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**AÉROPORT DE
SAINT JOHN AIRPORT**
saintjohnairport.com



2010 ANNUAL REPORT



SAINT JOHN AIRPORT | 2010 ANNUAL REPORT

SAINT JOHN AIRPORT INC.

Saint John Airport Inc. is a local, not-for-profit company governed by a twelve member Board of Directors nominated by government and community organizations.

The 300,000 residents in the catchment area spanning St. Stephen to Sussex depend on the economic and transportation links the Saint John Airport provides. Southwestern New Brunswick benefits from the air transportation connections, its economic impact estimated at \$66 million, and the over 570 jobs created directly and indirectly.

All revenue of the Saint John Airport is reinvested in operations and facilities on site. No funding from any level of government has been received since its transfer in 1999.

YSJ has an economic impact estimated at \$66 million, and over 570 jobs are created directly and indirectly



MISSION AND VISION

The mission of the Saint John Airport is to be the preferred airport of southern New Brunswick. While ensuring there are appropriate travel opportunities for business and leisure travelers, the airport operates with the highest standards of ethics and integrity.

The vision is to operate a safe, secure, and clean airport that consistently exceeds the expectations of travelers, stakeholders, and employees.





STRATEGIC YEAR FOR SAINT JOHN AIRPORT

MASTER PLAN, STRATEGIC PLAN CREATED, CHARTING PATH FORWARD

The year 2010 can be summarized as a foundation year dedicated to renewing both our Master Plan and Strategic Plan. These documents establish our long term course over the next twenty years. The process began with a Strategic Planning exercise with our Board of Directors and management team resulting in a clear understanding of the challenges and opportunities facing us.

2010-2030

Master Plan was created and submitted to

Transport Canada



Concurrent with the above, the organization was required by the terms of the 60 year ground lease with the federal government to complete a 20-year Master Plan. With the assistance of industry experts in the airport planning industry, a 2010-2030 Master Plan was created and submitted to Transport Canada. It serves as a guide that establishes a framework for a five year Strategic Plan and highlights long-term priorities, opportunities and challenges.

Throughout the year, several key initiatives were launched. Progress was achieved on many, however several remain “work in progress”, including:

- Development of a job classification system and negotiation of a collective agreement with PSAC UCTE Local 60615. The existing contract expired December 31, 2008.
- Participation in the City of Saint John municipal plan consultative process. The Saint John Airport has significant land development potential which should be recognized in the municipal plan.
- Together with Fredericton, Charlottetown, Gander and Prince George airports, discussed with the federal ministry of transport the funding of critical safety and security infrastructure for National System Airports with passenger traffic under 500,000.
- Registration of our ground lease and leased lands under the provincial land titles system to enable security and collateral for potential borrowing needs.
- Preliminary wetlands delineation and land development “vision development” to establish the opportunity for revenue growth and diversification via land development.





STRATEGIC YEAR FOR SAINT JOHN AIRPORT

As a follow up to the creation of our strategic plan, we welcomed Colleen Mitchell as our new Director of Marketing and Communications. This clearly established our management team and board's commitment to "communicating" our message. The community at large, airport users, and stakeholders must understand the benefits of having a local airport and the challenges of maintaining and growing it over the long term.

Highlights of 2010 include:

- Passenger traffic growth of 2.21% to 227,223
- Air Canada and Sunwing passenger growth in 2010
- Westjet passenger traffic decreased and ended the year by announcing the withdrawal from the Saint John market in 2011
- Progress on the Strategic Plan initiatives finalized in mid 2010 pertaining to communications, land development, infrastructure, and air service
- A \$550,000 upgrade of taxi and apron lighting to energy efficient LED with reduced maintenance requirements.
- Coordination and undertaking of a live emergency exercise enlisting the participation of local responders. This community effort tested local response capabilities.

During 2010 our staff did a tremendous job maintaining

our runways after major snowstorms, various pilots and private operators using our airport praised our staff's efforts. This highlights the professionalism and dedication of our workforce and the willingness to "go the extra distance" when the situation requires it.

Similarly, our management team over the year assisted in making the airport more efficient in its operation, implemented new approaches and procedures (e.g. Safety Management System, Maintenance Management software, electronic funds payments, new taxi procedures, and an upgraded website) while maintaining flexibility to respond to immediate and changing needs.

