Sudbury Airport Community Development Corporation

Financial Statements
December 31, 2011

August 13, 2012

Independent Auditor's Report

To the Board of Directors of
Sudbury Airport Community Development Corporation

We have audited the accompanying financial statements of Sudbury Airport Community Development Corporation, which comprise the statement of financial position as at December 31, 2011 and the statement of income and comprehensive income, and statement of changes in equity for the year ended December 31, 2011, and the related notes, which comprise 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 International Financial Reporting Standards, 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 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 Sudbury Airport Community Development Corporation as at December 31, 2011 and its financial performance and its cash flows for the year ended December 31, 2011 in accordance with International Financial Reporting Standards.

Comparative information
Without modifying our opinion, we draw attention to note 5 to the financial statements, which describes that Sudbury Airport Community Development Corporation adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2010 and January 1, 2010 and the statements of income and comprehensive income, changes in equity and cash flows for the year ended December 31, 2010 and related disclosures. We were not engaged to report on the restated comparative information and, as such, it is unaudited.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Sudbury Airport Community Development Corporation

Statement of Financial Position

	December 31, 2011 $	December 31, 2010 $ (Unaudited)	January 1, 2010 $ (Unaudited)
Assets			
Current assets			
Cash	1,300	1,000	1,000
Receivable from the City of Greater Sudbury (note 6)	-	495,486	16,016
Trade and other receivables (note 7)	2,096,068	827,251	1,617,767
Prepaid expenses	16,768	16,755	6,454
Inventory	93,536	99,147	99,135
	2,207,672	1,439,639	1,740,372
Non-current assets			
Property and equipment (note 8)	16,529,576	14,214,265	13,446,499
	18,737,248	15,653,904	15,186,871
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and other payables	942,827	320,581	711,122
Payable to the City of Greater Sudbury (note 6)	911,995	-	-
	1,854,822	320,581	711,122
Non-current liabilities			
Employee benefit obligations (note 9)	344,982	271,180	270,360
Deferred capital contributions (note 10)	8,935,947	7,896,196	7,487,066
	11,135,751	8,487,957	8,468,548
Shareholders' Equity			
Retained earnings	7,663,877	7,166,827	6,718,323
Accumulated other comprehensive loss	(62,380)	(880)	-
	7,601,497	7,165,947	6,718,323
	18,737,248	15,653,904	15,186,871

Commitments (note 11)

Contingent liability (note 12)

Approved on Behalf of the Board

______________________________ Director ______________________________ Director

The accompanying notes are an integral part of these financial statements.

Sudbury Airport Community Development Corporation

Statement of Income and Comprehensive Income

For the year ended December 31, 2011

	2011 $	2010 $ (Unaudited)
Revenues		
Supplementary terminal fees	1,609,860	1,515,820
Capital contributions	521,333	473,086
Rentals and concessions	1,440,349	1,231,458
National landing fees	727,700	651,445
Terminal fees	563,482	500,866
Services	545,900	458,273
	5,408,624	4,830,948
Operating expenses		
Salaries, wages and benefits (note 13)	1,425,925	1,340,454
Policing and security	411,497	367,635
Materials	496,836	359,801
Consulting and other professional services	237,012	240,290
Maintenance	349,308	282,060
Utilities	270,269	268,228
Other	360,958	139,954
Administrative charges	120,103	123,255
Insurance	105,596	105,187
Property taxes	165,512	237,723
Amortization of property and equipment	990,338	947,339
	4,933,354	4,411,926
Operating income	475,270	419,022
Interest income	21,780	29,482
Net income attributable to shareholder for the year	497,050	448,504
Actuarial loss (note 9)	(61,500)	(880)
Total comprehensive income attributable to shareholder for the year	435,550	447,624

The accompanying notes are an integral part of these financial statements.

Sudbury Airport Community Development Corporation

Statement of Changes in Equity

For the year ended December 31, 2011

	Retained earnings $	Accumulated other comprehensive loss $	Total $
Balance - January 1, 2010 (Unaudited)	6,718,323	-	6,718,323
Net income	448,504	-	448,504
Actuarial loss	-	(880)	(880)
Balance - December 31, 2010 (Unaudited)	7,166,827	(880)	7,165,947
Net income	497,050	-	497,050
Actuarial loss	-	(61,500)	(61,500)
Balance - December 31, 2011	7,663,877	(62,380)	7,601,497

The accompanying notes are an integral part of these financial statements.

