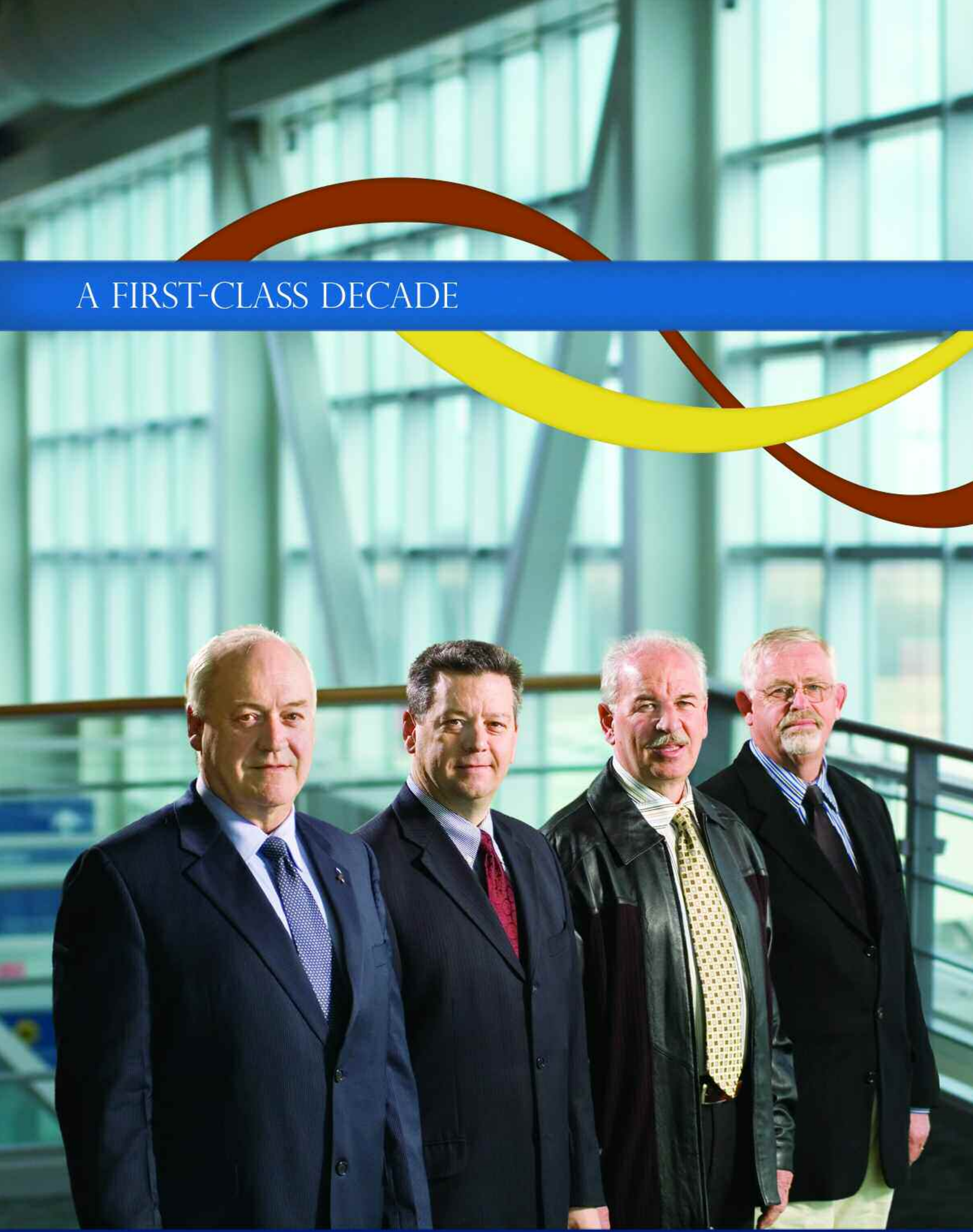
A FIRST-CLASS DECADE



2006 ANNUAL REPORT

GREATER MONCTON INTERNATIONAL AIRPORT
AÉROPORT INTERNATIONAL DU GRAND MONCTON

FIRST-CLASS FOUNDATIONS

The following abstracts chronicle the first 10 years of events and achievements of the Greater Moncton International Airport Authority Inc.

1997

Transfer of management from federal control to Greater Moncton Airport Authority Inc. on September 1.

Vision

To be the airport of choice in Atlantic Canada.

Mission

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

Values

Operating a safe and secure environment.

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

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

Providing an efficient and profitable airport.

Maintaining a commitment to the development of successful partnerships.

Front Cover:

The leaders from the first 10 years: President & CEO Rob Robichaud, Chairmen Bill Whalen, Jon Bowman (absent), Pierre Michaud, and Kent Robinson.

