack Low, CA CMA, FCA ICD.D
Title: Secretary/Treasurer
Occupation: Retired
Nominator: Town of Riverview

Mr. Ken MacLeod
Title: Director
Occupation: President, KMA Consultants Inc.
Nominator: Province of New Brunswick

Mr. Gil Meredith
Title: Director
Occupation: Retired
Nominator: Town of Riverview

Ms. Karen L. LeBlanc, BA, LLB
Title: Director
Occupation: Lawyer, LeBlanc Maillet
Nominator: Government of Canada

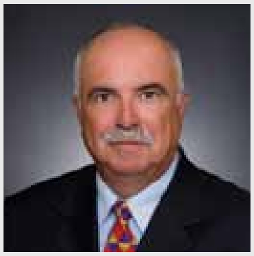
David Alward, Premier of New Brunswick
Kim Wilson, Vice-Chair GMIAA Board of Directors
Keith Ashfield, Minister of National Revenue, Minister of the Atlantic Canada Opportunities Agency and Minister for the Atlantic Gateway

Mr. Roland Collette

Title: Director
Occupation: Account Manager, Spielo
Nominator: City of Dieppe

Ms. Kathryn-Ann Leger

Title: Director
Occupation: Labour Representative
Nominator: Greater Moncton International Airport Authority Inc.



Mr. Maurice Richard, CA

Title: Director
Occupation: Self-employed
Nominator: City of Dieppe

Mr. André Pelletier

Title: Director
Occupation: Director, Real Estate Subsidiaries & Mortgage Loans, Assumption Life
Nominator: Greater Moncton Chamber of Commerce

Mr. Christopher Bacich

Title: Director
Occupation: General Manager, BMW Moncton
Nominator: City of Moncton

Mr. Brian Donaghy

Title: Director
Occupation: Owner, Codiac Printing
Nominator: Enterprise Greater Moncton

Board Committees

Throughout the year, seven standing committees met regularly. These include an Executive Committee, Audit Committee, Strategic Planning Committee, Environmental Committee, Governance Committee, as well as the Community Consultative Committee and the Aeronautical Noise Management Committee. Ad hoc committees are formed when required.

The GMIAA Inc. Board's approach to governance is that the Board deals with policy issues, while the President & CEO is responsible for management matters. That is to say, the Board is solely responsible for the formulation and monitoring of policy matters at the highest level, while management is responsible for the execution of day-to-day issues in support of these policies. A monitoring policy will be put in place that will hold the President & CEO accountable through the provision of periodic reports as well as other monitoring measures, all designed to give the Board the tools necessary to ensure its policies are being adhered to.

Executive Committee

The Executive Committee comprises the Chairman, Mr. George L. Cooper, Mrs. Kim Wilson, Mr. Jack Low, Mr. S. Boyd Anderson, Mr. Ken MacLeod and Ms. Karen LeBlanc. Its purpose is to consider, promote and transact the business of the GMIAA Inc. between regular meetings of the Board of Directors.

Audit Committee

Members of the Audit Committee include Mr. Jack Low, Chairman, Mr. Ken MacLeod, Mr. Maurice Richard and Mr. Christopher Bacich. This committee's primary responsibilities include, among others: identifying and monitoring the management of the principal risks that could impact financial reporting,

The GMIA Management Team

Chris Ryan
Director of Finance and Administration

Johanne Gallant
Director of Airport Commercial Development

Chris Farmer
Director of Operations

Rob Robichaud
President & CEO (GMIAA Inc.)
Managing Director (GMIA)

monitoring the integrity of the financial reporting process and systems of controls and monitoring the independence and performance of the external auditors.

Strategic Planning Committee

This committee's membership includes Mr. S. Boyd Anderson, Chairman, Mr. André Pelletier, Mr. Ken MacLeod and Mr. Roland Collette. Its role is to develop strategic policies and the monitoring, thereof, in support of the GMIAA Inc.'s goals and objectives.

Environmental Committee

The Environmental Committee comprises Mr. André Pelletier, Chairman, Mr. Gil Meredith, Mr. Brian Donaghy and Mr. Clifford Lavigne. The mandate of this committee is to establish and monitor all policies associated with environmental issues on the airport lands.