The Saint John Airport Inc. is fortunate to have a strong Board of Directors nominated by various community stakeholders that bring a depth of knowledge from varied and unique perspectives. This allows the airport team to factor in operational considerations and to ensure community best interests are foremost in YSJ's decision making.

Most importantly, it is paramount to thank the Saint John Airport passengers, users, tenants, concession holders and stakeholders. Without your support and contributions there would be no Saint John Airport or the ability to "fly from here to anywhere"!

We thank you all for making our role an essential component of southern New Brunswick's growth and long-term progress.

It is critical that the community at large, airport users and stakeholders best understand the benefits of having a local airport



Wayne Power
Saint John Airport Inc.
Chairman of the Board

Bernard F. LeBlanc
Saint John Airport Inc.
President and CEO



BOARD COMMITTEES STATEMENT

SAINT JOHN AIRPORT INC. BOARD OF DIRECTORS AS OF DECEMBER 31, 2010

Chairman of the Board

Wayne Power

Nominated by City of Saint John
Term ends July 2012

Ron Oldfield

Nominated by Saint John and
District Labour Council
Term ends May 2011

Troy D. Northrup

Nominated by Enterprise Saint John
Term ends May 2011

Philip Reeves

Nominated by Regional Mayor's Caucus
Term ends July 2011

Georgie Day

Nominated by New Brunswick
Department of Transportation
Term ends July 2011

Christopher Waldschutz

Nominated by Transport Canada
Term ends October 2012

Kathleen MacDonald

Nominated by City of Saint John
Term ends November 2012

Douglas Gaudett

Nominated by Enterprise Charlotte
Term ends December 2012

Norm McFarlane

Nominated by Transport Canada
Term ends July 2013

Owen Green

Nominated by Saint John Airport Inc.
Term ends April 2013

Gary Rent

Nominated by Enterprise Fundy
Term ends May 2013

Michael W. Walton

Nominated by Saint John Board of Trade
Term ends May 2013

*This year we
welcomed
Michael Walton,
Owen Green, and
Norm McFarlane
to the Board.*





2010 BOARD COMMITTEES

During 2010 the board committee structure was modified to align with a new five year Strategic Plan. The following are committee reports for the year ending December 2010:

Finance Committee: Chair – Doug Gaudett

A committee consisting of three directors, CEO, and Director of Finance and Administration meets on a monthly basis and reviews operational and corporate financial activities, progress on the Annual Business Plan, Capital Plan, Financial Budget and makes appropriate recommendations to the Board of Directors. The annual audit is reviewed with the Corporation's auditors prior to submission to the Board of Directors for approval. The Finance Committee recommends investment options to the Board of Directors and the appointment of the Corporation's auditors.

Governance Committee: Chair – Owen Green

A committee comprised of three Directors and the CEO meets to review and draft relevant amendments to Board policy for consideration by the Board of Directors. The Committee also reviews the Corporation's bylaws to ensure compliance with relevant legislation, regulations, and current policies and procedures. It is also responsible for new Board Member attraction and orientation. The committee evaluates board training options, board composition, and any potential gaps in director expertise, such as gender, ethnic diversity, and language diversity.

Facilities and Infrastructure Committee: Chair – Philip Reeves

This committee of four Directors, the CEO, and the Director of Finance and Administration meets on an as required basis to develop recommendations for the Board of Directors on infrastructure improvements and strategies for commercial development opportunities. This committee's mandate is to best support the Strategic Plan's "Enhance Facilities and Infrastructure" pillar and objective.

Air Service Committee: Chair – Wayne Power

Three Directors and the CEO comprise this committee which provides guidance and support for Air Service Development efforts. This committee meets as required to achieve its mandate of supporting the Strategic Plan's "Broaden Air Service" pillar and objective.

Communications Committee: Chair – Troy Northrup

A committee consisting of three Directors, the CEO, and the Director of Marketing and Communications guides the achievement of the marketing and communications strategy. This committee was established to support the Strategic Plan's "Community Engagement" pillar and meets as necessary to review activities.

Growth Committee: Chair – Gary Rent

Three Directors and the CEO focus on the "Diversify Our Revenue Stream" pillar of the Strategic Plan. They provide guidance in terms of long term growth, revenue diversification and land development options to best support this effort. The objective is to reduce the dependence on passenger and air-carrier based revenues to facilitate long term stability and viability via new revenue sources.

