GREATER MONCTON INTERNATIONAL AIRPORT
AÉROPORT INTERNATIONAL DU GRAND MONCTON

2012 ANNUAL REPORT

VISION

To be the airport of choice in Atlantic Canada.

MISSION

The pursuit of excellence in growing and operating a safe, clean, efficient, friendly and profitable airport with a distinctive (local) 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.

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CHAIR'S MESSAGE

2012 proved to be, once again, both a challenging and exciting year for the Greater Moncton International Airport (GMIA) and its Board of Directors. Whether it was ongoing development projects such as the extension of runway 06/24 to 10,000 feet; the pursuit of additional patrons and air cargo service; or updating policy and/or by-laws, the Greater Moncton International Airport Authority (GMIAA) Board and its management team were kept very busy throughout the year. And the positive results linked to the final passenger and cargo numbers, with the former category breaking a new record, bear witness to this. Equally important were the financial results achieved. Once again, the GMIA's 2012 earnings were very positive with an EBITDA of $6.3M.

All Board Committees (Executive, Audit, Environmental, Governance and Strategic Planning) worked extremely hard during the year to ensure proper oversight of the airport operation, while providing guidance to management on policy issues.

As part of the Committee work, the Board reviewed its by-laws in 2012 to more accurately reflect today's reality in terms of the individual skill sets required from time to time. In accordance with the Ground Lease, these amendments were forwarded to the Minister of Transport and approval was received on December 13, 2012.

The Board also held a Strategic Planning session on June 7, 2012. This was a three-year rolling review and update of the major strategic objectives which were established at the 2009 session. There was a consolidation of objectives, which resulted in four main categories, as well as an update of the SWOTCH analysis; but in the main, all goals established at the 2009 meeting remain valid. The Strategic Planning Committee is to be congratulated for their work in organizing this strategic session.

The Board said farewell to two Board members in July of 2012: Mr. George Cooper, the GMIAA's immediate Past Chairman, and Ms. Kathy-Ann Leger, the Board's labour representative. George performed loyal service during his four-year tenure as Chairman, and we offer our heartfelt thanks to both individuals for their dedicated service to the airport and the regional community that it serves. Replacing these individuals were Ms. Diane Cormier and Mr. Shane Esson; both of whom bring a wealth of skills that will undoubtedly prove extremely beneficial as we move forward with our vision to become the airport of choice in Atlantic Canada.

"2012 proved to be, once again, both a challenging and exciting year"

In closing, there were many organizations, both from a political and a business perspective, as well as individuals from within and outside of the airport organization, that contributed to our success this past year. To all within the communities that this airport serves, on behalf of the entire Board of Directors, I offer a very sincere "Thank You" for your unfailing support and loyalty to the GMIA.

Kim S. Wilson

Kim Wilson
Chair

Ms. Kim Wilson,
Chair of the GMIAA
Board of Directors

PRESIDENT & CEO'S MESSAGE

Another year has come and gone, and once again the GMIA has experienced a very satisfying 12 months, despite a number of challenges, both economical and man-made. Despite a world economy that continued to struggle on many fronts during 2012 and unexpected environmental (archeological) issues linked to our runway extension project, just to name two, the airport managed to exceed the 615K customer mark, while air cargo remained the same as the year prior. In the case of the former achievement, this represents a new record!

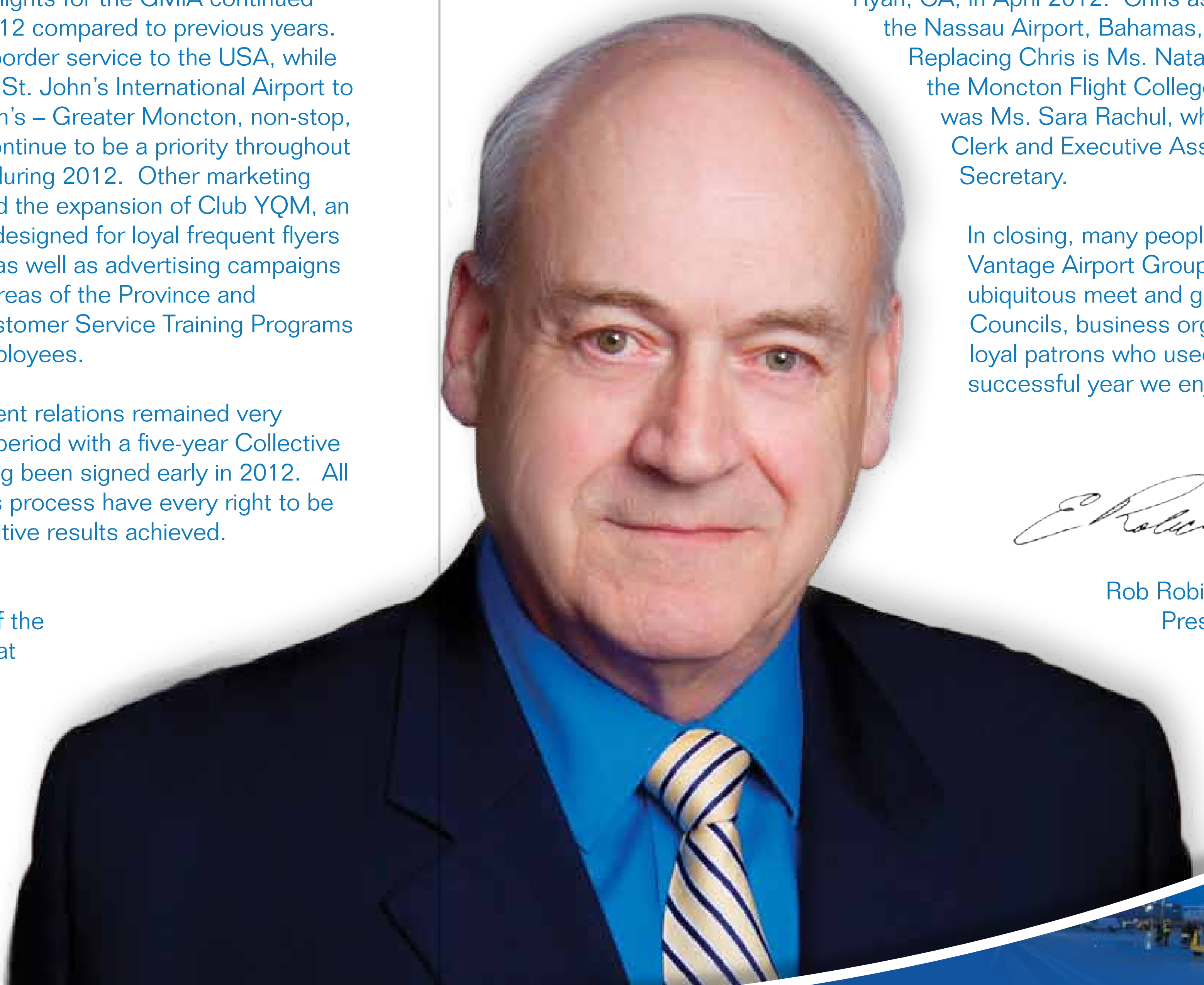
A major undertaking in 2012 was the commencement of the runway extension project for runway 06/24. When complete, this 10,000 foot runway will be an integral part of the airport's plans to develop this region into the Transhipment Gateway for goods flowing between the NE USA, Eastern Canada and Central Europe. The estimated completion date is Fall 2013. We were also pleased to welcome UPS' air hub operation to the GMIA in 2012. With UPS, Purolator and FedEx each claiming the GMIA as their regional hub, it is now irrefutable that the GMIA is truly Atlantic Canada's busiest air cargo airport.