Governance Committee

This committee comprises Mrs. Kim Wilson, Chairperson, Ms. Karen LeBlanc, Mr. Roland Collette, Mr. Clifford Lavigne and Ms. Kathryn-Ann Leger. The Governance Committee annually reviews the Terms of Reference for the Board, committees, the Board Chair, President & CEO and management contractor Vancouver Airport Services (YVRAS). This committee is also responsible for formulating and recommending governance policies as well as evaluation matrices.

The Community Consultative Committee and the Aeronautical Noise Management Committee

The Community Consultative Committee meets to address issues that have the potential of impacting the community. This committee meets in conjunction with the airport's Aeronautical Noise Management Committee. The Aeronautical Noise Management Committee has a representative each from Dieppe, Riverview and Moncton, along with the airport, aircraft operators, NAV CANADA, Transport Canada and the Greater Moncton District Planning Commission. These committees met their scheduled commitments in accordance with the Transport Canada Ground Lease requirements. These committees are currently chaired by Mr. James Morris.

Board Accountability

The GMIAA Inc. Board of Directors is compensated as follows: Chairman $10,000, Secretary-Treasurer $8,000 and all other members $2,500. Also, there was no code of conduct non-compliance issues for the GMIAA Inc. Board of Directors in 2010.

Financial Review

Financial Statements

The Greater Moncton International Airport Authority Inc. (GMIAA) was incorporated as a corporation without share capital on June 22, 1995, under Part II of the Canada Corporations Act. The GMIAA Inc. is exempt from income tax according to the Airport Transfer (Miscellaneous Matters) Act. All earnings are retained and reinvested in airport operations and development.

The GMIAA Inc. is not required to pay any rent to the Government of Canada until the year 2016. In meeting the Ground Lease requirements, no contracts, whether for goods, services or consideration in excess of $75,000 ('97 dollars), adjusted for the Consumer Price Index (CPI), were awarded during 2010 without a public competitive tendering process.

The net earnings for 2010 were $2,181,504 compared to $1,750,168 in 2009. The 25% increase in net earnings is a result of increased commercial passenger flights and increased passenger derived revenue such as parking. All contributions are used to fund operational capital works ranging from mobile equipment to airfield lighting.

The Airport Improvement and Reconstruction (AIR) Fund generated $3,829,583 net of collection expenses in 2010. The purpose of the AIR Fund is to finance the maintenance and development of infrastructure projects such as the reconstruction of runway 11/29, construction of the new air terminal building and other expansionary capital projects. Since 1999, the AIR Fund has raised $32.1 million. These funds were in turn used to pay $12.1 million in interest, principal payments of $12.4 million and purchased $6.7 million in capital assets. The net balance in the AIR Fund for 2010 was $0.9 million and will be used to finance identified infrastructure requirements over the next five years of approximately $26 million.

Grant Thornton LLP
Suite 500
633 rue Main Street, PO Box 1005
Moncton, NB E1C 8P2
T (506) 857-0100 F (506) 857-0105
www.GrantThornton.ca

Independent auditor's report

To the Board of Directors
of Greater Moncton International Airport Authority Inc. / Direction de l'Aéroport international du Grand Moncton Inc.

We have audited the accompanying financial statements of Greater Moncton International Airport Authority Inc. / Direction de l'Aéroport international du Grand Moncton Inc., which comprise the balance sheet as at December 31, 2010, and the statements of earnings and retained earnings, 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 generally accepted accounting principles, 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.

