

SECTION 5

Financial Statements of

**SUDBURY AIRPORT COMMUNITY
DEVELOPMENT CORPORATION**

Year ended December 31, 2005

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Financial Statements Index

Year ended December 31, 2005

	Page
Auditors' Report	1
Balance Sheet	2
Statement of Earnings and Retained Earnings	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 8
Schedule of Revenue	9
Schedule of Expenses	10

AUDITORS' REPORT

To the Board of Directors

We have audited the balance sheet of **Sudbury Airport Community Development Corporation** as at December 31, 2005 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the City'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 Airport as at December 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedules is presented for purposes of additional information and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COLLINS BARROW, SUDBURY - NIPISSING LLP

Chartered Accountants

KPMG LLP

Chartered Accountants

FREELANDT CALDWELL REILLY LLP

Chartered Accountants

Sudbury, Canada

April 28, 2006

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Balance Sheet

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Current assets:		
Petty cash	\$ 1,000	850
Accounts receivable	932,586	639,933
Inventory	101,826	117,926
	1,035,412	758,709
Other assets	7,530	15,061
Capital assets (note 2)	10,841,122	7,465,452
	\$ 11,884,064	8,239,222
Liabilities and Surplus		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 792,294	423,252
Other liabilities:		
Payable to the City of Greater Sudbury (note 4)	951,868	238,138
Deferred capital grants	5,668,621	3,325,781
	6,620,489	3,563,919
Surplus:		
Contributed surplus	2,662,157	2,662,157
Retained earnings	1,809,124	1,589,894
	4,471,281	4,252,051
Commitments (note 5)		
Contingent liability (note 6)		
	\$ 11,884,064	8,239,222

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Earnings and Retained Earnings

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenue:		
Supplementary terminal fees	\$ 1,396,348	1,330,280
Rentals and concessions	719,908	732,942
National landing fees	425,409	372,243
Terminal fees	301,813	275,672
Services	172,000	190,450
Miscellaneous	3,536	2,587
Interest	4,369	-
	3,023,383	2,904,174
Expenses:		
Wages and benefits	1,013,351	968,461
Security and commissionaires	328,849	310,914
Repairs and maintenance	225,302	181,477
Materials	220,791	190,949
Depreciation and amortization	219,831	174,178
Energy costs	209,024	221,789
Purchased services	172,820	162,168
Administration (note 4)	171,975	160,497
Insurance	81,308	140,540
Property taxes	56,934	57,505
Miscellaneous	50,690	31,871
Professional development	48,954	31,894
Interest	4,979	12,192
Hydrogeological study	1,600	22,054
Bad debt (recovery)	(2,255)	(27,000)
	2,804,153	2,639,489
Earnings before undernoted item	219,230	264,685
Gain on disposal of building	-	7,307
Net earnings	219,230	271,992
Retained earnings, beginning of year	1,589,894	1,317,902
Retained earnings, end of year	\$ 1,809,124	1,589,894

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Cash flows from operating activities:		
Net earnings	\$ 219,230	271,992
Adjustments for:		
Depreciation and amortization	219,831	174,178
Gain on disposal of building	-	(7,307)
	<u>439,061</u>	<u>438,863</u>
Changes in non-cash working capital:		
Accounts receivable	(292,653)	437,301
Inventory	16,100	(5,718)
Accounts payable and accrued liabilities	369,042	(656,023)
	<u>531,550</u>	<u>214,423</u>
Cash flows from financing activities:		
Deferred capital grants	2,559,697	82,503
Cash flows from investing activities:		
Purchase of capital assets	(3,804,977)	(135,122)
Proceeds on sale of building	-	90,000
	<u>(3,804,977)</u>	<u>(45,122)</u>
Net increase (decrease) in cash	(713,730)	251,804
Payable to City of Greater Sudbury, beginning of year	(238,138)	(489,942)
Payable to City of Greater Sudbury, end of year (note 4)	\$ (951,868)	(238,138)

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2005

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

1. Significant accounting policies:

(a) Inventory:

Inventory is valued at the lower of cost and replacement cost.

(b) Other assets:

Other assets, which consist of incorporation costs, are amortized using the straight-line method over five years.