2012 revenues grew to $15.4M from the year prior, while expenses rose only slightly to $13M. Total capital expenditures were $15M most of which comprised $12.7M for the runway extension. The Airport Improvement Fund, which collected $5.5M in 2012, covered the latter. Also, these monies were used to continue "paying down" the debt associated with the Air Terminal Building. From a purely operational perspective, the largest capital purchase was a high speed blower/plow combination vehicle valued at $1M.

Sun destination flights for the GMIA continued to increase in 2012 compared to previous years. Increasing transborder service to the USA, while working with the St. John's International Airport to secure a St. John's – Greater Moncton, non-stop, direct link, will continue to be a priority throughout 2013, as it was during 2012. Other marketing activities included the expansion of Club YQM, an affinity program designed for loyal frequent flyers from the GMIA, as well as advertising campaigns targeting other areas of the Province and SuperHost® Customer Service Training Programs for all airport employees.

Union-management relations remained very good during the period with a five-year Collective Agreement having been signed early in 2012. All involved with this process have every right to be proud of the positive results achieved.

Ever cognizant of the important role that our regional citizenry plays in our ongoing success,



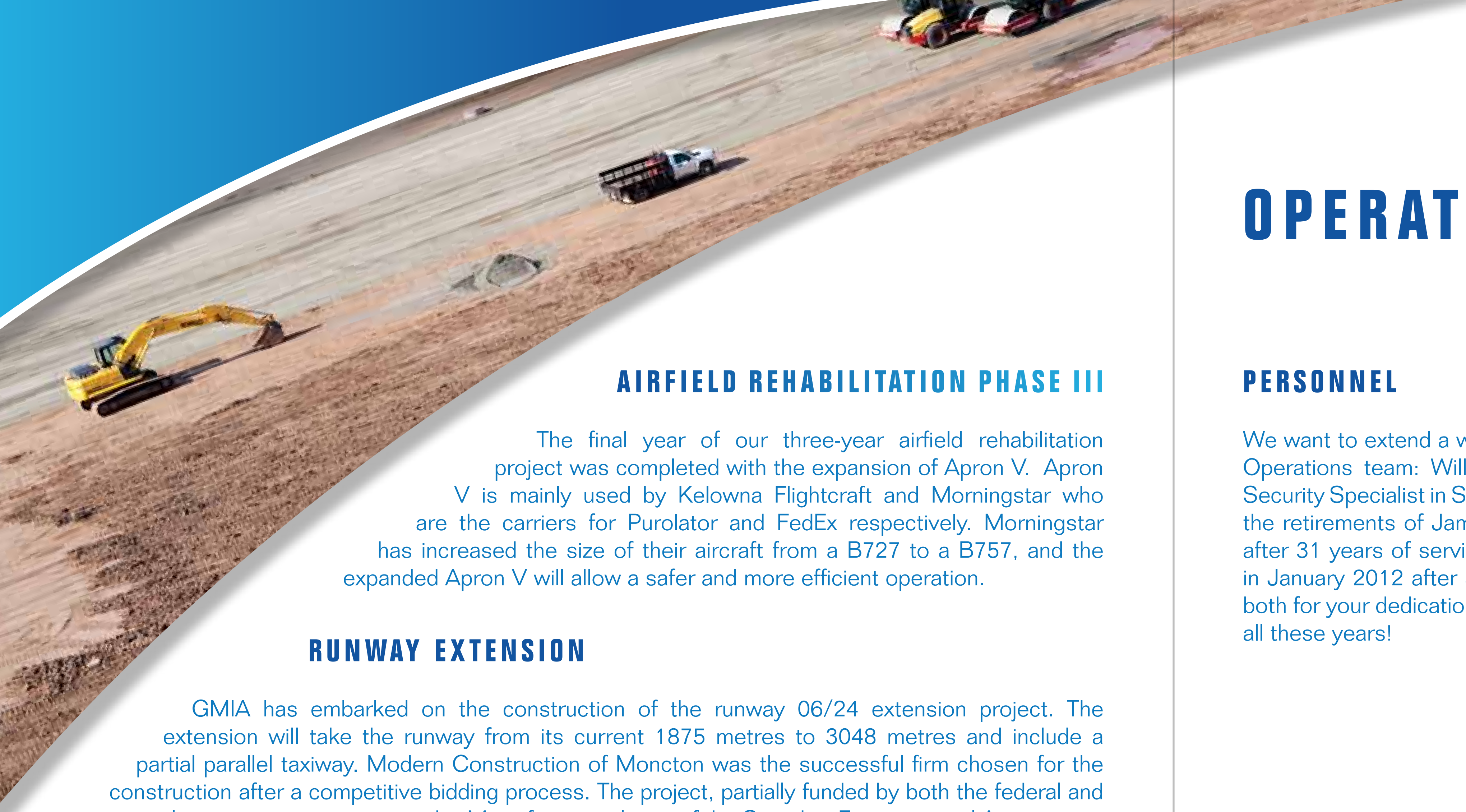
"The GMIA has experienced a very satisfying 12 months"

community involvement was prominent in GMIA's thinking throughout 2012. Events/causes such as the annual Frye Festival, Skate Canada and the United Way, as well as other several other worthwhile causes, were supported, financially and otherwise, in 2012. Indeed, the GMIA contributed nearly $15K as part of "giving back" to the community.