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FIRST-CLASS ACHIEVEMENTS

1998

New international arrivals area opened to accommodate first US charter flight to St. Petersburg, Florida.

1999

Greater Moncton Airport welcomed Heads of State and dignitaries from 52 francophone countries during the VIIIe Sommet de la Francophonie.

Chairman's Message

On behalf of the Greater Moncton International Airport Authority (GMIAA) Inc. Board of Directors, I am proud and honoured to report to you that 2006 was another very successful year. Your Board and airport employees worked very hard to overcome each and every industry obstacle that came their way throughout the year in order to ensure the continued growth of the Greater Moncton International Airport (GMIA). I am extremely proud of their efforts.

As witnessed by the loss of CanJet scheduled service in September and its subsequent re-emergence as a charter airline, the air transportation industry in Canada, and indeed worldwide, is still undergoing a significant transformation. This, coupled with the continued threat of terrorism, will continue to impact all aspects of airport operations, not only here at the GMIA, but at airports across Canada. In short, the world of air travel will continue to evolve and reshape itself for some time to come.

President & CEO's Message

Another successful year has passed with over 558,000 air travellers passing through the award-winning air terminal facility of the Greater Moncton International Airport (GMIA), while cargo tonnage exceeded 24,000 metric tons. Both figures establish new records and, perhaps more importantly, contributed to this airport maintaining its position as the second busiest passenger airport in the Maritimes and the second busiest air cargo hub in Atlantic Canada. In percentage terms, these figures translate into a year over year growth rate of 4.3% and 2.6% respectively. These increases were achieved in spite of some major unpredictable events that arose throughout 2006.

Perhaps two of these that had the greatest negative impact on our 2006 revenue stream involved the loss of CanJet scheduled service in September and the prohibition of liquids/gels in carry-on baggage. Yet, despite these financial challenges, our contribution from operations bottom line exceeded budget projections, while net income for the year was only slightly less than that of 2005.

In spite of this, the GMIA has managed to continue with its unprecedented growth in both the passenger and cargo sectors. In fact, since transfer to local control in 1997, the percentages are 133% and 74% respectively. And for 2007, the 10th anniversary of our transfer, we intend to do everything possible to maintain that upward trend.

I was particularly proud this year to welcome Continental Express to the airport family. I have every confidence that their presence will grow as our community strengthens its links to the US and the global markets beyond served by this airline. This, coupled with the strong links with our other well-established airline partners, bodes well for our future.

This year the Board bid farewell to Ms. Céline Allain, nominee of the City of Moncton, and Mr. Gaston Losier, nominated by the City of Dieppe. Both provided yeoman service during their tenure and they will be missed. New to the Board in 2006 were Ms. Julie McSorley and Mr. Jim Morris, both nominated by the City of Moncton, and Mr. Jean Brousseau, nominee of the City of Dieppe. On behalf of all our stakeholders, welcome to the GMIAA Board of Directors.

On a personal note, it has been my sincere privilege and honour to have served on the GMIAA Board of Directors over the past nine years and as your Chairman for the last four. However, my tenure expires in July of 2007.

During my time at the helm of what I can only describe as an extremely dedicated Board of Directors, we have been able to implement many positive changes on your behalf, thanks in part to the groundwork laid by those who came before. I am confident that whoever assumes my responsibilities will take this facility to even greater heights. I say that because I know that each member of the Board, the airport team and our management company, Vancouver Airport Services (YVRAS) Ltd., share the same sense of dedication and have a common vision for this great facility and that is: "To be the airport of choice in Atlantic Canada." With the continued support of all the great communities in our catchment area, governments at all levels and you, our valued customers, this will become a reality!

Sincerely,

Kent Robinson, Chairman

One of the greatest successes of 2006 was the addition of Continental Express to our community. This non-stop service to New York (Newark) boosts the potential for new tourism and business opportunities, not only here in southeast New Brunswick, but throughout the entire province. Being linked to the world's largest economy (and beyond) via a major US hub, coupled with the reality that anyone wishing to access our province can now do so directly, enables us to now market ourselves in a way that we could never have imagined just a few years ago. The economic potential that this represents cannot be overstated.

Other successes included the completion of a major runway approach lighting project at a cost of $ 752,000, as well as the purchase of a new fire truck for $ 413,000. The latter allowed the increase of our fire fighting category, thereby enabling larger aircraft to serve the airport.

The major challenge facing management in 2007 will be replacing the nearly 100,000 seats per year that CanJet represented and the nearly one million dollars in lost revenue. That said, not only will management continue to work with our existing airline partners to add capacity, but our commitment to you for the upcoming year is that we will explore every opportunity to introduce new services and routes in both the passenger and air cargo sectors.