Sudbury Airport Community Development Corporation

Statement of Cash Flows

For the year ended December 31, 2011

	2011 $	2010 $ (Unaudited)
Cash provided by (used in)		
Operating activities		
Net income	435,550	447,624
Adjustments for		
Amortization of property and equipment	990,338	947,339
Amortization of deferred capital contributions	(521,333)	(473,086)
Gain on sale of property and equipment	(2,261)	(22,563)
	902,294	899,314
Changes in non-cash working capital		
(Increase) decrease in trade receivables	(1,268,817)	790,516
Decrease (increase) in receivable/payable from City of Greater Sudbury	1,407,481	(479,470)
Increase in prepaid expenses	(13)	(10,301)
Decrease (increase) in inventory	5,611	(12)
Increase in employee benefit obligations	73,802	820
Increase (decrease) in trade and other payables	622,246	(390,541)
	1,742,604	810,326
Financing activities		
Capital contributions received	1,561,084	882,216
Investing activities		
Purchase of property and equipment	(3,305,649)	(1,715,105)
Proceeds on sale of property and equipment	2,261	22,563
	(3,303,388)	(1,692,542)
Increase in cash during the year	300	-
Cash - Beginning of year	1,000	1,000
Cash - End of year	1,300	1,000

The accompanying notes are an integral part of these financial statements.

1 Nature of operations

The Sudbury Airport Community Development Corporation (the Corporation) is incorporated without share capital under the laws of Ontario. Its principal business activity is to manage, operate and maintain the Sudbury Airport. The address of its registered office is 5000 Air Terminal Drive, Suite T202, Garson, Ontario P3L 1V4.

The objective of the Corporation is to promote community economic development in the City of Greater Sudbury (the City) with the cooperation and participation of the community by encouraging, facilitating and supporting community strategic planning and increasing self-reliance, investment and job creation within the community through the development and enhancement of the Sudbury Airport.

The Corporation is a municipal corporation pursuant to paragraph 149(1)(d.5) of the Income Tax Act (Canada) and is therefore exempt from income taxes having met certain requirements of the Income Tax Act (Canada).

2 Basis of presentation and adoption of IFRS

Statement of compliance

The financial statements represent the first annual financial statements of the Corporation prepared in accordance with International Reporting Standards (IFRS) as issued by the International Accounting Standards Board and are in compliance therewith. The Corporation adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards (IFRS 1) as discussed in note 5. In these financial statements, the term Canadian GAAP refers to Canadian generally accepted accounting principles as issued by the Public Sector Accounting Board before the adoption of IFRS.

The financial statements were approved and authorized for issue by the Board of Directors on June 25, 2012.

These financial statements of the Corporation have been prepared by management in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations, including IFRS 1. Subject to certain transition elections disclosed in note 5, the Corporation has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The financial statements have been prepared on a going concern basis and the historical cost convention, as modified by the revaluation of these financial assets and liabilities at fair value.

3 Summary of significant accounting policies

Revenue recognition

National landing fees, terminal fees, supplementary terminal fees, rentals and concessions and services are recognized as revenue in the period when the respective service is performed.

Unrestricted contributions are recognized as revenue when received.

Contributions restricted for property and equipment purchases are deferred and amortized to income on the same basis as the related property and equipment is amortized.

Inventory

Inventory is stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition and is determined using the first-in, first-out (FIFO) method.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the straight-line basis at the following rates:

Buildings	10 to 30 years
Equipment	2 to 80 years
Runway	15 years
Parking lot	20 years

The Corporation allocates the amount initially recognized in respect of an item of property and equipment to its significant components and amortizes separately each such component. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Assets under construction are not amortized until they are placed into use.

Impairment of non-financial assets

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset’s fair value, less costs to sell, and value in use (being the present value of the expected future cash flows of the relevant asset or cash-generating unit). An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The Corporation evaluates impairment by examining long-lived assets for impairment indicators and examines any prior period impairment losses for potential reversals when events or circumstances warrant such consideration.