Finally, we bid farewell to our Director of Finance/Administration, Mr. Chris Ryan, CA, in April 2012. Chris assumed the VP Finance position at the Nassau Airport, Bahamas, another Vantage managed airport. Replacing Chris is Ms. Natasha Ostaff, CA, who came to us from the Moncton Flight College in June 2012. Also joining the team was Ms. Sara Rachul, who assumed the duties of Accounting Clerk and Executive Assistant to the CEO, as well as Board Secretary.

In closing, many people, including the Board of Directors, Vantage Airport Group, the airport management and staff, our ubiquitous meet and greet volunteers, tenants, community Councils, business organizations and most importantly, the loyal patrons who used our facility can take credit for the very successful year we enjoyed. Thank you all!

Rob Robichaud,
President & CEO



OPERATIONS REPORT 2012

AIRFIELD REHABILITATION PHASE III

The final year of our three-year airfield rehabilitation project was completed with the expansion of Apron V. Apron V is mainly used by Kelowna Flightcraft and Morningstar who are the carriers for Purolator and FedEx respectively. Morningstar has increased the size of their aircraft from a B727 to a B757, and the expanded Apron V will allow a safer and more efficient operation.

RUNWAY EXTENSION

GMIA has embarked on the construction of the runway 06/24 extension project. The extension will take the runway from its current 1875 metres to 3048 metres and include a partial parallel taxiway. Modern Construction of Moncton was the successful firm chosen for the construction after a competitive bidding process. The project, partially funded by both the federal and provincial governments, was started in May after completion of the Canadian Environmental Assessment Act screening process.

As the construction of the extension involved a loss of wetland, Ducks Unlimited of Canada was engaged to identify, restore and monitor new wetlands based on the federal requirement of 2:1 compensation. As a result, approximately 17 hectares of new wetland is being restored through Ducks Unlimited.

Construction continued well into the Fall and work has consisted of grading, removing unsuitable fill material, installation of a culvert to accommodate Crooks Brook and completion of taxiway 'F' from apron VIII to the threshold of the current runway 06/24. The target date for completion of this project is Fall 2013.

OPERATIONAL EFFICIENCY

In October the Greater Moncton International Airport received its first Boschung 'JetBroom'. This high speed snow removal plow and sweeper combination improves efficiency in winter snow and ice removal from airside surfaces. This powerful machine will enable the airfield team to effectively keep the airside surfaces safe during our challenging winter seasons.

PERSONNEL

We want to extend a welcome to the newest member of the Airport Operations team: Will Sutherland joined us as the Safety and Security Specialist in September. We also want to acknowledge the retirements of James Fahey, who retired this past July after 31 years of service, and Jim Paterson, who retired in January 2012 after 36 years of service. Thank you both for your dedication, loyalty and hard work over all these years!

MARKETING & BUSINESS DEVELOPMENT REVIEW

THE YEAR IN NUMBERS

The year 2012 ended in a healthy 6% increase, resulting in a new record for a total of 615,085 customers at the Greater Moncton International Airport (GMIA) in comparison to 579,329 in 2011. On the cargo front, the numbers remained steady. Volumes finished at 22,832 metric tonnes in comparison to 22,760 metric tonnes in 2011.

PASSENGER AIR SERVICE DEVELOPMENT

This growth in air travel is attributed to a great 2012 southern destination season, but mostly to all our airline partners, such as Air Canada Express who offer the most frequency to major Canadian centres, along with Porter, WestJet and United who are the backbone to the services provided from the Greater Moncton area.

For 2013, Sunwing Vacations has added Varadero, Cuba, to their list of destinations and Transat Holidays has introduced the Mayan Riviera in Mexico as a new hot spot.

There was a considerable increase in chartered flights, as the number of flights per week doubled, from Flair Air and Canadian North for oil workers flying mainly to Alberta. This business is also creating more revenue opportunities for parking.

CARGO DEVELOPMENT

GMIA, as the Air Cargo Logistics Centre of Excellence for Atlantic Canada, had the first trans-Atlantic cargo flight that took place in April with Cargojet in partnership with Cologne-Bonn Airport. This represents an economic partnership that will enhance economic cooperation between the two airports and the regions they serve through the development of markets that are mutually beneficial for the airport businesses.

Although the Cargojet operation lasted only two months, many lessons were learned that will serve the GMIA well in future endeavors. Another objective is to build on a relationship of cooperation between the two airports to create opportunities together in an open and cooperative manner to increase economic prosperity; and to develop joint projects and events to foster the development of international cargo links/business.

UPS SORTING FACILITY ON AIRPORT GROUNDS

GMIA is pleased to announce the blossoming partnership between United Parcel Services (UPS) and SkyLink Express.

UPS began pickup and delivery services for its customers in Greater Moncton in April. Further to bringing the iconic brown trucks and uniforms worn by UPS drivers, the organization is bringing its reputation for reliability and global network to the people and businesses in Greater Moncton.

THE 2012 AIR CARGO LOGISTICS SYMPOSIUM

The 2012 Air Cargo Logistics Symposium, hosted by the Greater Moncton International Airport, took place in September. The event was held at the Delta Beauséjour in Moncton. Keynote addresses were made by Michael Campbell, Transport Canada; Gair Maxwell, author; Cristina Falcone, UPS Canada; and Greg Lindsay, author of "Aerotropolis".

The extensive forces of globalization have radically transformed world trade by opening up economies and fuelling consumer demand on an unparalleled scale. Advancements have led to investment in, and development of, all sorts of infrastructure to support the explosion in global trade. In turn, better infrastructure and support services have become a catalyst for ever-increasing demand for goods to be delivered faster and at a lower cost between trading partners.