(c) Capital assets:

Capital assets are recorded at cost. Depreciation 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	5 to 25 years
Runway	15 years

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

In the year of acquisition or usage, half of the annual depreciation charge is taken.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2005

1. Significant accounting policies (continued):

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the periods specified. Actual results could differ from those estimates.

(e) Deferred capital grants:

Deferred capital grants represent the unamortized amount of grants received for the purchase of capital assets. The amortization of deferred capital grants is recorded in the statement of earnings and retained earnings at the same rates and terms as the related asset as a reduction of depreciation expense.

2. Capital assets:

	2005		2004	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Transferred assets	\$ 2	–	2	–
Buildings	6,280,308	539,301	6,251,054	326,643
Equipment	1,476,534	179,921	1,445,884	101,197
Runway	3,941,425	137,925	196,352	–
	11,698,269	857,147	7,893,292	427,840
Less accumulated depreciation	857,147		427,840	
	\$ 10,841,122		7,465,452	

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 \$2.00.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2005

3. Option to purchase:

An operating agreement was entered into with Transport Canada whereby the SACDC agreed to manage, operate and maintain the airport. This agreement includes an Option to Purchase for ten years exercisable by Her Majesty on the termination of the provision of the airport services. The option is exercisable in the event of closure of the airport and includes the right to obtain ownership of airport lands, chattels and consumable stock.

4. Payable to City of Greater Sudbury:

The SACDC is operated by the City of Greater Sudbury (the "City") in accordance with an operating agreement between the parties which was signed on December 12, 2002.

Consequently, cash flows of the SACDC flow through the City. The resulting payable at December 31, 2005 in the amount of \$951,868 (2004 - \$238,138) bears 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 SACDC earns interest at the City's average monthly rate of return on investments.

Included in expenses is \$156,730 (2004 - \$153,685) charged by the City for the provision of administrative services. In addition, net interest in the amount of \$4,979 (2004 - \$12,192) was charged during the year.

5. Commitments:

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

Navcan operates the air navigation and air traffic control 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.

- (ii) The SACDC entered into an agreement with Canadian Corps of Commissionaires for the provision of security services. The approximate annual payments are as follows:

2006	\$ 344,900
2007	358,400
2008	372,000
2009	157,300
	<hr/>
	\$ 1,232,600

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2005

6. Contingent liability:

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

7. Fair value of financial instruments:

The carrying values of the Corporation's petty cash, accounts receivable, accounts payable and accrued liabilities, and payable to the City of Greater Sudbury approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Schedule of Revenue

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Rentals and Concessions:		
Land and office/shop space	\$ 282,707	332,326
Parking	263,279	239,352
Car rental agencies	173,922	161,264
	<u>719,908</u>	<u>732,942</u>
Services:		
Recoverable services	158,090	176,744
Aircraft parking	13,910	13,706
	<u>172,000</u>	<u>190,450</u>
National landing fees:		
- domestic airline	244,330	229,709
- other domestic	181,079	142,534
	<u>425,409</u>	<u>372,243</u>
Supplementary terminal fees	1,396,348	1,330,280
Terminal fees	301,813	275,672
Interest income	4,369	-
Miscellaneous revenue	3,536	2,587
Total revenue	\$ 3,023,383	2,904,174

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Schedule of Expenses

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Wages and benefits	\$ 1,013,351	968,461
Materials	220,791	190,949
Administration	171,975	160,497
Repairs and maintenance:		
Repairs - equipment	87,488	101,262
Repairs - buildings	137,307	79,295
Equipment rental	507	920
	225,302	181,477
Energy costs	209,024	221,789
Purchased services:		
Building services	129,550	119,270
Telephone	19,843	19,485
Consulting	13,757	18,386
Audit	9,670	5,027
	172,820	162,168
Security and commissionaires	328,849	310,914
Depreciation and amortization	219,831	174,178
Insurance	81,308	140,540
Property taxes	56,934	57,505
Professional development	48,954	31,894
Miscellaneous	50,690	31,871
Hydrogeological study	1,600	22,054
Interest	4,979	12,192
Bad debt (recovery)	(2,255)	(27,000)
Total expenses	\$ 2,804,153	2,639,489

See accompanying notes to financial statements.