Employee benefit obligations

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued where they are vested and subject to payout when an employee leaves the Corporation.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. The related liability recognized in the statement of financial position is the present value of the obligation at the statement of financial position date. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the term of the related liability.

Actuarial valuations for the sick leave and other post-employment benefit plans are carried out at each statement of financial position date.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income.

Current service cost, the recognized element of any past service cost, and the interest arising on the liability are included in salaries and benefits on the statement of income and comprehensive income.

Past-service costs are recognized immediately to the extent the benefits are vested, and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

At initial recognition, the Corporation classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

a) Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables are comprised of trade and other receivables, receivable from the City of Greater Sudbury and cash and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

b) Financial liabilities at amortized cost: Financial liabilities at amortized cost are comprised of trade and other payables and payable to the City of Greater Sudbury. These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, these items are measured at amortized cost. Financial liabilities are classified as current liabilities if payments are due within 12 months. Otherwise, they are presented as non-current liabilities on the statement of financial position.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, when it is more likely than not that the Corporation will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to settle the Corporation's present obligation.

Accounting standards issued but not yet applied

a) Amendments to IAS1, Presentation of Financial Statements

The amendment provides guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI. The amendment is effective for periods beginning on or after July 1, 2012, with early adoption permitted. The Corporation has not yet assessed the impact of these standards to the financial statements.

b) Amendments to IAS 19, Employee Benefits

The amendment makes significant changes to the recognition and measurement of employee future expense and termination benefits, and to the disclosures for all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income (loss) as they arise, without subsequent recycling to net income. This is consistent with the Corporation's current accounting policy.

c) IFRS 9, Financial Instruments

This standard replaces the current IAS 39, Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. This standard is required to be applied for periods beginning on or after January 1, 2012, with earlier adoption permitted. The Corporation does not expect any significant impact to the financial statements as a result of adopting the amended standard.

d) Amendments to IFRS 7, Financial Instruments: Disclosures

The standard has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is effective for periods beginning on or after July 1, 2011, with earlier adoption permitted. The Corporation does not expect any significant impact to the financial statements as a result of adopting the amended standard.

e) IFRS 13, Fair Value Measurements

This standard replaces the current IAS 39, Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. This standard is required to be applied for periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation does not expect any significant impact to the financial statements as a result of adopting the amended standard.

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements. The Corporation bases its estimates and assumptions on past experience and various other assumptions that are believed to be reasonable in the circumstances. This involves varying degrees of judgment and uncertainty, which may result in a difference in actual results from these estimates. The more significant estimates are as follows:

Provision for impairment against trade and other receivables

The Corporation performs credit evaluations of customers and limits the amount of credit extended to customers as appropriate. The Corporation is, however, exposed to credit risk with respect to trade and other receivables and maintains provisions for possible credit losses based upon historical experience and known circumstances. The provision for impairment as at December 31, 2011 with changes from January 1, 2011 is disclosed in note 7.

Inventory valuation

The value of the Corporation's inventory is evaluated by management throughout each period. Where appropriate, a provision is recorded against the book value of specific pieces of equipment to ensure that inventory values reflect the lower of cost and estimated net realizable value. The Corporation identifies slow-moving or obsolete parts inventory and estimates appropriate obsolescence provisions by aging the inventory.

Employee benefit obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense (income) for these obligations include the discount rate.

The Corporation determines the appropriate discount rate at the end of each period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Corporation considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee future benefit liability.

Other key assumptions for employee future benefit obligations are based in part on current market conditions. Additional information is disclosed in note 9. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

Recoverability of property and equipment

The Corporation undertakes a review of the carrying value of property and equipment whenever events or changes indicate that their carrying values may exceed their estimated net recoverable amount. If it is determined that the carrying value of assets cannot be recovered, the estimated unrecoverable amounts are recorded in the statement of income and comprehensive income as an impairment charge. The process of estimating the recoverable amount requires significant judgment and estimates related to the future cash flows associated with these assets.