The 2012 Air Cargo Logistics Symposium explored the latest trends in the air cargo logistics industry via prominent speakers and provided networking opportunities for all who attended.

AWARDS FOR THE GMIA

The Greater Moncton International Airport was chosen to receive a Tourism Industry Association of New Brunswick (TIANB) Business Recognition Award for the 2012 season for its initiative with the SuperHost® training program. The business recognition program is designed to recognize organizations that have made training an integral part of their business plan. Investing in staff training and professional development is crucial, and we were proud to be recognized for our commitment to a higher level of service.

The 2012 recognition awards were celebrated in May, at the Pioneer Awards Gala as part of the 2012 TIANB Annual Conference at the Delta Brunswick Hotel in Saint John.

In May 2012, the GMIA was also awarded the Transportation Club of Moncton 2012 Award of Achievement. This honour was presented to Jacques Fournier for his cargo development efforts over the past year.

CLUB YQM

Our airport affinity program had a very successful first year as a pilot project, and we expanded the club membership to 70 this year. Here is a testimonial from one of the founding members:

"I love Club YQM. It focuses on people like me who fly a lot for business and pleasure. I really appreciate the parking upgrades and the opportunity to provide feedback to GMIA. I also like being an ambassador for the community and wearing my pin! Just last week, I was telling a client in Calgary about our great airport."

– Carol Chapman, President and CEO, C2 Communications, and Founding Member, Club YQM.

NEXUS NOW AVAILABLE AT GMIA

Good news for NEXUS cardholders! Although we don't offer pre-screening for transborder flights, it is now possible to receive priority screening with your NEXUS card at the GMIA. For more information, visit http://www.cbsa asfc.gc.ca/prog/nexus/menu-eng.html.

DUNNE GROUP CONSULTING

Last Fall, the airport authority switched advertising management companies from Clear Channel Airports to the Dunne Group, based out of Charlottetown, PEI. The main change noticeable up to now in the terminal is the addition of digital advertising.

MARKETING CAMPAIGNS

Here are some of our main campaigns:

- PEI radio contest
- CTV Contest
- Cinema advertisement
- Saltscapes Magazine
- Southern destination promotion in the terminal building
- Addition of two iPads for surveys and customer comment feedback in the terminal

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 165 employees have been trained. In 2012, a total of 27 employees from all partner companies attained certification. GMIA's goal is to become a recognized SuperHost® organization, providing world-class service to all visitors.

COMMUNITY RELATIONS

The total value of the contribution for these events is over $15,000.

As for a total of donations and volunteering events that the GMIA employees took part in, during 2012, here are the events or associations:

- Frye Festival
- Tree of Hope
- New Brunswick Police Association
- Literacy Coalition of NB
- AIDS Moncton
- Juvenile Diabetes
- United Way
- Heart and Stroke Foundation
- Canadian Cancer Society
- International Day for the elimination of poverty, which is a cause of the NB Common Front for Social Justice Inc.
- Dieppe Military Veterans' Association
- Alzheimer Society
- Hope Air
- Make a Wish
- Children's Wish Foundation
- Rotary Club International
- Transportation Discovery Centre
- Royal Canadian Legion
- NB Association of Fire Chiefs
- Moncton Museum
- Sue Stultz Turkey Drive

RETAILING

The main changes in the terminal are the change of names of HomeLife Hayes Realty to Royal LePage Atlantic.

On the car rental side, National is owned by Enterprise Holdings, which also owns Enterprise Rent A Car among others. This means passengers can now rent from both companies.

LOOKING AHEAD TO 2013

Priority targets include regular cargo service to Europe and Asia, as well as the development of a cargo village.

On the passenger side, a link to Newfoundland, additional transborder service, additional sun destinations or more frequency on existing routes and additional frequency on established routes are the main focus.

BOARD COMMITTEES

Throughout the year, six standing committees meet regularly. These include an Executive Committee, Audit Committee, Strategic Planning Committee, Environmental Committee, Governance Committee, as well as the Community Consultative Committee. Ad hoc committees are formed when required.

The Greater Moncton International Airport Authority Inc. (GMIAA) 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 is put in place that holds 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 Chair, Ms. Kim Wilson, Mr. André Pelletier, Mr. Jack Low, Mr. Chris Bacich, Mr. Roland Collette 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.

THE GMIA MANAGEMENT TEAM

Rob Robichaud	President & CEO (GMIAA Inc.) Managing Director (GMIA)
Natasha Ostaff, CA	Director of Finance and Administration
Johanne Gallant	Director of Airport Commercial Development
Chris Farmer	Director of Operations

AUDIT COMMITTEE

Members of the Audit Committee include Mr. Jack Low, Chair, Mr. Robert Price, Mr. Maurice Richard, Mr. Christopher Bacich and Ms. Diane Cormier. This committee's primary responsibilities include, among others: identifying and monitoring the management of the principal risks that could impact financial reporting, monitoring the integrity of the financial reporting process and systems of controls and monitoring the independence and performance of the external auditors.

The GMIA Management Team
Johanne, Rob, Natasha, and Chris

STRATEGIC PLANNING COMMITTEE

This committee's membership includes Mr. Roland Collette, Chair, Mr. André Pelletier, Mr. Chris Bacich, Mr. Robert Price and Mr. Brian Baxter. 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. Clifford Lavigne, Chair, Mr. Gil Meredith, Mr. Brian Donaghy and Mr. Brian Baxter. 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 Ms. Karen LeBlanc, Chair, Mr. Brian Donaghy, Mr. Clifford Lavigne, Mr. Gil Meredith and Mr. Shane Esson. The Governance Committee annually reviews the Terms of Reference for the Board, committees, the Board Chair, President & CEO and management contractor (Vantage Airport Group, formerly known as 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 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: Chair $10,000, Secretary-Treasurer $8,000 and all other members $2,500. Also, there were no code of conduct non-compliance issues for the GMIAA Inc. Board of Directors in 2012.

GMIAA INC.
BOARD OF DIRECTORS

Ms. Kim Wilson
Title: Chair
Occupation: Senior Manager, Corporate Planning & Social Responsibility *Atlantic Lottery*
Nominator: Greater Moncton International Airport Authority Inc.