Auditor's 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 auditor's 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 auditor considers internal control relevant to the Corporation'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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of GMIAA Inc. / DAIGM Inc. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Moncton, New Brunswick
March 18, 2011

Chartered Accountants

Statements of Earnings and Retained Earnings

Year Ended December 31	2010	2009
Revenues		
Aircraft (Page xv)	$ 4,546,432	$ 4,083,676
Airport (Page xv)	4,114,909	3,905,018
	8,661,341	7,988,694
AIR Fund revenues, net of expenses (Note 7)	3,829,583	3,506,709
	12,490,924	11,495,403
Expenses		
Salaries and employee benefits (Page xv)	2,578,365	2,419,170
Other operating and administrative expenses (Page xv)	5,090,456	4,824,379
Amortization	1,796,106	1,502,394
Interest on long-term debt	844,493	999,292
	10,309,420	9,745,235
Net earnings	$ 2,181,504	$ 1,750,168
Retained earnings, beginning of year	$ 15,751,746	$ 14,001,578
Net earnings	2,181,504	1,750,168
Retained earnings, end of year	$ 17,933,250	$ 15,751,746

See accompanying notes to the financial statements.

Balance Sheet

December 31	2010	2009
Assets		
Current		
Cash and cash equivalents	$ 1,278,185	$ 1,517,570
Receivables	963,579	767,737
Materials and supplies	117,596	221,266
Prepaid expenses	87,562	81,378
	2,446,922	2,587,951
Restricted cash and investments (Note 3)	1,391,354	4,484,876
Pension surplus (Note 9)	729,250	635,250
Capital assets (Note 4)	28,652,925	25,323,869
	$ 33,220,451	$ 33,031,946
Liabilities		
Current		
Payables - trade	$ 1,335,038	$ 1,148,525
- capital	64,357	220,508
Unearned revenue	8,594	65,836
Refundable deposits	164,632	162,069
Bank financing due within one year (Note 6)	1,962,083	1,962,083
	3,534,704	3,559,021
Severance liabilities (Note 10 (d))	392,198	398,796
Bank term financing (Note 6)	11,360,299	13,322,383
	15,287,201	17,280,200
Retained earnings	17,933,250	15,751,746
	$ 33,220,451	$ 33,031,946

Commitments (Note 10)

On behalf of the Board

Jack Low, Director

George L. Cooper, Director

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended December 31	2010	2009
Increase (decrease) in cash and cash equivalents		
Operations		
Net earnings	$ 2,181,504	$ 1,750,168
Amortization	1,796,106	1,502,394
Gain on disposal	(47,667)	(18,462)
Change in pension surplus	(94,000)	(225,000)
	3,835,943	3,009,100
Change in non-cash operating working capital (Note 8)	26,880	108,505
	3,862,823	3,117,605
Financing		
Repayment of bank financing	(1,962,083)	(2,606,201)
Change in capital payables	(156,152)	125,839
	(2,118,235)	(2,480,362)
Investing		
Proceeds on disposition of assets	47,667	20,313
Purchase of, or additions to		
Motor vehicles	(428,746)	(868,828)
Equipment	(221,442)	(62,156)
Infrastructure	(4,406,031)	(530,502)
Air Terminal Building (ATB)	(87,343)	-
Contributions received	18,400	-
	(5,077,495)	(1,441,173)
Net (decrease) increase in cash and cash equivalents	(3,332,907)	(803,930)
Cash and cash equivalents		
Beginning of year	6,002,446	6,806,376
End of year (Note 8)	$ 2,669,539	$ 6,002,446

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2010

1. Nature of operations

Greater Moncton International Airport Authority Inc. / Direction de l'Aéroport international du Grand Moncton Inc. (GMIAA) was incorporated as a corporation without share capital on June 22, 1995, under Part II of the Canada Corporations Act. GMIAA is exempt from income tax according to the Airport Transfer (Miscellaneous Matters) Act. All earnings of GMIAA are retained and reinvested in airport operations and development.

GMIAA is governed by a Board of Directors whose members are nominated by the Municipality of Moncton, the Municipality of Riverview, the Municipality of Dieppe, the Federal and Provincial Governments, the Greater Moncton Chamber of Commerce, Enterprise Greater Moncton, Moncton District Labour Council and the Board of GMIAA Inc, in accordance with the qualifications set out in the by-laws.

2. Significant accounting policies

GMIAA follows Canadian generally accepted accounting principles in the preparation of its financial statements. The significant accounting policies are as follows:

Revenue recognition

Landing fees, terminal fees and parking revenue are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees. Rental (and licence) revenues are recognized over the lives of respective leases, licences and permits. Airport Improvement Fees (AIF), net of collection expenses, are recognized monthly based on airline ticket sales. Unearned revenues are comprised of excess amounts, over the minimum guarantee provided by the car rental agencies that have been received during the year. The recognition of these excess amounts, as earned revenue, is dependent on a full year's activity measured at June 30 annually for all such agencies.