5 Transition to IFRS on first-time adoption

The date of transition to IFRS for the Corporation was January 1, 2010. IFRS 1 sets forth guidance for the initial adoption of IFRS. IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the transition date, except that IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to the general requirements of retrospective application. The effect of the Corporation's transition to IFRS is summarized in this note as follows:

- Optional exemptions and mandatory exceptions;
- Reconciliation of shareholders' equity and comprehensive income as previously reported under Canadian GAAP to IFRS; and
- Adjustments to the statement of cash flows.

Optional exemptions

The Corporation has applied the following optional exemptions to full retrospective application of IFRS for employee future benefits - treatment of actuarial gains and losses. A description of the exemptions and impact to the Corporation is further described in (ii) below.

Mandatory exceptions

The Corporation has complied with all mandatory exceptions to full retrospective application of IFRS. The estimates previously made by the Corporation under Canadian GAAP were not revised for application of IFRS.

Reconciliations between IFRS and Canadian GAAP

The following reconciliations outline the effect of the transition to IFRS:

i) reconciliation of shareholders' equity as previously reported under Canadian GAAP to IFRS;

ii) reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS; and

iii) adjustments to the statement of cash flows.

i) Reconciliation of shareholders' equity as previously reported under Canadian GAAP to IFRS (Unaudited)

	December 31, 2010				January 1, 2010			
	Canadian GAAP $	Adjustment $	Note	IFRS $	Canadian GAAP $	Adjustment $	Note	IFRS $
Assets								
Current assets								
Cash	1,000	-		1,000	1,000	-		1,000
Receivables from the City of Greater Sudbury	495,486	-		495,486	16,016	-		16,016
Trade and other receivables	827,251	-		827,251	1,617,767	-		1,617,767
Prepaid expenses	16,755	-		16,755	6,454	-		6,454
Inventory	99,147	-		99,147	99,135	-		99,135
	1,439,639	-		1,439,639	1,740,372	-		1,740,372
Non-current assets								
Property and equipment	14,214,265	-		14,214,265	13,446,499	-		13,446,499
	15,653,904	-		15,653,904	15,186,871	-		15,186,871
Liabilities shareholders' equity								
Current liabilities								
Accounts payable and accrued liabilities	320,581	-		320,581	711,122	-		711,122
Non-current liabilities								
Employee benefit liabilities	241,180	30,000	a	271,180	239,480	30,880	a	270,360
Deferred capital contributions	7,896,196	-		7,896,196	7,487,066	-		7,487,066
Total liabilities	8,457,957	30,000		8,487,957	8,437,668	30,880		8,468,548
Shareholders' equity								
Retained earnings	7,195,947	(29,120)	a	7,166,827	6,749,203	(30,880)	a	6,718,323
Accumulated other comprehensive loss	-	(880)	a	(880)	-	-		-
	7,195,947	(30,000)		7,165,947	6,749,203	(30,880)		6,718,323
	15,653,904	-		15,653,904	15,186,871	-		15,186,871

ii) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS (Unaudited)

	Year ended December 31, 2010			
	Canadian GAAP $	Adjustment $	Note	IFRS $
Revenue				
Supplementary terminal fees	1,515,820	-		1,515,820
Capital contributions	473,086	-		473,086
Rentals and concessions	1,231,458	-		1,231,458
National landing fees	651,445	-		651,445
Terminal fees	500,866	-		500,866
Services	458,273	-		458,273
	4,830,948	-		4,830,948
Operating expenses				
Salaries, wages and benefits	1,342,214	(1,760)	a	1,340,454
Policing and security	367,635	-		367,635
Materials	359,801	-		359,801
Consulting and other professional services	240,290	-		240,290
Maintenance	282,060	-		282,060
Utilities	268,228	-		268,228
Other	139,954	-		139,954
Administrative charges	123,255	-		123,255
Insurance	105,187	-		105,187
Property taxes	237,723	-		237,723
Amortization of property and equipment	947,339	-		947,339
	4,413,686	(1,760)		4,411,926
Operating income	417,262	1,760		419,022
Interest income	29,482	-		29,482
Net income attributable to shareholders for the year	446,744	1,760		448,504
Actuarial loss	-	(880)	a	(880)
Total comprehensive income attributable to shareholders for the year	446,744	880		447,624

Explanatory notes

a) Employee future benefits

In accordance with the IFRS transitional provisions, the Corporation has chosen to recognize unamortized actuarial gains and losses arising from the remeasurement of employee benefit obligations as an adjustment to retained earnings as at January 1, 2010. Under Canadian GAAP, the Corporation recognized actuarial gains and losses over the expected average remaining service life of active employees. As a result, the carrying value of the obligation for employee benefit obligations as at January 1, 2010 and December 31, 2010 has increased by $30,880 and $30,000, respectively, under IFRS.