Mr. André Pelletier
Title: Vice-Chair
Occupation: Director, Real Estate Subsidiaries & Mortgage Loans, *Assumption Life*
Nominator: Greater Moncton Chamber of Commerce

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

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

Ms. Karen L. LeBlanc, BA, LLB
Title: Governance Committee Chair,
Occupation: Lawyer
Nominator: Government of Canada

Mr. Robert Price
Title: Director
Occupation: President *Integrity Home Health Services*
Nominator: Province of New Brunswick

Mr. Brian Baxter
Title: Director
Occupation: Real estate/Education
Nominator: Government of Canada

Ms. Diane Cormier
Title: Director
Occupation: *National Bank Financial*
Nominator: Greater Moncton International Airport Authority Inc.

Mr. Roland Collette
Title: Strategic Planning Committee Chair
Occupation: President and Owner, *Proactif Sports Inc.*
Nominator: City of Dieppe

Mr. Clifford Lavigne, BED
Title: Environment Committee Chair
Occupation: Retired
Nominator: City of Moncton

Mr. Maurice Richard, CA
Title: Director
Occupation: Self-employed
Nominator: City of Dieppe

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

Mr. Shane Esson
Title: Director
Occupation: *Midland Transport Limited*
Nominator: Greater Moncton International Airport Authority Inc.

Updated:
December 20, 2012

DIRECTORS' REMUNERATION AND EXPENSES

(In thousands of dollars, unless otherwise noted)

Directors' compensation	**$**
Annual retainer	
Chair	10
Vice-Chair	2.5
Secretary-Treasurer	8
Directors	2.5

Meeting fees

Board and Board Committee meeting fees are $300 dollars per meeting attended.

Total compensation to each Director in 2012 was:

Compensation	**$**
Chris Bacich	8
Brian Baxter	7
Roland Collette	7
George Cooper	4
Diane Cormier	4
Brian Donaghy	7
Clifford Lavigne	8
Karen LeBlanc	6
Kathy-Ann Leger	4
Jack Low	13
Gil Meredith	7
André Pelletier	7
Bob Price	7
Maurice Richard	8
Kim Wilson	14
Shane Esson	No remun. for 2012

Changes to GMIAA's Board of Directors were as follows:

Terms Completed	
July 2012	George Cooper
July 2012	Kathy-Ann Leger
New Board Members	
July 2012	Diane Cormier
December 2012	Shane Esson

STRATEGIC INITIATIVES

FOR THE PERIOD 2013 – 2017, 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 700,000 and 40,000 tonnes respectively;
- The completion of runway 06/24 extension;
- To establish an air cargo precinct, inclusive of cargo-related infrastructure, as part of developing the region into the 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 Airports Council (CAC) and others, to encourage the federal government to eliminate airport rent for small airports.

2012 ACTUAL VS. BUSINESS PLAN *(shown in millions of dollars)*

	Actual	Plan	Difference	Explanation
Revenue	15.4	15.1	0.3	Increase in non-aeronautical revenues such as car parking and rentals
Expenses	12.7	12.6	(0.1)	Cargo development costs
Capital expenditures	11.3	17.2	5.9	Timing of runway extension costs

BUSINESS PLAN FORECAST 2013 – 2017

	2013	2014	2015	2016	2017
Revenue	15.8	16.0	16.4	17.0	17.7
Expenses	13.7	13.4	13.6	15.7	15.4
Capital expenditures	14.7	14.8	10.0	2.3	7.1

FINANCIAL REVIEW

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 to the Consumer Price Index (CPI), were awarded during 2012.

The excess of revenue over expenses for 2012 was $3,136,290 compared to $2,443,683 in 2011. The increase in net earnings is a result of increased commercial passenger flights and increased passenger-derived revenue such as parking. Operating expenses increased in 2012 due to cargo development costs, as well as increases in outside contractor fees. All contributions are used to fund operational capital works ranging from mobile equipment to airfield lighting.

The Airport Improvement and Reconstruction (AIR) Fund generated $5,464,672 net of collection expenses in 2012. The purpose of the AIR Fund is to finance the maintenance and development of expansionary infrastructure projects such as the lengthening of runway 06/24, reconstruction of runway 11/29, construction of the new air terminal building and to service the client. Since 1999, the AIR Fund has raised $42.4 million. These funds were in turn used to pay $14.1 million in interest, principal payments of $17.1 million and purchased $7.3 million in capital assets. The net balance in the AIR Fund for 2012 was $3.9 million and will be used to finance identified infrastructure requirements over the next five years of approximately $38 million.

A NEW COLLECTIVE AGREEMENT RATIFIED

The Greater Moncton International Airport Authority (GMIAA) and the Public Service Alliance of Canada (PSAC) reached a five-year Collective Agreement.

The settlement follows several months of negotiations. The Union of Canadian Transportation Employees (UCTE) local 60605 voted 100% in favor of ratifying the agreement on February 15th.

FINANCIAL STATEMENTS

Greater Moncton International Airport Authority Inc. /
Direction de l'Aéroport international du Grand Moncton Inc.

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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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 statement of financial position as at December 31, 2012, December 31, 2011, and January 1, 2011, and the statements of operations and changes in net assets and cash flows for the years ended December 31, 2012, and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Greater Moncton International Airport Authority Inc. / Direction de l'Aéroport international du Grand Moncton Inc. as at December 31, 2012, December 31, 2011, and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012, and December 31, 2011, in accordance with Canadian accounting standards for not-for-profit organizations.

COMPARATIVE INFORMATION

Without modifying our opinion, we draw attention to Note 3 to the statement of financial position to the financial statements which describes the GMIAA's adoption of Canadian accounting standards for not-for-profit organizations on January 1, 2012, with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2011, and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2011, and related disclosure.