None of the GMIA's accomplishments in 2006 would have been possible without the professionalism, dedication and strong sense of teamwork demonstrated by the Greater Moncton International Airport Authority (GMIAA) Board of Directors, Vancouver Airport Services (YVRAS) Ltd., and the airport management and employees. To these people, as well as the over 500 employees who work at the GMIA, the air travellers who used the GMIA, our political representatives at all levels of government and those community partners that worked very closely with us, please know that your contributions, in no small way, contributed to our many accomplishments. To all of you, I offer my very sincere "thank you" for everything that you did to make 2006 an unqualified success!

Sincerely,

Rob Robichaud, President & CEO

FIRST-CLASS OPERATIONS

Construction

A Simplified Short Approach Lighting system with Runway (SSALR) alignment indicator lights was installed for runway 06 over the summer. This was the second approach system installation of a lighting refurbishment project that spanned two years. The SSALR for runway 06 replaced the older high intensity approach lighting system that was beyond its life cycle and did not meet current regulatory standards. This system presented more of an installation challenge over last year's installation due to the steeper terrain south of Champlain Street. Our neighbouring landowners and tenants were valuable partners without whom the completion of this project, with minimum disruption to airport operations, would not have been possible.

Safety and Security

In May, the Greater Moncton International Airport (GMIA) added an Oshkosh T3000 fire fighting vehicle to its fleet. This new vehicle increases GMIA's fire fighting capability to meet with Transport Canada regulatory standards for wide-body aircraft.

The Restricted Area Identity Card (RAIC), using biometric technology through iris and fingerprint recognition, was implemented in 2006 as part of a national Transport Canada initiative. This security project was implemented in partnership with Transport Canada and the Canadian Air Transport Security Authority (CATSA).

2000

On April 19, WestJet introduced service into Atlantic Canada by connecting Greater Moncton Airport to Hamilton.

2001

The Greater Moncton community accommodated 13 aircraft diversions and over 2,000 stranded passengers when the world's air movements stopped as a result of the September 11 tragedies.

Terminal Enhancements

Several terminal enhancements were implemented in 2006 to improve the customer experience. Most noticeable was a modification to the security screening layout to improve passenger flow in the pre-board screening area and the installation of televisions in the departure lounge, which offer programming in both official languages. Other enhancements were done to improve the climate and lighting of the air terminal building.

Environment

The Aeronautical Noise Management Committee and the Community Consultative Committee remain important consultative forums. Early in 2006, the Aeronautical Noise Management Committee hosted an open house that offered specialist-led information sessions covering industry-related topics such as aircraft operations, aircraft safety, airport operations and land development.

Operations Staff Notes

In 2006, our Supervisor, Surface Structure, and Millwright retired with combined service of 62 years. We wish them success in their future endeavours. We also welcomed three full-time and two part-time staff members to mechanical, electrical and field operations.

Oshkosh T3000 fire fighting vehicle

New air terminal building opened in 2002

FIRST-CLASS DEVELOPMENT

2002

In October, the new air terminal building was commissioned by Her Majesty Queen Elizabeth II, and international status was granted to the Greater Moncton International Airport (GMIA).

2003

GMIA was honored with the Greater Moncton Excellence Award in Marketing for the significant passenger and cargo growth experienced since privatization.

GREATER MONCTON EXCELLENCE AWARDS
PRIX D'EXCELLENCE DU GRAND MONCTON

The Year in Numbers

The Greater Moncton International Airport (GMIA) enjoyed another record-breaking year. By the end of 2006, passenger numbers were up 4.3% and cargo volumes were up 2.6% over 2005. In total, 558,513 passengers used Moncton's air services, and 24,320 metric tons of cargo was transited through GMIA, making it New Brunswick's undisputed air cargo hub.

Air Service Development

On May 3, Continental Express commenced daily service to Newark (New York), providing a direct link for our community and province to one of the world's leading business capitals. This, in addition to our existing scheduled carriers: Air Canada, WestJet and CanJet, resulted in a year where more flights were offered to more destinations.

In September, CanJet changed its business model to focus on charter operations and ceased their scheduled program. The result was a loss of approximately 100,000 seats per year for GMIA. Fortunately, CanJet, in partnership with Transat Holidays, are returning to Moncton during the 2007 winter charter season to offer flights to Florida and Mexico.

The European market was also well served during the summer season with Condor offering flights to Hanover, Germany, and Corsair offering weekly service to Paris, France.

Retail Marketing

In February, Relay, operated by HDS Retail, launched the first duty-free retail program at GMIA. Travellers heading to one of our international destinations can now choose from a selection of alcoholic beverages and tobacco products. This new offering, as a part of our specialty retail program, serves to continuously enhance customer choices when travelling through GMIA.