Cash and cash equivalents

For the purpose of the statement of cash flows, GMIAA considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents. Bank borrowings are considered to be financing activities.

Materials and supplies

Materials and supplies are recorded at the lower of cost and net realizable value and represents items used to maintain the runways and equipment. The cost is determined on a first-in, first-out basis.

2. Significant accounting policies (continued)

Capital assets
Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives based on the following rates:

Airside infrastructure	2.5% - 10%
Equipment	5% - 33%
Groundside infrastructure	2.5% - 10%
Motor vehicles	5% - 25%
New ATB	2.5% - 20%
Old ATB renovations	10% - 20%

Capital assets are recorded net of any grants identified for capital purposes.

Employee future benefits
GMIAA accrues its obligations under employee benefit plans and the related costs, net of plan assets. GMIAA has adopted the following policies:

- The cost of the defined pensions benefits plan earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The asset valuation method for the market values of assets adjusts values to market over a three-year period;
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment; and
- Any excess of the net actuarial gain (loss) in excess of 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

Use of estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, commitments and contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Examples of such estimations and assumptions include the useful lives of capital assets, valuation adjustments and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

Notes to the Financial Statements

December 31, 2010

2. Significant accounting policies (continued)

Capital disclosures

The GMIAA has adopted section 1535 of the Canadian Institute of Chartered Accountants (CICA) accounting standards, "Capital Disclosures", that establishes guidelines for the disclosure of the Corporation's capital and how it is managed. Capital refers to invested money or invested purchasing power; that is, the equity of the Corporation and for the GMIAA this is the retained earnings on the balance sheet.

The enhanced disclosure enables users to evaluate the Corporation's objectives, policies and processes for managing capital. Disclosures required by this standard are included in note 13 to the financial statements.

Financial reporting framework

The CICA is in the process of establishing financial reporting frameworks for specific types of entities to achieve fair presentation of the financial statements. Management of the GMIAA are in the process of concluding on the appropriate financial reporting framework that the GMIAA will follow in future years.

3. Restricted cash and investments

	2010	2009
AIR Fund for capital purposes	**$ 853,541**	$ 3,920,415
Other capital funds (Board restricted)	**522,781**	522,781
Severance trust monies (Note 10 (d))	**15,032**	41,680
	$ 1,391,354	$ 4,484,876

4. Capital assets

	Cost	Discretionary grants and contributions applied	Accumulated Amortization	**2010 Net Book Value**	2009 Net Book Value
Airside infrastructure**	$ 18,874,818	$ (8,287,511)	$ (3,842,808)	**$ 6,744,499**	$ 2,903,944
Equipment	1,483,034	(293,160)	(799,282)	**390,592**	333,073
Groundside infrastructure**	7,671,636	(4,625,448)	(840,560)	**2,205,628**	2,311,130
Motor vehicles	4,562,229	(164,591)	(2,026,445)	**2,371,193**	2,197,678
New ATB**	25,368,924	(3,873,844)	(4,795,603)	**16,699,477**	17,297,097
Old ATB renovations**	1,022,168	(495,356)	(285,276)	**241,536**	280,947
	$ 58,982,809	$ (17,739,910)	$ (12,589,974)	**$ 28,652,925**	$ 25,323,869

***These assets are considered leasehold improvements based on the sixty year ground lease with the Government of Canada.*

Notes to the Financial Statements

December 31, 2010

5. Line of credit

GMIAA has available an operating line of credit of $1 million, bearing interest at prime, and as security GMIAA provides the Leasehold Mortgage of the Ground Lease between GMIAA and Her Majesty the Queen in Right of Canada, represented by the Minister of Transport dated September 1, 1997.