Moncton, New Brunswick

March 22, 2013

Grant Thornton LLP
Chartered Accountants

Statements of Operations and Changes in Net Assets

Year Ended December 31	2012	2011
Revenues		
Aircraft (Page 17)	$ 5,702,914	$ 4,989,715
Airport (Page 17)	4,196,600	4,066,078
	9,899,514	9,055,793
AIR Fund revenues, net of expenses (Note 10)	5,464,672	4,794,904
	15,364,186	13,850,697
Expenses		
Salaries and employee benefits (Page 17)	2,592,849	2,756,596
Other operating and administrative expenses (Page 17)	6,487,809	5,689,529
Amortization	2,539,602	2,093,946
Interest on bank financing	1,052,886	924,360
	12,673,146	11,464,431
Excess of revenues over expenses before other income	2,691,040	2,386,266
Other income		
Change in fair value of financial instruments (Note 9)	445,250	57,417
Excess of revenues over expenses	$ 3,136,290	$ 2,443,683
Net assets, beginning of year	$ 18,969,836	$ 16,526,153
Excess of revenues over expenses	3,136,290	2,443,683
Net assets, end of year	$ 22,106,126	$ 18,969,836

See accompanying notes to the financial statements.

Statement of Financial Position

December 31	2012	2011	January 1, 2011
Assets			
Current			
Cash and cash equivalents	$ 948,402	$ 2,376,906	$ 1,278,185
Receivables	2,621,989	1,243,449	963,579
Materials and supplies	97,355	113,276	117,596
Prepaid expenses	111,160	83,674	87,562
	3,778,906	3,817,305	2,446,922
Restricted cash (Note 4)	15,402,193	12,272,709	1,391,354
Pension surplus (Note 12)	1,220,250	872,250	729,250
Capital assets (Note 5)	44,361,792	35,682,260	28,652,925
	$ 64,763,141	$ 52,644,524	$ 33,220,451
Liabilities			
Current			
Payables (Note 7)			
- trade	$ 1,200,392	$ 1,388,848	$ 1,335,038
- capital	2,464,357	1,008,604	64,357
Unearned revenue	8,934	9,202	8,594
Refundable deposits	165,232	165,232	164,632
Bank financing due within one year (Note 8)	3,043,405	2,630,905	1,962,083
	6,882,320	5,202,791	3,534,704
Severance liabilities (Note 13 (d))	381,186	377,168	392,198
Bank financing (Note 8)	34,489,079	26,745,049	11,360,299
Financial instruments liability (Note 9)	904,430	1,349,680	1,407,097
	42,657,015	33,674,688	16,694,298
Net assets	22,106,126	18,969,836	16,526,153
	$ 64,763,141	$ 52,644,524	$ 33,220,451

Commitments (Note 13)

On behalf of the Board

Kim S. Wilson Director André Pelletier Director

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended December 31	2012	2011
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses	**$ 3,136,290**	$ 2,443,683
Amortization	**2,539,602**	2,093,946
Loss (gain) on disposal	**37,576**	(16,117)
Change in pension surplus	**(348,000)**	(143,000)
Change in fair value of financial instruments	**(445,250)**	(57,417)
	4,920,218	4,321,095
Change in non-cash operating working capital (Note 11)	**(1,574,811)**	(231,674)
	3,345,407	4,089,421
Financing		
Repayment of bank financing	**(2,843,470)**	(1,946,428)
Issuance of bank financing	**11,000,000**	18,000,000
Change in capital payables	**1,455,753**	944,247
Change in restricted cash, net	**(3,129,484)**	(10,881,355)
	6,482,799	6,116,464
Investing		
Proceeds on disposition of assets	**18,933**	20,388
Purchase of, or additions to		
Motor vehicles	**(1,038,260)**	(200,210)
Equipment	**(123,829)**	(76,288)
Infrastructure	**(13,758,672)**	(8,623,220)
ATB	**(267,992)**	(246,177)
Contributions received	**3,913,110**	18,343
	(11,256,710)	(9,107,164)
Net (decrease) increase in cash and cash equivalents	**(1,428,504)**	1,098,721
Cash and cash equivalents		
Beginning of year	**2,376,906**	1,278,185
End of year	**$ 948,402**	$ 2,376,906

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2012

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, the Enterprise Greater Moncton and the Board of GMIAA, in accordance with the qualifications set out in the by-laws.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Part III, Canadian accounting standards for not-for-profit organizations (ASNPO). The following are the accounting policies selected by GMIAA and applied to these financial statements.

Fund accounting

GMIAA follows the restricted fund method of accounting for revenues and expenses. All of the operations are accounted in the general fund.

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 30th 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 and restricted cash 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.

December 31, 2012

2. SUMMARY OF 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	5% - 10%
Equipment	10% - 33%
Groundside infrastructure	2.5% - 10%
Motor vehicles	5% - 20%
New ATB	2.5% - 33.33%
Old ATB renovations	10% - 33.33%

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 benefit pension 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 expected lifetime of former plan members 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 expected lifetime of former plan members.

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.

December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

GMIAA's interest rate risk exposure arises from fluctuations in interest rates. GMIAA uses derivative instruments, such as interest rate swaps, to reduce its exposure to interest risk relating to its bank financing with variable interest rates. The agreements have the effect of converting the floating rate of interest to a fixed rate. For the derivative entered after the transition date of January 1, 2011, GMIAA has designated each interest rate swap as a cash flow hedge adopting hedge accounting to record the interest rate swaps in accordance with ASNPO, and, as such, GMIAA is not required to record the fair value of the interest rate swap derivative. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based and are recorded as an adjustment of interest expense on the hedge debt instrument. The related amount payable to or receivable from counter parties is included as an adjustment to accrued interest. Derivative financial instruments entered prior to transition date of January 1, 2011 are recorded on the statement of financial position at fair value. Changes in the fair values of derivative financial instruments are recognized in the statement of operations.

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

These financial statements are the first financial statements for which GMIAA has applied the Canadian generally accepted accounting principles for not-for-profit organizations (ASNPO). The financial statements for the year ended December 31, 2012, were prepared in accordance with ASNPO. Comparative period information presented for the year ended December 31, 2011, was prepared in accordance with ASNPO and the provisions set out in Section 1500 First time adoption.