Looking Ahead to 2007

With the busiest winter charter season yet, the outlook for 2007 is positive. Our objectives include growing the air cargo business, increasing domestic passenger routes with a focus on currently un-served markets and continue to develop new and established international routes.

September 1, 2007, marks the 10th year since the management of our airport was transferred to a local authority: Greater Moncton International Airport Authority Inc. Special events are planned to mark this event in the fall of 2007.

FIRST CLASS OUTLOOK

Management Objectives for 2007

- Increase frequency of Continental service to New York/Newark
- Replace seat capacity and revenues that resulted from the loss of CanJet
- Work to increase the staffing levels of the Canada Border Services Agency (CBSA) in the Greater Moncton region and to increase core hours of service for the Greater Moncton International Airport (GMIA)
- Complete a cargo flow study
- Attract new air cargo carrier(s) and/or increase frequency of existing air cargo partners
- Enhance the customer experience
- Work with community agencies to attract aerospace-related industries
- Work with community/regional councils and agencies on issues that affect air accessibility, economic growth and tourism
- Work with airport tenants to improve customer service
- Market the GMIA and our region to potential airline partners and aggressively explore new business opportunities that hold the potential for growth of the bottom line
- Work with the local and provincial transportation departments on the construction of an overpass linking the GMIA and Route 15
- Continue with a management approach that treats employees with respect and empowers them to make decisions and take action where necessary, while maintaining open, honest lines of communication

Capital Expenditures for 2007-2011

This list is meant to define the capital projects that will require funding either as expansionary or operational capital over the next five years. The list is as follows:

- As a result of continued growth, various capital improvements will be required such as air terminal enhancements, airfield infrastructure upgrades and parking lot expansion.
- Expansion and new Apron 8 taxiway. To alleviate safety issues related to having only one entrance/exit to Apron 8, this will be a requirement with increased aircraft activity.
- Construction of a combined services building. The existing maintenance building is over 60 years old and is in need of replacement.
- Overlay of Runway 11/29, which was last completed in the mid-1980s.
- Reconstruction and upgrades to taxiway systems and Aprons 1 and 2. This infrastructure is reaching the end of its life cycle and must be rehabilitated.

Regional billboard campaign to promote new Continental service

FIRST-CLASS GUIDANCE

2004

The old air terminal building, built in the 1950s, was partially demolished leaving only control tower operations.

2005

GMIA served a record-breaking 1/2 million passengers in 2005. This represents an impressive 124% increase from the 240,000 passengers served in 1997.

Mr. Kent Robinson
Chairman

Occupation
Barrister & Solicitor,
Bingham, Robinson,
McLennan, Ehrhardt, Teed

Nominator
Enterprise Greater Moncton

Mr. Jack Low, FCA, CMA
Secretary/Treasurer

Occupation
Partner, KPMG LLP

Nominator
Town of Riverview

Mr. George Cooper
First Vice-Chair

Occupation
Barrister & Solicitor,
Clark Drummie

Nominator
Greater Moncton International
Airport Authority Inc.

Mrs. Kim Wilson
Second Vice-Chair

Occupation
Manager, Social Responsibility & Responsible
Gambling, Atlantic Lottery Corporation

Nominator
Greater Moncton International
Airport Authority Inc.

Mr. S. Boyd Anderson
Director

Occupation
Financial Planner,
Anderson Financial Services

Nominator
Province of New Brunswick

Mrs. Cathy Bates
Director

Occupation
Owner Operator,
Omni Credit Services

Nominator
Government of Canada

Mr. Jean Brousseau
Director

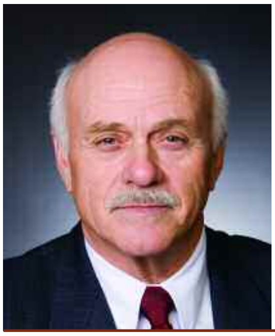
Occupation
Vice-President,
Bristol Group Inc.

Nominator
City of Dieppe

Mr. Calixte Losier
Director

Occupation
Retired

Nominator
City of Dieppe



Mr. Émile Chevarie
Director

Occupation
Retired

Nominator
Government of Canada

Ms. Julie McSorley
Director

Occupation
Long Term Care
Insurance Specialist,
SunLife Financial

Nominator
City of Moncton

Mr. Barrie Hould
Director

Occupation
Labour Representative

Nominator
Greater Moncton International
Airport Authority Inc.

Mr. James Morris
Director

Occupation
Principal,
MacLeod & Grant Ltd.

Nominator
City of Moncton

Mr. William Lane, CMA
Director

Occupation
Executive Vice-President & CFO,
Pizza Delight Corporation Ltd.