6. Bank term financing

	2010	2009
CIBC term loans including $15.6 million in Bankers Acceptances maturing January 4, 2011 (subsequently renewed). The loans consist of an original $12.1 million with a fixed rate of 6.83% amortized over 15 years beginning January 2003, an original $6.0 million with a fixed rate of 6.65% amortized over 11 years beginning January 2003 and a third loan with an original amount of $863,215 bearing interest at prime amortized over 12 years beginning January 2003. Principal repayments are yearly instalments of $1,795,416 (2010 – 2013), $1,736,131 (2014), $1,666,666 (2015 – 2016) and $1,666,672 (2017), which is being paid from monies collected from the AIR Fund charges.	$ 12,072,382	$ 13,867,799
CIBC term loan, amortized to May 2018, repayable in quarterly instalments of principal of $41,667 plus interest, which is being paid from monies collected from the AIR Fund charges. Interest rate is prime minus 1.25%. As security, the Authority has provided deposits and GIC accounts.	1,250,000	1,416,667
	13,322,382	15,284,466
Amount due within one year	1,962,083	1,962,083
	$ 11,360,299	$ 13,322,383

As security for the CIBC term loans, GMIAA has provided the Leasehold Mortgage of the Ground Lease between GMIAA and Her Majesty the Queen in Right of Canada, represented by the Minister of Transport dated September 1, 1997, a general security agreement over all assets of the GMIAA, not previously provided as security to the Royal Bank.

The principal repayments over the next five years are as follows:

2011	$ 1,962,083
2012	1,962,083
2013	1,962,083
2014	1,902,798
2015	1,833,333

December 31, 2010

7. AIR Fund results

On October 1, 1998, the Authority implemented an Airport Improvement and Reconstruction Fund (AIR Fund) charge. The purpose of the AIR Fund charge is to finance infrastructure projects such as the reconstruction of existing runways, the new terminal building and other expansionary capital projects deemed appropriate by GMIAA.

	2010	2009
Revenues		
Fees collected	$ 4,114,481	$ 3,761,700
Interest	8,083	12,617
	4,122,564	3,774,317
Expenditures		
Handling fees	292,981	267,608
Excess of revenues over expenses	$ 3,829,583	$ 3,506,709

8. Supplemental cash flow information

	2010	2009
Change in non-cash operating working capital		
Receivables	$ (195,842)	$ (180,720)
Materials and supplies	103,670	13,651
Prepaid expenses	(6,184)	13,463
Payables and accruals	186,513	213,654
Unearned revenue	(57,242)	57,913
Refundable deposits	2,563	6,549
Severance trust liability	(6,598)	(16,005)
	$ 26,880	$ 108,505
Interest paid	$ 888,070	$ 903,137
Interest received	$ 15,011	$ 21,109
Cash and cash equivalents consist of:		
Cash and cash equivalents	$ 1,278,185	$ 1,517,570
Restricted cash and investments	1,391,354	4,484,876
	$ 2,669,539	$ 6,002,446

Notes to the Financial Statements

December 31, 2010

9. Pension plan

GMIAA is a participating employer in the Canadian Airports Council Pension Plan, (the "CAC Plan"), a multi-employer pension plan. The CAC Plan provides defined benefits to those employees who transferred their employment from the Government of Canada. The CAC Plan also provides a defined contribution plan to all other employees of GMIAA.

The Government of Canada remains liable for all pension benefits accrued prior to the transfer date of September 1, 1997. The CAC Plan is responsible for providing all pensions accrued since the transfer date.

Information about the CAC defined benefit plan follows:	2010	2009
Accrued benefit obligation	$ (4,376,000)	$ (3,736,000)
Fair market value of plan assets	3,926,250	3,338,250
Funded status – plan deficit	$ (449,750)	$ (397,750)
Plan deficit	$ (449,750)	$ (397,750)
Unrecognized net actuarial loss	1,179,000	1,033,000
Pension surplus recognized	$ 729,250	$ 635,250
Net pension expense	$ 263,000	$ 196,000
Employer contributions	$ 357,000	$ 421,000
Employee contributions	$ 40,000	$ 49,000
Unrecognized net actuarial loss to date	$ 1,179,000	$ 1,033,000
Benefits paid	$ 134,000	$ 97,000

As a result of a January 1, 2010 actuarial valuation, GMIAA is required to make special monthly payments of $17,788. These payments are to fund the solvency deficiency that existed at January 1, 2010. GMIAA's regular contributions have been decreased from 19.5% to 18.1% of applicable salary amounts.