Under IFRS, the Corporation recognizes actuarial gains and losses arising from the remeasurement of employee benefit obligations in other comprehensive income (loss) as they arise. The Corporation has reflected a decrease in expense of $1,760 and other comprehensive loss of $880 under IFRS for the year ended December 31, 2010.

iii) Adjustments to the statement of cash flows

There were no material adjustments to the statement of cash flow as a result of the conversion to IFRS.

6 Receivable (payable) from (to) the City of Greater Sudbury

The Corporation is operated by the City in accordance with an operating agreement between the parties (the operating agreement). Under terms of the agreement, employees remain employed by the City however the Corporation is responsible for reimbursing the City for all employee related costs.

Moreover, all cash receipts and disbursements of the Corporation are received and paid by the City. Consequently, cash flows of the Corporation flow through the City. The resulting payable as at December 31, 2011 in the amount of $911,995 (2010 - receivable of $495,486) is unsecured, accrues interest at the City's average monthly rate of return on investments plus 1% and has no specified terms of repayment. In the event that the account is in a receivable balance, the Corporation earns interest at the City's average monthly rate of return on investments. The amount payable to the City as at December 31, 2011 is in excess of the maximum approved amount of $750,000 pursuant to City Bylaw 2003-261. The Corporation is currently in discussions with the City to amend and update the operating agreement, including amending the maximum borrowing amount.

Included in operating expenses is $93,476 (2010 - $91,442) charged by the City for the provision of administrative services. In addition, net interest in the amount of $21,780 (2010 - $29,482) was earned during the year.

7 Trade and other receivables

	2011 $	2010 $ (Unaudited)
Trade accounts receivable	1,056,540	856,030
Less: provision for impairment	-	(14,199)
Trade accounts receivable - net	1,056,540	841,831
Other receivables (payables)	1,039,528	(14,580)
Total trade and other receivables	2,096,068	827,251

The fair values of trade and other receivables approximate their book values due to their short-term nature.

The provision for impairment of trade receivables is specific in nature. No amount is subject to writeoff until all possible collection action has been taken by the Corporation.

Movements in the provision for impairment of trade receivables are as follows:

	2011 $	2010 $ (Unaudited)
Balance - Beginning of year	14,200	15,358
Amounts written off during the period	(14,200)	-
Amounts recovered during the period	-	(1,158)
Balance - End of year	-	14,200

As at December 31, 2011, trade receivables of $337,867 (2010 - $127,570) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging of these receivables is as follows:

	2011 $	2010 $ (Unaudited)
Up to 3 months	317,819	88,460
3 to 6 months	10,219	13,928
Over 6 months	9,829	25,182
	337,867	127,570

As at December 31, 2011, trade receivables of $nil (2010 - $14,200) were impaired. The amount of provision was $nil as at December 31, 2011 (2010 - $14,200). It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	2011 $	2010 $ (Unaudited)
Up to 3 months	-	-
3 to 6 months	-	120
Over 6 months	-	14,080
	-	14,200

The provision for impaired receivables is recognized in the statement of income and comprehensive income within operating expenses in the period of provision. When a balance is considered uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to operating expenses in the statement of income and comprehensive income.

Other receivables within trade and other receivables do not contain impaired amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Corporation does not hold any collateral as security.