Nominator
Town of Riverview

Mr. Paul O'Driscoll
Director

Occupation
President,
POD Consulting Group Inc.

Nominator
Greater Moncton Chamber
of Commerce

FIRST-CLASS MANAGEMENT

2006

On May 3, Continental Express commenced the first trans-border non-stop service to its hub at Newark Liberty International Airport (New York).

Rob Robichaud

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

Chris Farmer

Director of Operations

Johanne Gallant

Director of Airport Commercial Development

Paul Ward, CGA

Director of Finance and Administration

BOARD COMMITTEES

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

The GMIAA Inc. Board's approach to governance is that the Board deals with policy issues while the 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 holds the CEO accountable through the provision of periodic reports as well as other monitoring measures, all designed to give the Board the tools necessary to ensure its policies are being adhered to.

Executive Committee
The Executive Committee comprises the Chairman, Mr. Kent Robinson, Mr. Jack Low, Mr. William Lane and Mr. George Cooper. Its purpose is to consider, promote and transact the business of the GMIAA Inc. between regular meetings of the Board of Directors.

Audit Committee
Members of the Audit Committee include Mr. Jack Low, Chairman, Mr. George Cooper, Mr. Barrie Hould and Mr. James Morris. 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 control systems, and monitoring the independence and performance of the external auditors.

Strategic Development Committee
This committee's membership includes Mr. S. Boyd Anderson, Chairman, Mr. William Lane, Mr. Paul O'Driscoll and Ms. Julie McSorley. 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 Mrs. Cathy Bates, Chairperson, Mr. Kent Robinson, Mr. Calixte Losier and Mr. Émile Chevarie. 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 Mr. George Cooper, Chairman, Mrs. Kim Wilson, Mr. Calixte Losier, Mr. Barrie Hould and Mr. Jean Brousseau. The Governance Committee annually reviews the terms of reference for the Board, Committees, the Board Chair, President and Management Company. This committee proposes any changes to the Board for approval.

The Community Consultative Committee and the Aeronautical Noise Management Committee
The Community Consultative Committee, chaired by Mr. Ken MacLeod, 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 that is also chaired by Mr. Ken MacLeod. 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 Greater Moncton District Planning Commission. These committees met their scheduled commitments in accordance with the Transport Canada ground lease requirements.

Board Accountability
The GMIAA Inc. Board of Directors is compensated as follows: Chairman $7,500, Secretary-Treasurer $5,000 and all other members $2,500. Also, there were no code of conduct non-compliance issues for the GMIAA Inc. Board of Directors in 2006.

FINANCIAL STATEMENTS

December 31, 2006

FINANCIAL REVIEW

The Greater Moncton International Airport Authority (GMIAA) Inc. 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 2006 contribution from operations, net of depreciation, remained stable at $1,357,000, a slight increase compared to $1,279,000 in 2005. These contributions from operations have grown considerably since 1998 when the contribution from operations, net of depreciation, was a negative $808,000. All contributions are used to fund operational capital works ranging from mobile equipment to airfield lighting.

The AIR Fund (Airport Improvement and Reconstruction Fund) generated $3,368,000 net of collection expenses in 2006. The purpose of the AIR Fund is to finance the maintenance and development of infrastructure projects such as the reconstruction of runway 06/24, construction of the new terminal building and other expansionary capital projects. Since 1999 the AIR Fund has raised $17.5 million. These funds were in turn used to pay $7.7 million in interest, principal payments of $4.9 million and purchased $2.5 million in capital assets. The net balance in the AIR Fund for 2006 was $2.4 million and will be used to finance identified expansionary infrastructure requirements over the next five years.

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, adjusted for CPI, were awarded during 2006 without a public competitive tendering process.

AUDITORS' REPORT

Grant Thornton LLP
Chartered Accountants
Management Consultants

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 balance sheet of Greater Moncton International Airport Authority Inc. / Direction de l'Aéroport International du Grand Moncton Inc. as at December 31, 2006 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Moncton, New Brunswick
February 20, 2007

Grant Thornton LLP
Chartered Accountants

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STATEMENTS OF EARNINGS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31	2006	2005
Revenues		
Aircraft (Page xii)	$ 3,939,143	$ 3,859,397
Airport (Page xii)	3,759,507	3,527,886
	7,698,650	7,387,283
AIR Fund revenues, net of expenses (Note 8)	3,367,965	3,151,179
	11,066,615	10,538,462
Expenses		
Salaries and employee benefits (Page xii)	2,094,294	1,998,805
Other operating and administrative expenses (Page xii)	4,246,807	4,109,222
Interest on long-term debt	1,453,639	1,578,090
Depreciation	1,350,382	1,253,407
	9,145,122	8,939,524
Net earnings before unusual and extraordinary items	1,921,493	1,598,938
Unusual item – breakage fee on early retirement of debt	(300,000)	-
Extraordinary item (Note 7)	-	2,181,855
Net earnings	$ 1,621,493	$ 3,780,793

Retained earnings, beginning of year	$ 8,866,318	$ 5,085,525
Net earnings	1,621,493	3,780,793
Retained earnings, end of year	$ 10,487,811	$ 8,866,318

See accompanying notes to the financial statements.