CEO Community Consultative Forum: Chair – Bernard LeBlanc

This initiative reflects the CEO's outreach efforts to the community to provide an ongoing forum for community engagement and feedback as stakeholders, users, neighbours, and interested parties. This is accomplished through a variety of formats, which in 2010 included:

- Strategic Plan stakeholder consultations
- Strategic Plan stakeholder rollout sessions – Sussex, Quispamsis, Saint John, and St. Andrews
- Meeting with regional mayors, local, provincial and federal bureaucrats and elected officials
- Presentation and feedback sessions with community organizations and stakeholders such as the Union Club, New Brunswick Gateway Council, and Board of Trade Transportation Forum
- Quarterly meetings with airport staff and tenants





PLANNING FOR THE FUTURE

Communicating our challenges and priorities with stakeholders, bureaucrats and elected officials was ongoing during the entire year. We worked in conjunction with community, industry, and regional organizations to provide input and direction on common issues.

Saint John Airport staff provided significant input to the New Brunswick Gateway Council, Board of Trade committees, and the Saint John municipal planning process. In addition, staff collaborated with Transport Canada representatives, Federal Minister and Deputy Minister of Transport and Infrastructure, Federal Minister for ACOA and Atlantic Gateway Trade Corridor, the New Brunswick Department of Transport, area MPs, local area MLAs and the regional mayors.

As members and stakeholders, airport staff joined and participated in organizations such as Saint John Board of Trade, Enterprise Saint John, Saint John Destination Marketing Organization, New Brunswick Gateway Council, Atlantic Canada Airport Association, and the Canadian Airport Council.

The completion and implementation of the five-year Strategic Plan was launched with community stakeholder meetings held in Sussex, Quispamsis, Saint John and St. Andrews to ensure catchment area and stakeholder participation, and to solicit feedback.

An economic impact study was finalized which highlighted that the Saint John Airport annually provides employment of 570 directly and indirectly induced jobs via the Airport's

local presence, and has an economic impact of \$66 million. Annual tax revenue to various levels of government amount to \$7.5 million, of this Saint John municipal taxes paid by the Airport and tenants exceeded \$325,000 in 2010.

The creation of a Land Development Master Plan via a 3 phased approach (Design charette, Preliminary concept, Final concept) is to be completed in 2011 which will outline land development possibilities and overall vision.

On the environmental front, a wetlands mapping and delineation exercise was initiated for the Airport property. Employees were certified for provincial water distribution guidelines, and investments were made to replace the chlorinator, secondary fire pump, and calibration equipment. An engineering study was completed on the water distribution system.

Environment Canada conducted audits for compliance to federal petroleum storage tank and halocarbon regulations, and the Airport conducted its own environmental audit of tenant facilities.

Environmental emergency testing was carried out by way of a HazMat component in the Airport emergency exercise, as well as a fuel spill table top exercise with one of our aircraft fuelling tenants. Topping the list of environmental-related investments, however, was the installation of new LED apron and taxiway lights, which are expected to save the equivalent of 32 metric tonnes of CO₂ emissions annually.





PLANNING FOR THE FUTURE

The annual ground lease audit with Transport Canada was successfully completed, as were environmental audits of tenant facilities to confirm compliance, and to identify potential areas for improvement.

Long term leases were secured for rental car concessions, and for taxi operations. To improve service levels, airport staff worked together with TIANB (Tourism Industry Association of New Brunswick) to develop a tourism training program targeted at taxi operators and other front line service providers.

Activities during 2010 included promoting and marketing the airport to numerous airlines via one-on-one meetings and at industry conferences and tradeshow. The Atlantic Canada kiosk at the World Routes Conference in Vancouver is an example of a global airline development event that gave us the opportunity to meet with several Canadian and American carriers to discuss potential new routes and service possibilities.

During 2010 the Board and Management Team adopted an updated five-year Strategic Plan which focuses efforts on achieving four pillars, namely:



In addition, the Master Plan was updated to expand its scope to 2030.

Initiatives that will be addressed during the planning horizon include:

- Land development to accomplish revenue diversification
- Broaden the Air Service

Two longer-term issues on the horizon are also at the preliminary planning stages. These include the requirement to begin rent payments to the Federal government in 2016, and resurfacing and upgrading both runways during 2018 and 2019.