8 Property and equipment

							December 31, 2011
	Buildings $	Equipment $	Runway $	Transferred assets $	Assets under construction $	Parking lot $	Total $
Cost							
Balance - January 1, 2011	8,318,598	4,879,567	5,287,707	2	21,000	289,413	18,796,287
Additions	44,443	736,437	-	-	2,472,635	52,134	3,305,649
Balance - December 31, 2011	8,363,041	5,616,004	5,287,707	2	2,493,635	341,547	22,101,936
Accumulated amortization							
Balance - January 1, 2011	1,654,936	1,142,262	1,748,646	-	-	36,178	4,582,022
Depreciation expense	287,295	334,755	352,514	-	-	15,774	990,338
Balance - December 31, 2011	1,942,231	1,477,017	2,101,160	-	-	51,952	5,572,360
Net book value - December 31, 2011	6,420,810	4,138,987	3,186,547	2	2,493,635	289,595	16,529,576

							December 31, 2010 (Unaudited)
	Buildings $	Equipment $	Runway $	Transferred assets $	Assets under construction $	Parking lot $	Total $
Cost							
Balance - January 1, 2010	7,871,722	3,632,338	5,287,707	2	-	289,413	17,081,182
Additions	446,876	1,247,229	-	-	21,000	-	1,715,105
Balance - December 31, 2010	8,318,598	4,879,567	5,287,707	2	21,000	289,413	18,796,287
Accumulated amortization							
Balance - January 1, 2010	1,404,700	812,144	1,396,133	-	-	21,706	3,634,683
Depreciation expense	250,236	330,118	352,513	-	-	14,472	947,339
Balance - December 31, 2010	1,654,936	1,142,262	1,748,646	-	-	36,178	4,582,022
Net book value - December 31, 2010	6,663,662	3,737,305	3,539,061	2	21,000	253,235	14,214,265

Transferred assets represent assets acquired pursuant to an agreement with Transport Canada that transferred the Sudbury Airport on March 31, 2000 to the newly incorporated Sudbury Airport Community Development Corporation (SACDC). This transfer included the transfer of all chattels by way of bill of sale and property by way of instruments of grant to the SACDC for consideration of $2. The Corporation has recorded both the asset and the grant at the exchange amount of $2 pursuant to the guidance under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.

9 Employee benefit obligations

	2011 $	2010 $ (Unaudited)
Other post-employment and sick leave benefits	207,000	144,000
Vacation pay	137,982	127,180
	344,982	271,180

Accumulated sick leave benefits accrue to certain employees of the Corporation and are paid out either on approved retirement, or upon termination or death.

Other post employment benefits represent the Corporation's share of the cost to provide certain employees with extended benefits upon early retirement.

The most recent actuarial valuation pertaining to other post-employment and sick leave benefits was as at December 31, 2011.

The movement in the employee benefit obligation and fair value of plan assets for sick leave and other post-employment benefits over the year is as follows:

	2011 $	2010 $ (Unaudited)
Accrued benefit obligation		
Balance - Beginning of year	144,000	145,620
Current service cost	4,500	4,000
Interest cost	7,500	8,500
Actuarial loss	61,500	880
Benefits paid	(10,500)	(15,000)
Balance - End of year	207,000	144,000
Plan assets		
Fair value - Beginning of year	-	-
Employer contributions	10,500	15,000
Benefits paid	(10,500)	(15,000)
Fair value - End of year	-	-

The amounts recognized in the statement of income and comprehensive income are as follows:

	2011 $	2010 $ (Unaudited)
Current service cost	4,500	4,000
Interest cost	7,500	8,500
Employee benefit expense recognized in net income	12,000	12,500
Actuarial loss recognized in other comprehensive loss	61,500	880

The significant actuarial assumptions used in measuring the Corporation's employee benefit obligation for sick leave and other post-employment benefits are as follows:

	2011	2010
Discount rate	4.75%	5.25%
Rate of compensation increase	2.30%	2.50%
Inflation	2.50%	2.50%
Medical cost increase	4.50%	4.50%

Mortality rates are based on the Ontario Municipal Employee Retirement System valuation as at December 31, 2008. The valuation is based on a percentage of the UP94 mortality rates with generational projection using scale AA, where percentages applied for active and retired employees range between 75% to 96%.

The effect of changes in assumed health care cost trend rates are as follows:

	$
Effect on aggregate of current service cost and interest cost for the year ended December 31, 2011	
One-percentage point increase	1,261
One-percentage point decrease	(1,081)
Effect on accrued benefit obligation as at December 31, 2011	
One-percentage point increase	19,800
One percentage point decrease	(17,249)

10 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants received for the purchase of property and equipment.