BALANCE SHEET

DECEMBER 31	2006	2005
Assets		
Current		
Cash and cash equivalents	$ 1,692,907	$ 1,841,650
Receivables - trade	500,471	556,340
- capital	80,114	266,610
Materials and supplies	236,613	203,852
Prepaid expenses	108,155	107,468
	2,618,260	2,975,920
Restricted cash and investments (Note 3)	3,090,386	3,175,665
Pension surplus (Note 10)	272,250	172,250
Capital assets (Note 4)	27,045,458	26,784,506
	$ 33,026,354	$ 33,108,341
Liabilities		
Current		
Payables - operating	$ 755,732	$ 885,170
- capital	261,855	477,895
AIR Fund payables	80,250	49,495
Unearned revenue	7,065	8,755
Refundable deposits	64,744	84,944
Bank financing due within one year (Note 6)	1,478,390	1,272,934
	2,648,036	2,779,193
Severance liabilities (Note 11 (d))	481,766	492,366
Bank term financing (Note 6)	19,408,741	20,970,464
	22,538,543	24,242,023
Retained earnings	10,487,811	8,866,318
	$ 33,026,354	$ 33,108,341

Commitments (Note 11)

On behalf of the Board — Jack Low, Director — Kent Robinson, Director

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31	2006	2005
(Decrease) increase in cash and cash equivalents		
Operations		
Net earnings	$ 1,621,493	$ 3,780,793
Extraordinary item	-	(2,181,855)
Depreciation	1,350,382	1,253,407
Gain on disposal	(22,484)	-
	2,949,391	2,852,345
Change in non-cash operating working capital (Note 9)	(108,752)	237,175
	2,840,639	3,089,520
Financing		
Repayment of YVRAS loan	(2,000,000)	-
Reduction of bank financing	(1,356,267)	(835,601)
New bank financing	2,000,000	-
Change in capital payables	(216,040)	(214,420)
Change in capital receivables	186,496	446,402
Change in pension surplus	(100,000)	(57,000)
	(1,485,811)	(660,619)
Investing		
Proceeds on disposition	37,881	-
Purchase of, or additions to		
Motor vehicles	(754,485)	-
Equipment	(72,866)	(297,111)
Infrastructure	(956,595)	(1,241,641)
Contributions received	157,215	491,612
	(1,588,850)	(1,047,140)
Net (decrease) increase in cash and cash equivalents	(234,022)	1,381,761
Cash and cash equivalents		
Beginning of year	5,017,315	3,635,554
End of year (Note 9)	$ 4,783,293	$ 5,017,315

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

Landing fees, terminal fees and parking revenue are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees. Rental (and licence) revenues are recognized over the lives of respective leases, licences and permits. Airport improvement fees (AIF), net of collection expenses are recognized upon the enplanement of passengers.

Cash and cash equivalents

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

Materials and supplies

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

Capital assets

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

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

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

Employee future benefits

The Authority accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Authority has adopted the following policies:

- The cost of the defined pensions benefits plan earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The asset valuation method for the market values of assets adjusts values to market over a three year period.
- The pension surplus of $148,000 which existed at January 1, 2000, is being recognized in income over the average remaining service period of employees at the date of amendment being 10 years.
- 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.
- Any excess of the net actuarial gain (loss) in excess of 10% of, the greater of the benefit obligation and the fair value of plan assets, is amortized over the average remaining service period of active employees.

Use of estimates

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

3. RESTRICTED CASH AND INVESTMENTS

	2006	2005
Airfund for capital purposes	$ 2,408,099	$ 2,538,233
Other capital funds (Board restricted)	501,112	425,717
Severance trust monies (Note 11 (d))	181,175	211,715
	$ 3,090,386	$ 3,175,665

4. CAPITAL ASSETS

	Cost	Discretionary grants and contributions applied	Accumulated Depreciation	2006 Net Book Value	2005 Net Book Value
Airside infrastructure**	$ 14,000,540	$ (8,287,509)	$ (2,093,346)	$ 3,619,685	$ 3,154,683
Equipment	891,888	(294,143)	(353,496)	244,249	258,409
Groundside infrastructure**	7,671,636	(4,625,448)	(418,552)	2,627,636	2,748,148
Motor vehicles	3,462,101	(164,591)	(1,721,193)	1,576,317	1,088,000
New ATB**	24,830,605	(3,774,384)	(2,335,972)	18,720,249	19,247,802
Old ATB renovations**	832,981	(495,356)	(80,303)	257,322	287,464
	$ 51,689,751	$(17,641,431)	$ (7,002,862)	$ 27,045,458	$ 26,784,506