PLANNING FOR THE FUTURE

2010 CAPITAL INITIATIVES

Capital Projects implemented by the Saint John Airport in 2010 were:

Apron & Taxiway Lighting Upgrade ¹	\$ 553,662
Security fencing ¹	29,993
Sewage lift pumps and piping	22,723
Other fixed assets <\$10,000	34,530
Total	\$ 640,908

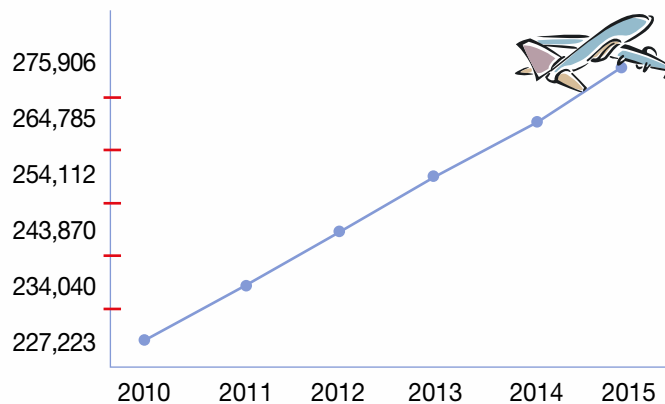
2010 ACTUAL VERSUS BUSINESS PLAN

	Plan	Actual	Fav (unfav)
Revenue ²	4,987,158	5,093,002	105,844
Expenses ³	4,337,851	4,113,796	224,055
Capital Expenditures ³	844,500	640,908	203,592

BUSINESS PLAN FORECAST 2011-2015

	2011	2012	2013	2014	2015
Revenue ⁴	4,848,878	5,062,098	5,237,115	5,418,731	5,607,208
Expenses ³	4,437,350	4,548,379	4,662,297	4,779,182	4,899,114
Capital Expenditures ⁵	2,476,000	4,897,000	845,000	535,000	405,000

FIVE YEAR PASSENGER FORECAST



Notes:

- Made possible through the use of Transport Canada Capital Restricted Funds for Safety and Security
- Revenue includes Passenger Facility Fees and Operations
- Expenses include interest and do not include non-cash items of amortization of capital assets and the deferred grant.
- Assumes passenger growth of 3% for 2011 and 4.2% for 2012 to 2015
- Capital forecast includes vehicle parking lot expansion, ATB expansion and fleet equipment replacement





AUDITORS' REPORT

To the Board of Directors of Saint John Airport Inc.

We have audited the accompanying financial statements of Saint John Airport Inc., which comprise the statement of financial position as at December 31, 2010, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks

of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Teed Saunders Doyle & Co.

Teed Saunders Doyle & Co.
CHARTERED ACCOUNTANTS

Saint John, NB
February 23, 2011



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash (Note 3)	\$ 666,294	\$ 763,920
Accounts receivable (Note 3)	323,084	308,756
Parts inventory (Note 2)	100,911	102,403
Prepaid expenses	63,608	68,359
	1,153,897	1,243,438
Accrued Defined Benefit Pension Asset (Notes 2 and 7)	358,000	261,000
Restricted Cash Held In Trust (Notes 2, 3 and 5)	-	184,855
Restricted Investments For Capital		
Asset Replacement (Notes 2 and 3)	3,912,134	3,123,346
Capital (Notes 2 and 4)	8,069,661	8,364,807
	\$ 13,493,692	\$ 13,177,446
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 3)	\$ 683,880	\$ 465,322
Provision For Retirement Allowance (Notes 2 and 7)	75,563	59,925
Deferred Grant For Airport Capital Improvements (Notes 2 and 6)	4,032,360	4,553,230
NET ASSETS		
NET ASSETS		
Unrestricted	752,453	979,191
Invested in capital assets (Note 11)	4,037,302	3,996,432
Internally restricted – Replacement Reserve Fund (Note 2)	3,912,134	3,123,346
	8,701,889	8,098,969
	\$ 13,493,692	\$ 13,177,446

COMMITMENTS AND CONTINGENCIES (Note 8)

APPROVED ON BEHALF OF THE BOARD:



Director



Director



FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Invested In Capital Assets	Subtotal	Replacement Reserve Fund	Total 2010	Total 2009
Balance At Beginning Of Year	\$ 979,191	\$ 3,996,432	\$ 4,975,623	\$ 3,123,346	\$8,098,969	\$7,199,238
Excess (Deficiency) Of Revenue Over Expenditure	979,206	(415,074)	564,132	38,788	602,920	899,731
Transfer (Note 2)	(750,000)	-	(750,000)	750,000	-	-
Capital Assets Purchased	(640,908)	640,908	-	-	-	-
Transfer From Restricted Projects	184,964	(184,964)	-	-	-	-
Balance At End Of Year	\$ 752,453	\$ 4,037,302	\$ 4,789,755	\$ 3,912,134	\$ 8,701,889	\$ 8,098,969

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
REVENUE (Notes 2 and 9)		
Aircraft Landing and Terminal Fees	\$ 1,599,984	\$ 1,549,293
Concessions	529,765	578,732
Vehicle Parking	523,291	519,468
Land And Office Rentals	218,809	216,821
Interest Income	1,257	661
Other	99,833	92,716
Amortization Of Deferred Grant (Note 6)	520,979	507,738
	3,493,918	3,465,429
EXPENDITURE		
Salaries, Wages And Benefits	2,138,888	1,784,095
Materials, Supplies And Services	1,080,765	1,163,609
General And Administrative	894,143	644,969
Amortization Of Capital Assets	936,053	924,614
Write Down Of Capital Assets	-	45,513
	5,049,849	4,562,800
Deficiency Of Revenue Over Expenditure Before Passenger Facility Fee	(1,555,931)	(1,097,371)
Passenger Facility Fee (Notes 2 and 9)	2,120,063	1,977,380
Excess Of Revenue Over Expenditure	\$ 564,132	\$ 880,009
ALLOCATED TO:		
Unrestricted	\$ 979,206	\$ 1,342,932
Invested In Capital Assets	(415,074)	(462,923)
	\$ 564,132	\$ 880,009



FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess of revenue over expenditure	\$ 564,132	\$ 880,009
Items not involving cash		
Amortization of capital assets	936,053	924,614
Write down of capital assets	-	45,513
Amortization of deferred grant	(520,979)	(507,738)
Loss on disposal of capital assets	-	534
Increase in accrued defined benefit pension asset	(97,000)	(187,000)
Increase in provision for retirement allowance	15,638	8,488
	897,844	1,164,420
Changes in non cash working capital balances		
Accounts receivable	(14,328)	(148,859)
Parts inventory	1,492	3,746
Prepaid expenses	4,751	5,721
Accounts payable and accrued liabilities	218,559	33,079
	1,108,318	1,058,107
Investing activities		
Purchase of capital assets	(640,908)	(191,602)
Proceeds on disposal of capital assets	-	442
Restricted funds utilized for the purchase of capital assets	184,964	99,915
Investments restricted for capital asset replacement	(750,000)	(500,000)
	(1,205,944)	(591,245)
INCREASE (DECREASE) IN CASH	(97,626)	466,862
Cash at Beginning of Year	763,920	297,058
Cash at End of Year	\$ 666,294	\$ 763,920
Supplementary Cash Flow Information		
Interest received	\$ 40,154	\$ 20,894



NOTES TO THE FINANCIAL STATEMENTS

1. INCORPORATION AND ACTIVITIES

Saint John Airport Inc. (the "Corporation") was incorporated on February 19, 1997 under the Companies Act of New Brunswick as a non share capital, not for profit corporation. On June 1, 1999, the Corporation signed an agreement with the Government of Canada to transfer managerial, operational and developmental control of the Saint John Airport to the Corporation. Effective that date, the Corporation signed a ground lease agreement (the "ground lease") with the Government of Canada which provides that the Corporation will lease the airport facilities for an initial term of sixty years. A twenty year renewal option may be exercised but at the end of the renewal term, unless otherwise extended, the Corporation is obligated to return control of the Saint John Airport to the Government of Canada. Regulation of Safety Standards for the airport continues to be the responsibility of the Government of Canada, but the Corporation is responsible for operating the airport safely.

Income arising from the operation of the Saint John Airport is exempt from federal and provincial income taxes. The Corporation is subject to HST and real property tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LEASE WITH GOVERNMENT OF CANADA

The ground lease is accounted for as an operating lease.

Parts Inventory

Parts inventory is valued at the lower of cost or replacement value. Cost is determined on a first in, first out basis.