Details of the change in deferred capital contributions are as follows:

	2011 $	2010 $ (Unaudited)
Balance - Beginning of year	7,896,196	7,487,066
Add: Contributions received in the year	1,561,084	882,216
Less: Amount recognized as revenue in the year	(521,333)	(473,086)
Balance - End of year	8,935,947	7,896,196

11 Commitments

The Corporation has entered into an Assignment, Assumption and Indemnity Agreement which relates to the Corporation taking on all the rights related to leasing of land to the Province of Ontario for air ambulance and for the forest fire facility at the airport.

Navcan operates a flight service station at the airport. There is an agreement with Navcan to perform these functions and a lease has been entered into with them for the land under their tower and space in the administration building.

The Corporation entered into an agreement with Canadian Corps of Commissionaires for the provision of security services. The approximate annual payments is as follows:

	$
2012	380,000

12 Contingent liability

Pursuant to funding agreements with Transport Canada, the Corporation may in certain circumstances be considered in default of the agreement. Should the Corporation be considered in default of the agreement, action may be taken, which could result in repayment of funding or cancellation of the agreement.

13 Related party transactions

Related parties

The Corporation enters into transactions with the City in the normal course of operations relating to charges and reimbursements for salaries, management fees and other operating expenses.

Compensation of key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel comprise the Corporation's Chief Executive Officer.

Compensation paid/payable to key management personnel is as follows:

	2011 $	2010 $ (Unaudited)
Salaries and benefits	122,009	120,011
Post employment benefits	325	-
Total included in salaries, wages and benefits	122,334	120,011

14 Financial instruments

Financial instruments are classified into one of the four categories: assets and liabilities held at fair value through profit or loss, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Corporation's financial instruments are classified into the following categories:

	2011 $	2010 $ (Unaudited)
Loans and receivables(1)	2,097,368	1,323,737
Liabilities(2)	1,854,822	320,581

(1) Includes cash, trade and other receivables and receivable from the City of Greater Sudbury.
(2) Includes trade and other payables and payable from the City of Greater Sudbury.

Cash, trade and other receivables and trade and other payables carrying values approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

It is not practicable to determine the fair value of the amount due to/from the City of Greater Sudbury as there are no fixed repayment terms.

Risk management

The Company's operating activities result in financial risks that may arise from changes in market risk, credit risk and liquidity risk.

Market risk

The Corporation conducts the majority of its business in Canadian dollars. Accordingly, the Corporation's exposure to foreign currency risk is minimal. The Corporation does not have any external variable rate or term debt. Accordingly, the Corporation has no significant interest rate risk.

Credit risk

The Corporation is subject to credit risk through its financial assets. The Corporation performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss. The credit quality of financial assets that are neither past due nor impaired can be assessed by referenced to external credit ratings (if available) or to historical information about the customer.

The Corporation derives a substantial portion of its operating revenues from air carriers through landing fees and terminal charges. There is a concentration of service with three air carriers, which represents approximately 90% (2010 - 89% percent) of terminal fees, supplementary terminal fees and national landing fees and 39% (2010 - 66%) of the trade receivable balance as at December 31, 2011.

Liquidity risk

The Corporation manages liquidity risk by maintaining adequate cash balances. The table below analyzes the Corporation's financial liabilities based on the remaining period at the statement of financial position date to the contractual maturity date. It does not include employee benefit obligations for sick leave and other post-employment benefits as maturities are variable based on timing of individuals leaving the plan. The table has been prepared based on the contractual undiscounted cash flows based on the earliest date on which the Corporation can be required to pay.

			December 31, 2011
	Less than 1 month $	1 month to 12 months $	1 year to 5 years $
Trade and other payables and vacation payable	434,015	643,978	2,817

			December 31, 2010 (Unaudited)
	Less than 1 month $	1 month to 12 months $	1 year to 5 Years $
Trade and other payables and vacation payable	233,439	211,572	2,751

Capital risk management

The Corporation defines capital that it manages as shareholders' equity. The Corporation's objectives when managing capital is to maintain financial flexibility in order to preserve its ability to meet financial obligations. As at December 31, 2011 the Corporation's retained earnings and accumulated other comprehensive income amounted to $7,601,497 (2010 - $7,195,947).