**These assets are considered leasehold improvements based on the 60 year ground lease with the Government of Canada.

5. LINE OF CREDIT

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

6. BANK TERM FINANCING

	2006	2005
Royal Bank term loan, amortized to December 2009, repayable in semi-annual instalments of principal and interest of $339,767 which is being paid from monies collected from the AIR Fund charges. Interest rate is 7.12%. As security, the City of Moncton, the City of Dieppe, and the Town of Riverview have passed resolutions guaranteeing the loan and GMIAA has provided a general security agreement.	$ 1,807,250	$ 2,330,184
CIBC term loans including $17.4 million in Bankers Acceptances maturing January 4, 2007. The original $12.1 million with a fixed rate of 6.83% amortized over 15 years, beginning January 2003, and the original $6.0 million with a fixed rate of 6.65% amortized over 11 years, beginning January 2003. The interest rate applied to the excess is at prime rate. Principal repayments in yearly instalments of $750,000 (2006 - 2008), and $1,795,416 (2009 – 2013), $1,736,131 (2014), $1,666,666 (2015 - 2016), $1,666,672 (2017).	17,163,214	17,913,214
YVRAS loan repaid during the year.	-	2,000,000
CIBC term loan, amortized to May 2018, repayable in quarterly instalments of principal of $41,667 plus interest. Interest rate is Prime minus 1.25%. As security, the Authority has provided cash in premier investment accounts.	1,916,667	-
	20,887,131	22,243,398
Amount due within one year	1,478,390	1,272,934
	$ 19,408,741	$20,970,464

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

6. BANK TERM FINANCING (CONTINUED)

As security for the CIBC term loans, the Authority has provided the Leasehold Mortgage of the ground lease between GMIAA and Her Majesty the Queen in Right of Canada, represented by the Minister of Transport dated September 1, 1997, a general security agreement over all assets of the GMIAA not previously provided as security to the Royal Bank, on the $1.8 million loan.

The principal repayments over the next 5 years are as follows:

	Royal Bank	CIBC	Total
2007	$ 561,726	$ 916,664	$ 1,478,390
2008	601,404	916,664	1,518,068
2009	644,120	1,962,080	2,606,200
2010	-	1,962,080	1,962,080
2011	-	1,962,080	1,962,080

7. EXTRAORDINARY ITEM

On September 1, 1997 the Government of Canada sold all the chattels and consumables of the Greater Moncton Airport to GMIAA for a price of $2,181,855, which included capital assets of $1,921,932 and consumables of $259,923 and were equal to the Government of Canada's book values based on their depreciation rates. As consideration, GMIAA issued a non-interest bearing note to the Government of Canada, the principal to be repaid in four equal annual instalments of $545,463 from January 1, 2007 to January 1, 2010. During the 2005 year, the Government of Canada amended the Authority's Ground Lease and included the forgiveness of this note payable. The note was therefore brought forward into income in the 2005 year as an extraordinary item.

8. AIR FUND RESULTS

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

	2006	2005
Revenues		
Fees collected	$ 3,474,879	$ 3,293,542
Interest	86,295	48,032
	3,561,174	3,341,574
Expenditures		
Communication and telephone	1,978	1,968
Credit card discounts	39,529	32,287
Miscellaneous	387	967
Office supplies and equipment	3,481	5,550
Salaries and commissionaires	147,834	149,623
	193,209	190,395
Excess of revenues over expenses	$ 3,367,965	$ 3,151,179

9. SUPPLEMENTAL CASH FLOW INFORMATION

	2006	2005
Change in non-cash operating working capital		
Receivables	$ 55,869	$ 22,792
Materials and supplies	(32,761)	(13,226)
Prepaid expenses	(687)	2,265
Payables and accruals	(98,683)	235,091
Unearned revenue	(1,690)	(2,783)
Refundable deposits	(20,200)	(21,426)
Severance trust liability	(10,600)	14,462
	$ (108,752)	$ 237,175
Interest paid	$ 1,809,505	$ 1,618,006
Interest received	$ 174,058	$ 90,169
Cash and cash equivalents consist of:		
Cash and cash equivalents	$ 1,692,907	$ 1,841,650
Restricted cash and investments	3,090,386	3,175,665
	$ 4,783,293	$ 5,017,315