Capital Assets

Capital assets are stated at cost less accumulated amortization. As assets are put in use, amortization is provided for on a straight line basis at the following annual rates:

Leasehold improvements	
Buildings	5.0 to 10.0 %
Runways	5.0 to 6.7 %
Vehicles	5.5 to 25.0 %
Machinery and equipment	6.7 to 30.0 %
Systems and software	20.0 %
Furniture and fixtures	10.0 %

RESTRICTED INVESTMENTS FOR CAPITAL ASSET REPLACEMENT AND REPLACEMENT RESERVE FUND

The Board of Directors has established a Replacement Reserve Fund for the purpose of replacing capital assets. Transfers to and from the fund require approval from the Board of Directors. Interest earned on the fund is recorded as a direct increase in net assets of the Replacement

Reserve Fund. During the year, the Board of Directors approved a transfer of \$750,000 (2009 \$500,000).

The Replacement Reserve Fund is comprised of Guaranteed Investment Certificates and cash and is stated at cost plus accrued interest which approximates market value. At December 31, 2010 the market value was \$3,912,134 (2009 \$3,123,346).

EMPLOYEE FUTURE BENEFITS

The Corporation maintains a pension plan for its employees which has both a defined contribution and defined benefit component. The Corporation accrues its obligations under employee future benefit plans and the related costs, net of plan assets. The cost of the defined contribution component of the plan is recognized based on the contributions required to be made during the year. The Corporation has adopted the following policies for the defined benefit plan:

The cost of pensions earned by employees is actuarially determined using the projected benefit method pro rated on service and the plan's 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;

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 Current service costs are expensed in the period.

RESTRICTED CASH HELD IN TRUST AND DEFERRED GRANT FOR AIRPORT CAPITAL IMPROVEMENTS

In accordance with the terms of the ground lease the Corporation received a capital based grant of \$6.3 million during the period ended December 31, 1999 from the Government of Canada. These funds, and all interest accrued thereon, must be spent on airport safety and security capital infrastructure projects and must be held in trust in interest bearing accounts, separate from the Corporation's other monies. The deferred grant will be amortized to income on the same basis as the related capital assets acquired with the funds.

REVENUE RECOGNITION

Aircraft landing and terminal fees and parking revenues are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees. Rental revenues are recognized over the lives of respective leases. Passenger facility fees are recognized upon the enplanement of passengers.



NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Examples of significant estimates contained in these financial statements include:

- the allowance for doubtful accounts;
- the allowance for inventory obsolescence;
- the estimated useful lives of assets;
- the recoverability of tangible assets; and
- certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension obligations and pension plan assets.

3. FINANCIAL INSTRUMENTS

The Corporation has classified its financial instruments as follows:

<u>Financial Asset/Liability</u>	<u>Classification</u>	<u>Subsequent Measurement</u>
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Restricted cash held in trust	Held for trading	Fair value
Restricted investments for capital asset replacement	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Corporation's accounts receivable and accounts payable and accrued liabilities are recorded at amortized cost, which approximates their fair value due to the immediate or short term maturity of these financial instruments.

CREDIT RISK

The Corporation is exposed to credit risk on the accounts receivable from its customers. The Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of existing customer's credit performance. At December 31, 2010, accounts receivable consisted primarily of aviation fees and passenger facility fees arising from normal operations.

CURRENCY RISK

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is not exposed to this type of risk as it does not hold foreign currency.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Corporation is not exposed to interest rate risk as it does not have any interest bearing debt.



NOTES TO THE FINANCIAL STATEMENTS

4. CAPITAL ASSETS

	2010			2009
	Cost	Accumulated Amortization	Net	Net
Leasehold improvements				
Buildings	\$ 5,964,109	\$ 2,402,732	\$ 3,561,377	\$ 3,876,049
Runways	6,120,800	2,592,438	3,528,362	3,287,977
Vehicles	2,429,858	1,727,786	702,072	902,304
Machinery and equipment	648,751	411,956	236,795	264,164
Systems and software	66,458	30,908	35,550	26,686
Furniture and fixtures	29,751	24,246	5,505	7,627
	\$ 15,259,727	\$ 7,190,066	\$ 8,069,661	\$ 8,364,807

5. RESTRICTED CASH HELD IN TRUST

	2010	2009
Balance at beginning of year	\$ 184,855	\$ 284,259
Interest earned during the year	109	511
Funds transferred for restricted projects	(184,964)	(99,915)
Balance at end of year	\$ -	\$ 184,855

6. DEFERRED GRANT FOR AIRPORT CAPITAL IMPROVEMENTS

	2010	2009
Balance at beginning of year	\$4,553,230	\$5,060,457
Interest earned during the year	109	511
Amortized during the year	(520,979)	(507,738)
Balance at end of year	\$4,032,360	\$4,553,230

7. EMPLOYEE FUTURE BENEFITS

	2010	2009
Accrued Defined Pension Benefit Asset	\$ 358,000	\$ 261,000
Provision for Retirement Allowance	\$ 75,563	\$ 59,925

DEFINED BENEFIT PENSION PLAN

On June 1, 1999, the Corporation joined the Canadian Airport Authorities and Canadian Port Authorities Pension Plan, a multi employer pension plan. This plan covers

employees of the Corporation who, immediately prior to joining the Corporation, were employees of the Federal Public Service and were accruing pension benefits under the Public Service Superannuation Act. The federal government remains responsible for all pension benefits accrued in respect of those individuals up to that time. Pension assets consist primarily of Canadian and foreign equity and fixed income funds. The fair value of the plan assets is based on management's best estimate of the long term rate of return on the pension asset portfolio. Pension benefit obligations are determined based on management's best estimate of long term salary escalation rates and are discounted based on management's best estimate of long term interest rates. The significant actuarial assumptions used in measuring the Corporation's accrued benefit obligation and the fair value of the plan assets are as follows:

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

Variances between such estimates and actual experience, which may be material, are amortized over the employees' average remaining service life.

The Corporation bears the risk of experience loss against the above assumptions. The maximum risk of loss is equal to the difference between the fair value of the pension benefit obligation and the amount of the pension benefit obligation accrued in the financial statements. Should actual experience differ from the assumptions, future



NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEE FUTURE BENEFITS, CONTINUED

contributions will be adjusted to make up for any variances. Risk is managed by placing the pension plan assets in trust and through the pension investment policy, which defines the plan's allowable investments.

Actuarial reports prepared are based on projections of employees compensation levels to the time of retirement and estimates of long term interest rates provided by the plan's management. The most recent actuarial valuation was performed as at January 1, 2010. The valuation was performed using the Attained Age Normal Actuarial Cost Method to determine the minimum employer contribution under the Pension Benefits Standards Act and the maximum deductible contribution according to the Income Tax Act of Canada. Based on the recommendations of the Plan's actuary, the employer contributions for the year were set at 23.5% (2009 21.3%) of the employees' earnings plus an additional special contribution of \$8,263 per month (2009 \$15,092). These contribution requirements will remain in effect until the next actuarial valuation scheduled for January 1, 2011.

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

	2010	2009
Fair market value of plan assets	\$ 2,546,000	\$2,203,000
Accrued benefit obligation	2,697,000	2,382,000
Funded status		
plan deficit	\$ (151,000)	\$ (179,000)
Accrued benefit asset		
beginning of year	\$ 261,000	\$ 74,000
Net pension expense for the year	(123,000)	(96,000)
Employer contributions	\$ 220,000	\$ 283,000
Accrued benefit asset		
end of year	\$ 358,000	\$ 261,000
Employee contributions	\$ 25,000	\$ 25,000
Pension and termination	\$ 80,000	\$ 79,000

The actuarial present value of accumulated benefits for the 2010 fiscal year is based on an extrapolation provided by the actuaries. The actuaries believe that the financial results would not differ materially from the extrapolation if a formal valuation was performed at year end.

DEFINED CONTRIBUTION PENSION PLAN

The Corporation's defined contribution pension plan covers new employees who have joined the Corporation since June 1, 1999. Employees covered by this plan are required to contribute 5% of their earnings which are matched by the Corporation. All employer contributions vest with the employee after two years of service with the Corporation. During the year the Corporation contributed \$28,720 (2009 \$19,817) towards this plan.

RETIRING ALLOWANCE

Following the guidelines set forth by the Saint John Airport Collective Agreement, employees are entitled to a retirement allowance of one week's pay per year of service since June 1, 1999. This is limited to a maximum of thirty weeks of pay. During the current and prior year the Corporation paid no retiring allowances.

8.COMMITMENTS AND CONTINGENCIES

As described in Note 1 to the financial statements, the Corporation signed a ground lease agreement with the Government of Canada which provides that the Corporation will lease the airport for an initial term of sixty years. A twenty year renewal option may be exercised but at the end of the renewal term, unless otherwise extended, the Corporation is obligated to return control of the Saint John Airport to the Government of Canada.

a) Under the terms of the amended ground lease, the occupation of the airport by the Corporation is rent free until the year 2016. From the year 2016 onwards, the rent formula will be as follows: no rent charged on the first \$5,000,000 of airport revenue; 1% of the portion of airport revenue in excess of \$5,000,000 but equal to or less than \$10,000,000; 5% of the portion of airport revenue in excess of \$10,000,000 but equal to or less than \$25,000,000; 8% of the portion of airport revenue in excess of \$25,000,000 but equal to or less than \$100,000,000; 10% of the portion of airport revenue in excess of \$100,000,000 but equal to or less than \$250,000,000; and 12% of the portion of airport revenue in excess of \$250,000,000.



NOTES TO THE FINANCIAL STATEMENTS

8. COMMITMENTS AND CONTINGENCIES CONTINUED

b) An environmental site assessment on the Saint John Airport property was carried out in December 1998 by the Government of Canada and the report that was issued is referred to as the Environmental Baseline Study Report. This report was to identify the extent of the hazardous substances that existed as of December 1998 and extended to the June 1, 1999 transfer date. Article 37 of the Ground Lease for the airport will govern responsibility for any remedial work, if necessary.

The responsibility for any liability that may arise in the future relating to the existence of a hazardous substance originating before the transfer on June 1, 1999 to the Corporation rests with the Government of Canada. The Corporation has responsibility for any environmental liabilities that arise from hazardous substances that occur subsequent to the transfer date. At December 31, 2010 there are no known environmental liabilities.

9. ECONOMIC DEPENDENCE

The Corporation derives a significant amount of revenue from Air Canada and its subsidiaries and consequently, is economically dependent on this customer.

10. CAPITAL DISCLOSURE

The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide benefits for its stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may increase borrowings or use cash as deemed appropriate under specific circumstances.

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2009.

11. NET ASSETS INVESTED IN CAPITAL ASSETS

	2010	2009
Invested in capital assets, beginning of year	\$3,996,432	\$4,368,110
Amortization of capital assets	(936,053)	(924,614)
Amortization of deferred grants	520,979	507,738
Write down of capital assets	-	(45,513)
Loss on disposal of capital assets	-	(534)
Purchase of capital assets	640,908	191,602
Net funds transferred for restricted projects	(184,964)	(99,915)
Proceeds on disposal of capital assets	-	(442)
Invested in capital assets, end of year	\$4,037,302	\$3,996,432



COMPENSATION | DISCLOSURES

2010 COMPENSATION FOR THE BOARD OF DIRECTORS

MEETINGS

	Board Meetings	Finance	Governance	Communications	Strategy	Facilities & Infrastructure	Growth	Air Services	Other
Day, Georgie	5/6		3	2	2				1
Gaudett, Doug	4/6	12			1				1
Green, Owen *	4/6	6	2		1				3
MacDonald, Kathleen	5/6				3			2	1
McFarlane, Norm *	3/6			1				2	1
Northrup, Troy	5/6			2	1	1	5		3
Oldfield, Ron	6/6				1	1			
Power, Wayne	5/6				2			2	5
Reeves, Philip	6/6		2		4	1			6
Rent, Gary	6/6	12			2		5		7
Waldschutz, Christopher	6/6				3	1			2
Walton, Michael *	3/6						7		1

* Appointed mid-year

BOARD & TOP MANAGEMENT COMPENSATION

(Honoraria and Meeting Fees)

Chairman	6,400
Vice-Chairman	3,150
Treasurer	3,600
Secretary	2,300

The total compensation paid to the Board of Directors was \$40,263

The total compensation paid to the management team was \$478,850

DISCLOSURES

Contracts awarded over \$75,000

With Public Tender / By Invitation

Construction contract awarded to upgrade Apron & Taxiway LED Lighting, by invitation and public tender awarded to Roadway Systems Inc.

Contracts awarded over \$75,000

Without Public Tender

A contract to provide Land Development Master Planning was awarded to Design Development Group Inc.

Code of Conduct:

All Directors have completed "Disclosure Statements" and there were no instances of real or potential "Conflicts of Interest" brought before the Board of Directors during 2010.



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