The date of transition to ASNPO is January 1, 2011. The significant accounting policies that have been applied in the preparation of these statements are found in Note 2. The transition to ASNPO has had no significant impact on the statement of operations for the year end December 31, 2011, or the statement of cash flow for the year ended December 31, 2011. The adoption of ASNPO resulted in adjustments to the previously reported net assets and liabilities at December 31, 2011. The adjustments to net assets and liabilities at December 31, 2011, were as follows:

	Ref	
Net assets at December 31, 2011, in accordance with previous GAAP		$ 17,810,673
Charges to net assets on transition		
Change in fair value of financial instruments	(a)	1,159,163
Net assets at December 31, 2011, in accordance with ASNPO		$ 18,969,836

December 31, 2012

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING (continued)

	Ref		
Financial instruments liability at December 31, 2011, in accordance with previous GAAP		$	2,508,843
Charges to net assets on transition			
Change in fair value of financial instruments	(a)		(1,159,163)
Financial instruments liability at December 31, 2011, in accordance with ASNPO		$	1,349,680

a) Financial instruments

For derivatives entered into after the transition date of January 1, 2011, GMIAA has designated each interest rate swap as a cash flow hedge adopting hedge accounting to record the interest rate swaps in accordance with ASNPO, and, as such, GMIAA is not required to record the fair value of the interest rate swap derivative.

Upon transition, GMIAA did not apply any optional exemptions.

4. RESTRICTED CASH

	2012	2011	January 1, 2011
AIR Fund for capital purposes	$ 3,879,412	$ 1,940,659	$ 853,541
Other capital funds (Board restricted)	522,781	522,781	522,781
Capital financing funds	11,000,000	9,809,269	–
Severance liabilities (Note 13 (d))	–	–	15,032
	$ 15,402,193	$ 12,272,709	$ 1,391,354

5. CAPITAL ASSETS

	Cost	Discretionary grants and contributions applied	Accumulated Amortization	2012 Net Book Value
Airside infrastructure**	$ 41,256,705	$ (12,164,318)	$ (5,927,117)	$ 23,165,270
Equipment	1,613,353	(315,710)	(1,058,867)	238,776
Groundside infrastructure**	7,671,636	(4,625,448)	(1,051,565)	1,994,623
Motor vehicles	5,587,390	(164,591)	(2,430,739)	2,992,060
New ATB**	25,787,716	(3,892,189)	(6,100,909)	15,794,618
Old ATB renovations**	1,117,545	(495,356)	(445,744)	176,445
	$ 83,034,345	$ (21,657,612)	$ (17,014,941)	$ 44,361,792

December 31, 2012

5. CAPITAL ASSETS (continued)

	Cost	Discretionary grants and contributions applied	Accumulated Amortization	2011 Net Book Value
Airside infrastructure**	$ 27,498,037	$ (8,287,511)	$ (4,679,228)	$ 14,531,298
Equipment	1,537,653	(279,410)	(947,134)	311,109
Groundside infrastructure**	7,671,636	(4,625,448)	(946,063)	2,100,125
Motor vehicles	4,609,188	(164,591)	(2,151,864)	2,292,733
New ATB**	25,528,684	(3,892,189)	(5,444,034)	16,192,461
Old ATB renovations**	1,108,586	(495,356)	(358,696)	254,534
	$ 67,953,784	$ (17,744,505)	$ (14,527,019)	$ 35,682,260

	Cost	Discretionary grants and contributions applied	Accumulated Amortization	January 1, 2011 Net Book Value
Airside infrastructure**	$ 18,874,818	$ (8,287,511)	$ (3,842,808)	$ 6,744,499
Equipment	1,483,034	(293,160)	(799,282)	390,592
Groundside infrastructure**	7,671,636	(4,625,448)	(840,560)	2,205,628
Motor vehicles	4,562,229	(164,591)	(2,026,445)	2,371,193
New ATB**	25,368,924	(3,873,844)	(4,795,603)	16,699,477
Old ATB renovations**	1,022,168	(495,356)	(285,276)	241,536
	$ 58,982,809	$ (17,739,910)	$ (12,589,974)	$ 28,652,925

Included in the net carrying amount of Airside infrastructure is $10,280,360 (December 31, 2011 - $376,927; January 1, 2011 - $354,637) of assets not being amortized because they are not available for use.

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

6. LINE OF CREDIT

GMIAA has available an operating line of credit of $1 million, bearing interest at prime minus 1%, 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.

7. PAYABLES AND ACCRUALS

Included in payables and accruals is federal government remittance due of $Nil (December 31, 2011 - $54,391; January 1, 2011 - $55,183) for HST, and $41,574 (December 31, 2011 - $33,485; January 1, 2011 - $28,425) of payroll source deductions.

8. BANK FINANCING

	2012	2011	January 1, 2011
CIBC term loan, maturing July 2, 2017, at bankers acceptance plus 0.48% per annum renewed every 90 days. There are two interest rate swaps with fixed rates of 6.46% (original amount $12.1 million) and 6.28% (original amount $6.0 million) related to the term loan. Principal repayments are yearly instalments of $1,666,666 (2013 - 2016) and $1,616,672 (2017).	$ 8,283,336	$ 9,950,002	$ 12,072,382
CIBC term loan, amortized to May 2018, repayable in quarterly instalments of principal of $55,643 plus interest. Interest rate is prime minus 1%.	1,224,148	1,502,363	1,250,000
CIBC term loan, amortized to September 2026, repayable in quarterly instalments of principal of $116,667 plus interest. Interest rate is prime minus 1%.	6,300,000	6,923,589	-
CIBC term loan, maturing January 30, 2013, at bankers acceptance plus 0.48% per annum renewed every 90 days. There is an interest rate swap with a fixed rate of 3.84% per annum (original amount $11.0 million). Principal repayments are quarterly instalments of $137,500.	10,725,000	11,000,000	-
CIBC term loan, maturing January 21, 2013, at bankers acceptance plus 0.48% per annum renewed every 90 days. There is an interest rate swap with a fixed rate of 3.14% per annum (original amount $11.0 million). Principal repayments are quarterly instalments of $137,500 commencing November 2013.	11,000,000	-	-
	37,532,484	29,375,954	13,322,382
Amount due within one year	3,043,405	2,630,905	1,962,083
	$ 34,489,079	$ 26,745,049	$ 11,360,299

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.

8. BANK FINANCING (continued)

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

2013	$ 3,043,405
2014	3,455,905
2015	3,455,905
2016	3,455,905
2017	3,405,911

9. FINANCIAL INSTRUMENTS LIABILITY

In 2001, the GMIAA entered into interest rate swaps which convert variable bankers acceptance rates into fixed rates of 6.46% and 6.28%. The changes in fair value are recorded in other income "change in fair value of financial instruments", in the statement of operations, which was $445,250 for 2012 (2011 - $57,417). At December 31, 2012, the interest rate swaps were in a net liability position in the amount of $904,430 (December 31, 2011 - $1,349,680; January 1, 2011 - $1,407,097). The notional amount of derivative financial liabilities at December 31, 2012, was $8,283,336 (December 31, 2011 - $9,950,002; January 1, 2011 - $12,072,382).