10. PENSION PLAN

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

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

Information about the CAC defined benefit plan follows:	2006	2005
Accrued benefit obligation	$(3,066,000)	$(2,680,000)
Fair market value of plan assets	2,906,000	2,286,000
Funded status – plan deficit	(160,000)	(394,000)
Net pension expense	206,000	161,000
Employer contributions	306,000	218,000
Employee contributions	63,000	60,000
Unrecognized experience loss to date	476,450	625,450
Unrecognized opening surplus from Jan 1/00	44,200	59,200
Benefits paid	36,000	24,000
Plan deficit	$ (160,000)	$ (394,000)
Unrecognized opening pension surplus	(44,200)	(59,200)
Unrecognized net actuarial loss	476,450	625,450
Pension surplus recognized	$ 272,250	$ 172,250

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

10. PENSION PLAN (CONTINUED)

As a result of a January 1, 2006 actuarial valuation, the Authority is required to make special monthly payments of $17,175 for the next three years. These payments are to fund the solvency deficiency that existed at January 1, 2006. The Authority's regular contributions have also been decreased from 9.8% to 7.9% of applicable salary amounts.

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

	2006	2005
Expected long-term rate of return on assets	6.25%	6.75%
Discount rate	5.25%	5.25%
Rate of compensation increase	4.0%	4.0%

The actuarial present value of accumulated plan benefits for the 2006 fiscal year is based on an extrapolation provided by the actuaries. The last formal actuarial valuation performed was effective January 1, 2006. The actuaries believe the financial results would not differ materially from the extrapolation if a formal valuation was performed as at December 31, 2006. The next valuation report is due from the actuaries effective January 1, 2007.

	Percentage of Plan Assets	
Defined benefit plan assets consists of:	2006	2005
Canadian equity securities	39.09%	38.52%
Foreign equity securities	28.34%	26.80%
Debt securities	32.57%	34.68%
Total	100.0%	100.0%

11. COMMITMENTS

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

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

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

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

(c) GMIAA has entered into an agreement with Greater Moncton Airport Services Ltd. to provide management and support services to the Authority. 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 2006, this base amounted to $613,000 (2005 - $598,000). 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 the Authority received $245,892 from the Government of Canada representing the present value of all future severance benefits accrued for the benefit of the employees, in respect of all years of service, up to the transfer date of September 1, 1997. The valuation amount was arrived at by the Office of the Superintendent of Financial Institutions Canada by using the methodology recommended by the Canadian Institute of Actuaries for the computation of transfer values from registered pension plans. Interest has been applied annually, bringing the total of these monies, which are held in trust, to $181,175 at December 31, 2006 net of amounts paid out.

(ii) On-going severance accrual
In addition, since the transfer from Transport Canada, the Authority continues to accrue severance as earned. At December 31, 2006, this component totalled $300,591.

(e) GMIAA has a capital budget of approximately $537,000 of operational capital program expenditures for equipment and infrastructure in 2007.

12. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, receivables, and payables and accruals are assumed to approximate their carrying amounts because of their short-term to maturity. The fair values of long-term debts approximate the carrying values as management believes the interest rate to be close to that offered currently for similar debt.

SCHEDULES OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31	2006	2005
Revenues		
Aircraft		
Landing fees	$ 2,678,595	$ 2,722,976
Terminal fees	1,260,548	1,136,421
	$ 3,939,143	$ 3,859,397
Airport		
Concessions	$ 1,473,184	$ 1,250,587
Interest	88,162	47,036
Parking	1,229,948	1,222,486
Rent	481,984	512,382
Recovery of property taxes from tenants	234,839	231,373
Recovery of expenses from tenants	134,325	177,693
Miscellaneous	117,065	86,329
	$ 3,759,507	$ 3,527,886
Expenses		
Salaries and employee benefits		
Salaries and wages	$ 1,708,799	$ 1,660,239
Employee benefits	385,495	338,566
	$ 2,094,294	$ 1,998,805
Other operating and administrative expenses		
Advertising and marketing	$ 265,343	$ 173,823
Bad debt expense – (recovered)	(6,573)	32,161
Board administration expenses	83,686	78,432
Communications and telephone	51,523	45,240
Contract and special services	105,528	113,565
Electricity	491,763	475,352
Freight	5,403	6,613
Fuel	236,696	246,320
Insurance	196,029	198,728
Interest and bank charges	49,030	33,970
Janitorial services	206,506	198,627
Management and support services	771,550	823,838
Materials and supplies	170,718	180,004
Miscellaneous	38,168	44,087
Office supplies	9,550	10,446
Professional and consulting services	49,584	63,994
Property taxes	710,909	681,580
Repairs and maintenance	232,580	161,848
Security services	478,806	471,568
Travel	63,921	52,575
Water and sewer	36,087	16,451
	$ 4,246,807	$ 4,109,222