The significant actuarial assumptions adopted in measuring GMIAA's accrued benefit obligations are as follows:

	2010	2009
Expected long-term rate of return on assets	6.50%	6.50%
Discount rate	5.50%	6.25%
Rate of compensation increase	4.00%	4.00%

December 31, 2010

9. Pension plan (continued)

The actuarial present value of accumulated plan benefits for the 2010 fiscal year is based on an extrapolation provided by the actuaries. The last formal actuarial valuation performed was effective January 1, 2010. The actuaries believe the financial results would not differ materially from the extrapolation if a formal valuation was performed as at December 31, 2010. The next valuation report is due from the actuaries effective January 1, 2011.

	Percentage of Plan Assets	
Defined benefit plan assets consists of:	**2010**	2009
Canadian equity securities	**63.70%**	63.60%
Debt securities	**36.30%**	36.40%
Total	**100.00%**	100.00%

10. Commitments

(a) On September 1, 1997, GMIAA signed an agreement with the Government of Canada to transfer control of the Moncton Airport to GMIAA. Effective that date GMIAA signed a Ground Lease agreement with the Government of Canada (the "Landlord"), which provides that GMIAA will lease the airport facilities for an initial term of sixty years. A twenty-year renewal option may be exercised, but at the end of the renewal term, unless otherwise extended, GMIAA is obligated to return control of the Moncton Airport to the Government of Canada.

Safety for the airport is the responsibility of the Government of Canada.

GMIAA is not required to pay rent to the Landlord until the year 2016. Subsequent to 2015, the operating lease for the airport requires that GMIAA calculate rent due to the Landlord utilizing a formula reflecting annual airport revenues.

(b) An environmental site assessment on the Greater Moncton airport property was carried out in August 1995 by the Government of Canada, and the report that was issued is referred to as the Environmental Baseline Study Report. This report was to identify the extent of the hazardous substances that existed as of August 1995 and extended to the September 1, 1997 transfer date. Article 37 of the Head Lease for the airport will govern responsibility for any remedial work, if necessary.

The responsibility for any liability that may arise in the future relating to the existence of a hazardous substance, originating before the transfer on September 1, 1997 to GMIAA, rests with the Government of Canada. GMIAA has responsibility for any environmental liabilities that arise from hazardous substance problems that occur subsequent to the transfer date.

(c) GMIAA has entered into an agreement with Greater Moncton Airport Services Ltd. (GMAS) to provide management and support services to GMIAA. The agreement is for a period of twenty-three years commencing September 1, 2001. Minimum management and support services charges payable for each of the next twenty-three years is based on GMAS' management salaries and benefits plus a minimum incentive of $100,000. In 2010, this base amounted to $700,000. In addition to the minimum amounts payable indicated above, GMIAA may incur additional charges based on a formula provided in the management agreement.

(d) Severance liabilities

(i) Severance trust liability
In 1998, GMIAA received $245,892 from the Government of Canada representing the present value of all future severance benefits accrued for the benefit of the employees, in respect of all years of service, up to the transfer date of September 1, 1997. The valuation amount was arrived at by the Office of the Superintendent of Financial Institutions Canada by using the methodology recommended by the Canadian Institute of Actuaries for the computation of transfer values from registered pension plans. Interest has been applied annually, bringing the total of these monies, which are held in trust, to $15,032 at December 31, 2010, net of amounts paid out.

(ii) Ongoing severance accrual
In addition, since the transfer from Transport Canada, GMIAA continues to accrue severance as earned. At December 31, 2010, this component totalled $377,166.

(e) GMIAA has a capital budget of approximately $14,165,600 of operational capital program expenditures for equipment and infrastructure in 2011.

11. Financial instruments

GMIAA's financial instruments consist of cash and cash equivalents, receivables, restricted cash and investments, payables and bank term financing. The fair value of cash and cash equivalents, receivables and payables approximates carrying value due to the short-term nature of these financial instruments. The carrying value of the bank term financing approximates fair value, as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items. The carrying value of the restricted cash and investments approximates their fair value, as the terms and conditions of the investments are comparable to current market terms and conditions for similar items.

12. Financial instrument risk management

Credit risk: Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. GMIAA's financial instruments that are exposed to credit risk include accounts receivable. GMIAA mitigates credit risk associated with its trade receivables through establishing credit approval policies and a regular monitoring process. GMIAA generally considers the credit quality of its financial assets that are neither past due or impaired to be solid. Credit risk is mitigated due to the small number of customers. Allowance for doubtful accounts is reviewed on a quarterly basis. GMIAA updates its estimates of allowances for doubtful accounts based on customer history.

Interest rate risk: Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject GMIAA to interest rate risk include financial liabilities with floating interest rates. GMIAA currently has a million dollar line of credit available and a term loan of $1.25 million, which are exposed to interest rate risk due to floating rates.

Foreign exchange risk: GMIAA does not have exposure to foreign currency exchange risk.

Liquidity risk: Liquidity risk is the risk that GMIAA may not have cash available to satisfy financial liabilities as they come due. GMIAA actively maintains a credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

13. Capital management

The capital structure of the GMIAA consists of the net assets referred to as the retained earnings on the balance sheet. The primary objectives of GMIAA's capital management are to reinvest in the infrastructure of the airport and to ensure efficient delivery of service to its users.

The net assets balance or retained earnings is comprised of two components: one, that are not available for other purposes because they have been invested in capital assets employed by the GMIAA; and, two, that are available for future operations and are preserved so the GMIAA can have financial flexibility should opportunities arise in the future.

In order to maintain or adjust the capital structure, GMIAA may assume additional debt. It monitors capital on the basis of its debt to equity as a guide.

GMIAA's current lending requirements are subject to a minimum debt service ratio of 1 to 1. For the year ended December 2010, GMIAA has complied with all externally imposed capital restrictions.

14. Subsequent event

Subsequent to year end, on February 21, 2011, the federal and provincial governments jointly announced capital contributions of $4 million each towards a 4,000 foot extension of runway 06/24, which is subject to due diligence. The total project cost is estimated at $24 million. Upon completion of this due diligence and obtaining sufficient debt financing, the Board will be in a position to make a decision on this project.

Schedule of Revenues and Expenses

Year Ended December 31	2010	2009
Revenues		
Aircraft		
Landing fees	$ 3,237,498	$ 2,930,161
Terminal fees	1,308,934	1,153,515
	$ 4,546,432	$ 4,083,676
Airport		
Concessions	$ 1,581,624	$ 1,564,199
Interest	6,928	8,493
Parking	1,422,540	1,287,267
Rent	485,559	454,047
Recovery of property taxes from tenants	303,098	298,143
Recovery of expenses from tenants	160,369	173,807
Miscellaneous	154,791	119,062
	$ 4,114,909	$ 3,905,018
Expenses		
Salaries and employee benefits		
Salaries and wages	$ 2,073,642	$ 1,974,160
Employee benefits	504,723	445,010
	$ 2,578,365	$ 2,419,170
Other operating and administrative expenses		
Advertising and marketing	$ 313,099	$ 169,250
Bad debt expense (recovery)	962	(4,233)
Board administration expenses	143,221	143,122
Communications – telephone/cellular	72,385	60,454
Contract and special services	155,800	119,831
Electricity	513,170	496,920
Freight	4,499	5,162
Fuel	258,948	251,310
Insurance	158,489	164,230
Interest and bank charges	78,730	64,482
Janitorial services	311,289	321,996
Management and support services	835,870	795,089
Materials and supplies	272,198	279,599
Miscellaneous	59,777	53,778
Office supplies	16,341	18,723
Professional and consulting services	50,077	48,704
Property taxes	839,736	823,486
Repairs and maintenance	290,678	337,190
Security services	522,815	576,450
Travel	108,453	62,233
Water and sewer	83,919	36,603
	$ 5,090,456	$ 4,824,379