10. AIR FUND RESULTS

On October 1, 1998, the Authority implemented an Airport Improvement and Reconstruction (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.

	2012	2011
Revenues		
Fees collected	$ 5,856,557	$ 5,146,682
Interest	22,772	11,989
	5,879,329	5,158,671
Expenditures		
Handling fees	414,657	363,767
Excess of revenues over expenses	$ 5,464,672	$ 4,794,904

December 31, 2012

11. SUPPLEMENTAL CASH FLOW INFORMATION

	2012	2011
Change in non-cash operating working capital:		
Receivables	$ (1,378,540)	$ (279,870)
Materials and supplies	15,921	4,320
Prepaid expenses	(27,486)	3,888
Payables - trade	(188,456)	53,810
Unearned revenue	(268)	608
Refundable deposits	-	600
Severance liabilities	4,018	(15,030)
	$ (1,574,811)	$ (231,674)

12. 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.

	2012	2011	January 1st 2011
Information about the CAC defined benefit pension plan follows:			
Accrued benefit obligation	$ (5,475,000)	$ (4,858,000)	$ (4,376,000)
Fair market value of plan assets	$ 5,102,250	4,260,250	3,926,250
Funded status – plan deficit	$ (372,750)	$ (597,750)	$ (449,750)
Plan deficit	$ (372,750)	$ (597,750)	$ (449,750)
Unrecognized net actuarial loss	1,593,000	1,470,000	1,179,000
Pension surplus recognized	$ 1,220,250	$ 872,250	$ 729,250
Net pension expense	$ 156,000	$ 259,000	$ 263,000
Employer contributions	$ 504,000	$ 402,000	$ 357,000
Employee contributions	$ 41,000	$ 4,000	$ 40,000
Unrecognized net actuarial loss to date	$ 1,593,000	$ 1,470,000	$ 1,179,000
Benefits paid	$ 188,000	$ 155,000	$ 134,000

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Notes to the Financial Statements

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12. PENSION PLAN (continued)

As a result of a January 1, 2012, actuarial valuation, GMIAA is required to make special monthly payments of $26,925. These payments are to fund the solvency deficiency that existed at January 1, 2012. GMIAA's regular contributions have been increased from 21.3% to 21.4% of applicable salary amounts.

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

	2012	2011	January 1st 2011
Expected long-term rate of return on assets	6.50%	6.50%	6.50%
Discount rate	4.50%	5.10%	5.50%
Rate of compensation increase	4.0%	4.0%	4.0%

The actuarial present value of accumulated plan benefits for the 2012 fiscal year is based on an extrapolation provided by the actuaries. The last formal actuarial valuation performed was effective January 1, 2012. The actuaries believe the financial results would not differ materially from the extrapolation if a formal valuation was performed as at December 31, 2012. The next valuation report is due from the actuaries effective January 1, 2013.

	Percentage of Plan Assets		
Defined benefit plan assets consists of:	2012	2011	January 1st 2011
Canadian equity securities	58.00%	59.90%	63.70%
Debt securities	31.00%	33.10%	36.30%
Other	11.00%	7.00%	-
Total	100.0%	100.0%	100.0%

13. 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 Airport to 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 gross revenues.

December 31, 2012

13. COMMITMENTS (continued)

(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 2012, this base amounted to $728,000. 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. The total of these monies were paid out as at December 31, 2011.

(ii) Ongoing severance accrual
In addition, since the transfer from Transport Canada, GMIAA continues to accrue severance as earned. At December 31, 2012, this component totalled $381,186 (December 31, 2011 - $377,168; January 1, 2011 - $392,198).

(e) GMIAA has a capital budget of approximately $14,693,000 for equipment and infrastructure in 2013.

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14. FINANCIAL INSTRUMENT

The financial instruments of GMIAA and the nature of the risks to which it may be subject are as follows:

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market price. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. GMIAA is not exposed to significant currency and other price risk.

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 bank financing with floating interest rates. GMIAA currently has a million dollar line of credit available and term loans of $37.5 million, which are exposed to interest rate risk due to floating rates. The GMIAA uses interest rate swaps to manage some of the variable interest rate risk.

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.

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.

Schedule of Revenues and Expenses

Year Ended December 31	2012	2011
Revenues		
Aircraft		
Landing fees	$ 3,982,788	$ 3,478,085
Terminal fees	1,720,126	1,511,630
	$ 5,702,914	$ 4,989,715
Airport		
Concessions	$ 1,243,830	$ 1,245,444
Interest	24,137	18,696
Parking	1,807,723	1,700,928
Rent	498,435	490,249
Recovery of property taxes from tenants	309,671	305,136
Recovery of expenses from tenants	179,734	169,680
Miscellaneous	133,070	135,945
	$ 4,196,600	$ 4,066,078
Expenses		
Salaries and employee benefits		
Salaries and wages	$ 2,194,246	$ 2,199,153
Employee benefits	398,603	557,443
	$ 2,592,849	$ 2,756,596
Other operating and administrative expenses		
Advertising and marketing	$ 772,168	$ 550,768
Bad debt expense	12,634	3,215
Board administration	159,237	147,108
Cargo initiative	353,725	-
Communications - telephone/cellular	70,044	65,632
Contract and special services	353,939	273,362
Electricity	510,808	508,072
Freight	4,770	6,690
Fuel	282,160	299,884
Insurance	158,249	157,799
Interest and bank charges	68,434	83,291
Janitorial services	321,161	323,156
Management and support services	841,734	771,410
Materials and supplies	280,900	293,585
Miscellaneous	75,607	88,032
Office supplies	13,398	14,062
Professional and consulting services	182,991	128,579
Property taxes	858,842	853,040
Repairs and maintenance	301,909	353,971
Security services	640,596	516,318
Travel	114,120	127,052
Water and sewer	110,383	124,503
	$ 6,487,809	$ 5,689,529

Notes: