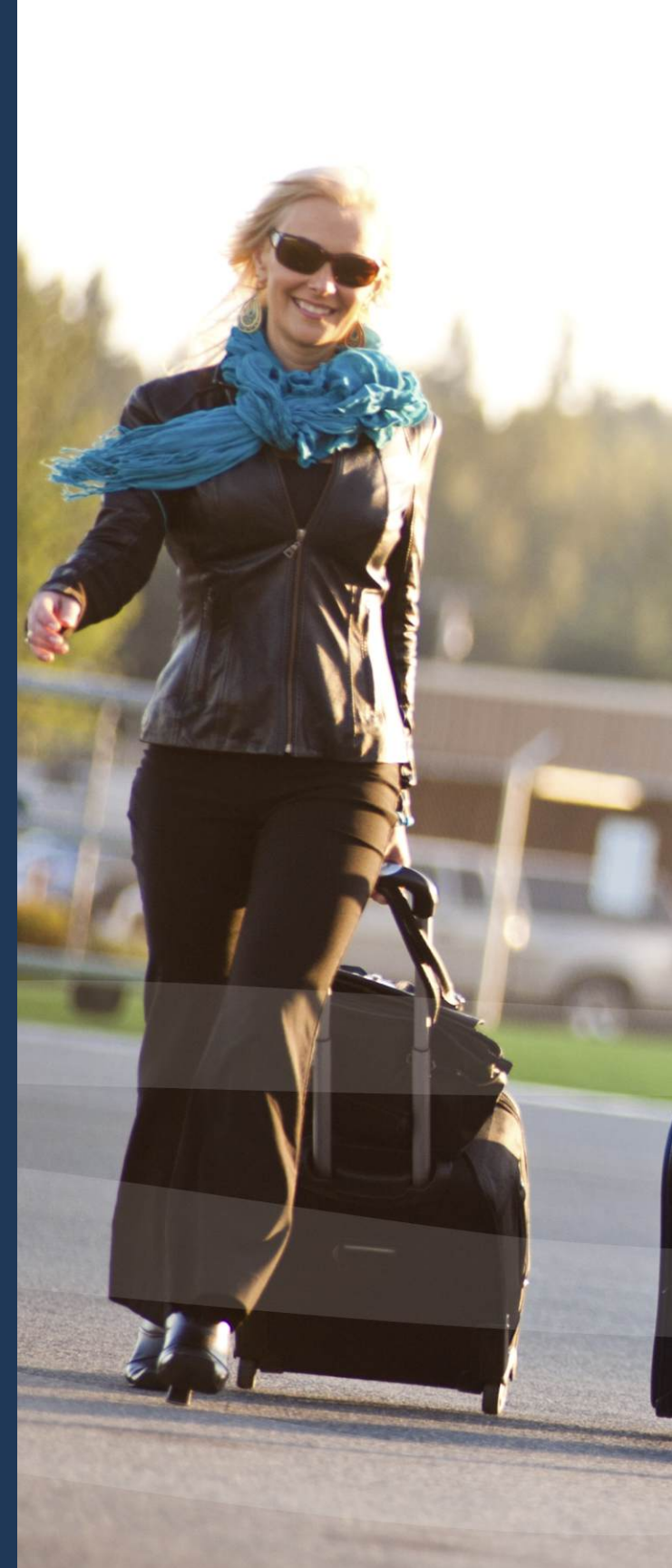




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ONE MILLION PASSENGERS
and Beyond



2012
ANNUAL
REPORT

NANAIMO AIRPORT COMMISSION
nanaimoairport.com



YOUR family can depend on us!

Precious time with loved ones is a top priority for many travellers. Thanks to the installation of the instrument landing system, high intensity landing lights and runway extension in 2010, YCD is ensuring families have more of that time. In fact in 2012, the Nanaimo Airport had over a 99% weather reliability rating, which meant more happy arrivals with “no stress” around winter travel plans.

NANAIMO AIRPORT COMMISSION

2012 ANNUAL REPORT

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The Future

CREDITS

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Mission

To provide a safe, efficient and financially viable airport, offering excellent service and value to all users while fostering economic development.

Vision

The Nanaimo Airport will be a safe, reliable, air services gateway effectively meeting customers' needs.

Nanaimo Airport Commission Overview

The Nanaimo Airport Commission was incorporated in August 1990, as a not-for-profit authority. In 1992, the Commission assumed management and operation of the Airport from Transport Canada. In 1996, the Commission was granted fee-simple title to the Airport lands by way of the National Airport Policy transfer initiative.

The Commission is comprised of up to nine Directors, all appointed by the Commission. Four Directors are selected by the Commission to represent the community at large. The following five entities provide to the Commission a short list of nominees whose appointment is then subject to the consideration of the sitting Directors as provided by the NAC bylaws:

- The City of Nanaimo
- The Regional District of Nanaimo
- The Cowichan Valley Regional District
- The Town of Ladysmith
- The Greater Nanaimo Chamber of Commerce

When YOU just can't wait to get there!

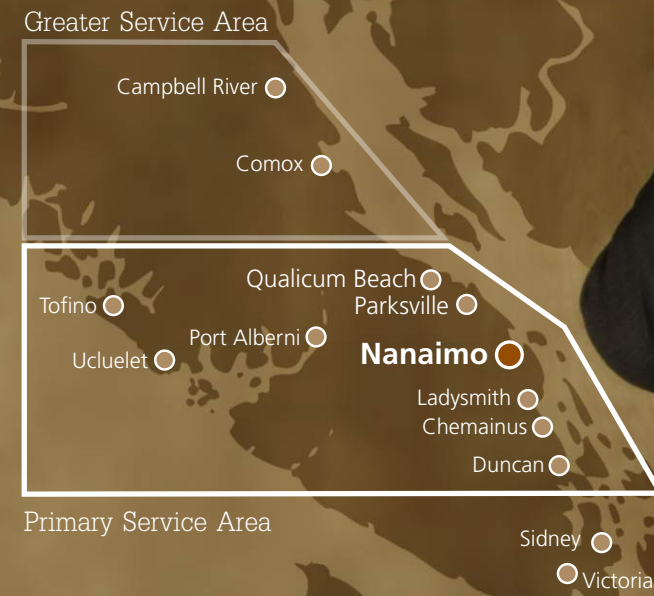
The short 20-minute flight to YVR allows for connections to over 100 direct destinations and 44 air carriers. Same day return travel within the Pacific Northwest and late night return flights reduce or eliminate the need for overnights in Vancouver. With 12 flights daily to Vancouver and the lower mainland you'll be on your way in no time.

The Nanaimo Airport is well positioned to meet the growing needs of local communities.

Service Area

The airport's primary service area illustrated on the map includes a population greater than 253,000 and all those areas where YCD is the closest airport offering scheduled service.

The greater service area includes the Regional Districts of Comox-Strathcona and Mount Waddington for an additional population base of 150,000.



YCD at a glance

1,000,000

Serviced over 1 million passengers since 2006

2

2 Record Breaking Years

12

12 Record Breaking Months



185,854 Passengers in 2012



99.1% weather reliability



9.5% increase in passenger's number in the past 18 months

7

7 months of double digit growth in passenger numbers



712 full time direct and indirect jobs generated by YCD activities

\$

\$54 million annual in direct and indirect economy contribution to the region from YCD



Message from the Board Chair

Chair

2012 was a year filled with milestones for the Nanaimo Airport Commission. One of the highlights was welcoming our millionth passenger through the terminal since enhancement work began in 2006. Another milestone is the consistent growth in passenger numbers which are up 9.3% over 2011! This growth in passenger numbers is laying the groundwork for Nanaimo Airport to attract new carriers and additional routes.

Ensuring safe, reliable transportation for Central Vancouver Island residents remained a key priority of the Board. The 2012 surge in passenger numbers will play a key role in achieving our goal to establish direct flights to Alberta and the Pacific Northwest to further complement the Air Canada Express services. In fact, this increase in passenger numbers secured YCD an invitation to WestJet Days in June 2012. Through the hard work of the Board and staff, I'm pleased to report a mutually beneficial relationship has been established and direct non-stop flights to Calgary will start June 24, 2013 with WestJet Encore!

A thriving airport not only gives our residents more travel options, but will have significant impact on the whole region. Studies show that airports are strong contributors to a community's growth.

On behalf of the entire Board of Directors I would like to thank our CEO, Mike Hooper and his team for their continued commitment to the goals of the Nanaimo Airport Commission.

A handwritten signature in black ink, appearing to read "Russ Burke".

Russ Burke



Board

Board of Directors

From left to right,

- Director Dixon Kenny
- Board Chair Russ Burke
- Director Al Tully
- Vice Chair John Craig
- Director Joe Burnett
- Past Chair Jerry Pink
- Director Lucie Gosselin
- Director Mike Kandert

Missing from picture

- Director Ray Gauthier

President

President, CEO Report

Record increases in passenger numbers for 2012 underscore why safety continues to be the highest priority at the Nanaimo Airport. The NAC Team is committed to an ongoing improvement process for the Safety Management System (SMS). We are also very pleased at achieving COR certification under Worksafe BC to further enhance the SMS.

With a solid foundation of infrastructure and safety in place, passenger experience and service were our next priorities. We have expanded customer service to include a volunteer ambassador program. Development of this program has greatly increased service levels at YCD and we are very grateful to the volunteers from the local community who are assisting our passengers.

Considerable time and resources were allocated to develop additional routes and aviation businesses during 2012, and we expect to see substantial benefits from this work in the coming years. We also continued to manage resources in a responsible manner while maintaining a high standard of environmental stewardship, including; enhancement of fish habitat in Haslam Creek, wildlife management and aquifer protection.

I would like to express my appreciation to our Board, Staff, Service Providers, General Aviation, Contractors, Consultants and all those who have made 2012 such a tremendous success.



Mike Hooper



Management Responsibility for Financial Statements

The accompanying financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles.

The Commission's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. These statements include some amounts based on management's best estimates and judgments. Management is satisfied that the financial statements have been prepared within reasonable limits of materiality.

The Board of Directors appoints a Governance and Audit Committee consisting of four Directors. This Committee meets periodically with Management and the auditors to review significant accounting, internal control and audit matters. The Committee also reviews and approves the annual financial statements and the independent auditor's report before it is submitted to the Board of Directors for final approval.

Audited financial statements contained within this report are consistent with information presented in the full set of financial statements, available at the Airport Office.



Michael K. Hooper
President, CEO
Nanaimo Airport

Nanaimo, BC
March 30, 2013

Partners
Lorana LaPorte, C.A.,CFP*
Grant McDonald, C.A.*
*incorporated

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Directors
Nanaimo Airport Commission

The accompanying statement of financial position as at December 31, 2012, December 31, 2011, and January 1, 2011 and the statement of revenue and expenses for the years ended December 31, 2012 and December 31, 2011, and related notes, are derived from the audited financial statements of the **Nanaimo Airport Commission**. We expressed an unmodified audit opinion on those financial statements in our report dated March 13, 2013.

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Nanaimo Airport Commission.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements. Management has chosen to include only notes which are referenced on the statements of financial position and revenue and expenses, and to exclude the statement of changes in net assets and the statement of cash flows for the years ended December 31, 2012 and December 31, 2011 from the audited financial statements in these summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Nanaimo Airport Commission for the year ended December 31, 2012 are a fair summary of those financial statements, on the basis described above.

Nanaimo, B.C.
March 13, 2013



Nanaimo Airport Commission Statement of Financial Position

As at December 31, 2012

	Dec 31, 2012	Dec 31, 2011	Jan 1, 2011
ASSETS			
Current			
Cash	\$ 937,648	\$ 741,273	\$ 745,097
Short-term investments - Note 4	191,000	170,000	153,586
Inventory	76,858	-	-
Prepaid expenses and operational supplies	69,584	74,898	87,365
Accounts receivable	365,807	328,811	3,109,880
	1,640,897	1,314,982	4,095,928
Long-term investments - Note 4	545,877	549,154	559,594
Deferred leasing costs	14,462	15,058	15,654
Capital assets - Note 3	28,897,409	29,786,895	27,515,977
	31,098,645	31,666,089	32,187,153
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 147,056	\$ 114,363	\$ 1,630,935
Deferred lease revenue	43,932	43,931	43,797
Current liabilities before callable debt	190,988	158,294	1,674,732
Callable debt - Note 5	3,273,683	3,673,499	4,723,165
	3,464,671	3,831,793	6,397,897
Deferred contributions related to capital assets - Note 7	17,969,082	18,806,813	17,307,348
Security deposits	20,131	19,956	19,956
	21,453,884	22,658,562	23,725,201
NET ASSETS			
Invested in capital assets	7,654,645	7,306,584	8,039,580
Internally restricted	100,000	-	-
Unrestricted	1,890,116	1,700,943	422,372
Net assets	9,644,761	9,007,527	8,461,952
	31,098,645	31,666,089	32,187,153

APPROVED:


DIRECTOR


DIRECTOR

Nanaimo Airport Commission Statement of Revenue and Expenses

As at December 31, 2012

	Budget 2012 (Unaudited) (Note 11)	2012	2011
REVENUE			
Passenger	\$ 1,068,654	\$ 1,134,180	\$ 1,042,179
Passenger facility fee - Note 6	843,620	896,044	811,846
Vehicle parking	328,833	371,329	330,004
Commercial land lease and licence	272,758	298,250	282,296
Air terminal lease and licence fees	257,337	282,165	250,339
Interest and general	14,800	99,325	39,609
Airside facility licence and concession user fees	46,600	34,377	38,185
	2,832,602	3,115,670	2,794,458
EXPENSES			
Administration and general	646,956	673,510	636,624
Operations and maintenance - CSB and airfield	319,480	335,474	302,681
Emergency safety and security services	263,280	257,017	219,640
Marketing and promotion	200,500	233,734	224,644
Operations and maintenance - ATB	175,978	209,184	179,996
Interest on demand loan	160,062	114,386	112,973
Airport commission	100,900	104,328	95,837
Property taxes and general	104,900	102,224	90,358
Planning and development	55,650	77,134	53,912
Insurance and professional fees	61,200	47,069	52,792
Bad debts (recovery)	-	(12,450)	16,884
	2,088,906	2,141,610	1,986,341
Revenue in excess of expenses before other revenue (expenses)	743,696	974,060	808,117
Other revenue (expenses)			
Amortization of deferred contributions related to capital assets	849,931	837,731	735,606
Amortization of capital assets	(1,439,461)	(1,176,010)	(997,038)
Unrealized gain/loss on investment	-	1,453	(1,110)
	(589,530)	(336,826)	(262,542)
Revenue in excess of expenses	\$ 154,166	\$ 637,234	\$ 545,575

Nanaimo Airport Commission Notes to the Financial Statements

As at December 31, 2012

2. Significant accounting policies

Basis of Accounting

The commission has elected to apply Canadian accounting standards for not-for-profit organizations.

These financial statements are the first financial statements for which the company has applied the Canadian accounting standards for not-for-profit organizations.

The financial statements for all periods presented were prepared in accordance with the Canadian accounting standards for not-for-profit organizations and provisions set out in First-Time Adoption, Section 1501, for the first time adopters of this basis of accounting.

The impact of adopting these standards was accounted for in net assets at the date of transition, January 1, 2011 (beginning of the first fiscal period for comparison purposes). However, no adjustments were required to be made to net assets at the date of transition. This transition did impact the excess of revenues over expenses for the period ending December 31, 2011. Accordingly, the effect of adopting Canadian accounting standards for not-for-profit organizations retrospectively is as follows:

	2011
Excess of revenues over expenses under pre-changeover accounting standards	\$ 546,685
Unrealized loss on equity investments recognized directly in net assets	(1,110)
Excess of revenues over expenses under Canadian accounting standards for not-for-profit organizations	\$ 545,575

Inventory

Inventory is recorded at the lower of cost, using the first-in, first-out method, and net realizable value and consists of aviation fuel. Operational supplies not for resale are treated as prepaid expenses and presented accordingly.

Deferred leasing charges

Deferred leasing charges are amortized over the life of the lease.

Capital assets

Purchased capital assets are recorded at cost at date of transfer and amortized. Contributed capital assets are recorded at fair market value (as per property assessments) at the date of transfer and amortized.

Amortization is recorded on a straight-line basis over the estimated useful life of the capital assets as follows:

Buildings and improvements	25 years
Runway, airfield, and parking lot improvements	20-50 years
Fence	10 years
Furniture, equipment, and computer hardware	5 years
Vehicles	5 years
Computer software	5 years

In the year of acquisition, amortization is recorded at one-half of these rates.

Nanaimo Airport Commission Notes to the Financial Statements

As at December 31, 2012

2. Significant accounting policies cont.

Revenue recognition

The commission follows the deferral method of accounting for operating grants. Operating grants are recognized as revenue in the year in which the related expenses are incurred. Capital grants are deferred when received and amortized over the useful life of the corresponding assets.

Revenue is recognized as follows:

- Landing and general terminal fees are recognized as revenue when airport facilities are utilized.
- Passenger Facility Fee (Note 6) revenue is recognized at passenger departure.
- Concession revenue is recognized monthly based on the relevant agreements.
- Parking concession revenue is recognized as the lot is used.
- Revenue from leases is deferred and recognized into revenue over the life of the lease.

Use of estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the determinations of the collectibility of accounts receivable, the amortization of capital assets, 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. Capital assets

	Cost	Accumulated Amortization	Net 2012	Net 2011
Land	\$ 3,656,503	\$ -	\$ 3,656,503	\$ 3,653,250
Buildings and improvements	13,319,925	2,818,660	10,501,265	10,802,299
Runway, airfield, and parking lot improvements	19,893,169	5,370,631	14,522,538	15,012,608
Fence	242,518	203,097	39,421	44,791
Furniture, equipment, and computer hardware	572,559	441,661	130,898	154,087
Vehicles	856,128	822,217	33,911	103,090
Computer software	38,603	25,730	12,873	16,770
	\$38,579,405	\$ 9,681,996	\$28,897,409	\$ 29,786,895

Additions to capital assets in 2012 included \$9,448 in capitalized wages for the internally-developed safety management system.

Included in capital assets is \$35,598 of assets which have not yet been put into use, and are therefore not being amortized.

Included in capital assets is the airport facility acquired by way of the transfer agreement described in Note 1. The transfer was recorded at \$7,000,000 (\$2,600,000 for the land, \$2,600,000 for buildings and improvements, and \$1,800,000 for the runway, airfield, and parking lot improvements).

Nanaimo Airport Commission Notes to the Financial Statements

As at December 31, 2012

4. Investments

The short-term investments consist of several term deposits and GICs, having interest rates ranging from 3.01% to 3.60% and maturing at various dates from February 19, 2013 to June 10, 2013. The long-term investments consist of equity investments, and several term deposits and GICs, having interest rates ranging from 2.20% to 4.15% and maturing at various dates from February 18, 2014 to May 8, 2017. The equity investments consisting of shares of publicly-traded companies are initially and subsequently measured at fair value. Changes in fair value are recognized in net income in the period incurred. Fair value of short-term and remaining long-term investments are considered to be equal to amortized cost. As a condition of its callable debt (Note 5), the commission must maintain a minimum of \$210,000 in GICs or cash in its investment account.

	2012	2011
Short-term investments	\$ 191,000	\$ 170,000
Long-term GICs	\$ 538,783	\$ 543,461
Equity investments	\$7,094	\$5,693
Long-term investments	\$ 545,877	\$ 549,154

5. Callable debt and line of credit

	2012	2011
Royal Bank of Canada - non-revolving demand loans - secured by a general security agreement on all property of the commission		
- Demand loan - interest payable at prime plus 0.30% requiring blended monthly payments of \$62,500; repayable in full on July 10, 2012	\$ -	\$ 217,044
- Phase II loan - interest payable at prime plus 0.30% requiring blended monthly payments of \$35,000; repayable in full on May 31, 2013	3,273,683	3,456,455
	\$ 3,273,683	\$ 3,673,499

The debt is secured by a general security agreement on all property of the commission. Debt is further secured by a collateral mortgage in the amount of \$875,000 constituting a first fixed charge on certain lands and improvements. In addition, there is a collateral mortgage including first ranking assignment of all rents in the amount of \$6,300,000 constituting a first fixed charge on certain lands and improvements.

When the loan becomes due, it is management's intent to renew the demand loan for an additional 12-month period.

Line of credit

A \$100,000 operating line of credit with the Royal Bank of Canada. Interest is payable at prime plus 0.50% on the outstanding balance. There was no outstanding balance at December 31, 2012.

Nanaimo Airport Commission Notes to the Financial Statements

As at December 31, 2012

6. Passenger facility fee

The commission receives a passenger facility fee of \$10 per outgoing passenger to fund the cost of airport operating expenses as well as the cost of capital projects. This fee is collected by the air carriers under an agreement between the commission, the Air Transport Association of Canada, and the air carriers serving the airport, entitling the air carriers to withhold a 3% administration fee.

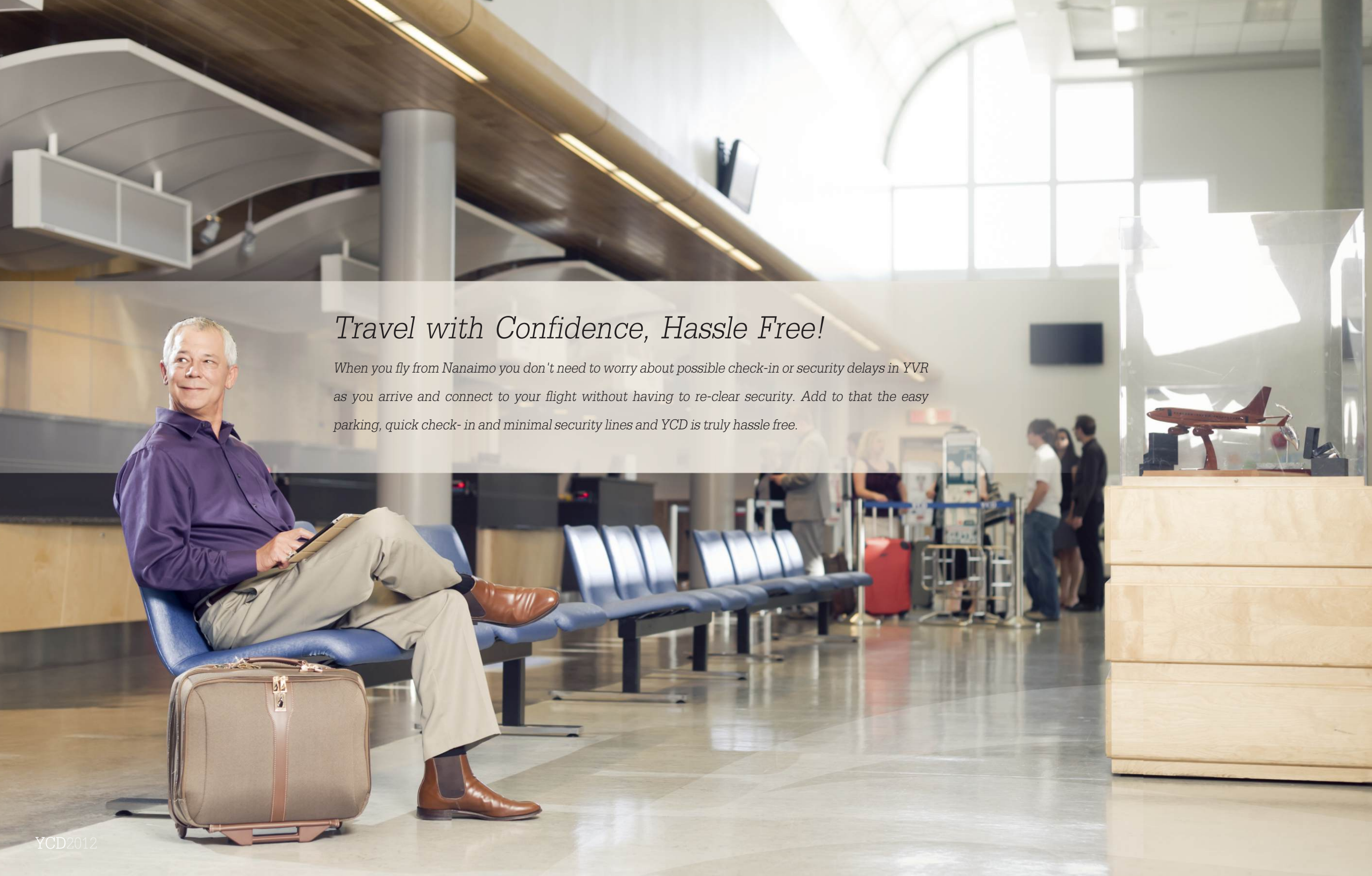
7. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent contributed capital assets and capital grant contributions with which the airport buildings and various other capital assets were acquired. These contributions are amortized into revenue at the same rates as the related capital assets are amortized. The changes in the deferred contribution balance for the year are as follows:

	2012	2011
Balance, beginning of the year	\$ 18,806,813	\$ 17,307,348
Capital assistance earned	-	2,235,071
Amortized to revenue	(837,731)	(735,606)
	\$ 17,969,082	\$ 18,806,813

11. Subsequent events

Subsequent to December 31, 2012, the commission came to agreement with WestJet Encore which will begin providing non-stop flight service between Nanaimo and Calgary beginning June 24, 2013.



Travel with Confidence, Hassle Free!

When you fly from Nanaimo you don't need to worry about possible check-in or security delays in YVR as you arrive and connect to your flight without having to re-clear security. Add to that the easy parking, quick check-in and minimal security lines and YCD is truly hassle free.

A Million and Beyond

Over A Million

Thanks to the support of area residents and businesses the Nanaimo Airport celebrated a huge milestone in 2012. The Airport's year-long "Gaining Altitude - A Million and Beyond" campaign was the next step in the airport's managed growth strategy that saw completion of a two-phase expansion plan between 2006 and 2011. During that time, 913,000 passengers travelled through YCD's terminal and in 2012 the airport reached its goal of one million passengers, helping to open up the potential for new aircraft landings, flight schedules, routes and destinations.

Passenger Jack Rumney of Nanaimo was identified on July 3 as YCD's millionth passenger. The celebrations actually encompass two major accomplishments, the millionth passenger as well as double digit growth in passenger numbers in the previous 10 months.

Strong resident support continued throughout the year, allowing Nanaimo Airport to post a new passenger record for each month in 2012 and ending the year with 9.3% growth in passenger numbers over 2011.

Record growth was a result of the Commission's earlier work to add high intensity runway lights, lead-in lights and a new instrument landing system (ILS), which significantly improved YCD's reliability. Nanaimo finished 2012 with over a 99% weather reliability rate, which is comparable to any reliable airport.

Although some residents still think of the airport in terms of planes coming and going, YCD is so much more than that. In fact, while ensuring environmental stewardship, the Nanaimo Airport is also a regional economic generator and employer, which plays an important role in island-wide transportation; and provides services that enhance the lives of all area residents.

The Commission estimates over 700 full-time direct and indirect jobs are generated by the activity at our airport each year. From a dollar standpoint it's an estimated \$54 million contributed annually to the regional economy.

Collaboration and partnership has been the driving force behind NAC expansion and growth. Nanaimo Airport's success as an airport is tied directly to the support received from area residents, businesses, and elected officials.

The Future

Securing the support of regional residents through our 'Gaining Altitude – A Million and Beyond' campaign was one step in a 20-year planning horizon where NAC envisions following similar growth patterns to other regional airports, which service a similar population base.

Regional users are looking to the future and for NAC to attract new aircraft carriers and with them new routes and destinations. The reality is, the more passengers YCD attracts, the more attractive YCD becomes as an airport to new carriers. The growth in passengers using the facilities during 2012 has pushed YCD past a minimum threshold in passenger numbers which will be attractive to new carriers.

With the completion of the runway expansion in 2011, the airport is now capable of handling jet's from all C-class aircrafts, such as the 737-700 series and the A319, along with the Dash 8-300 aircraft that currently land at YCD.

YCD now has the capacity to handle maximum distance direct routes, non-stop to Hawaii, Mexico, Alaska and Toronto. However, the short-term focus is to develop new routes to Alberta and the Pacific Northwest.

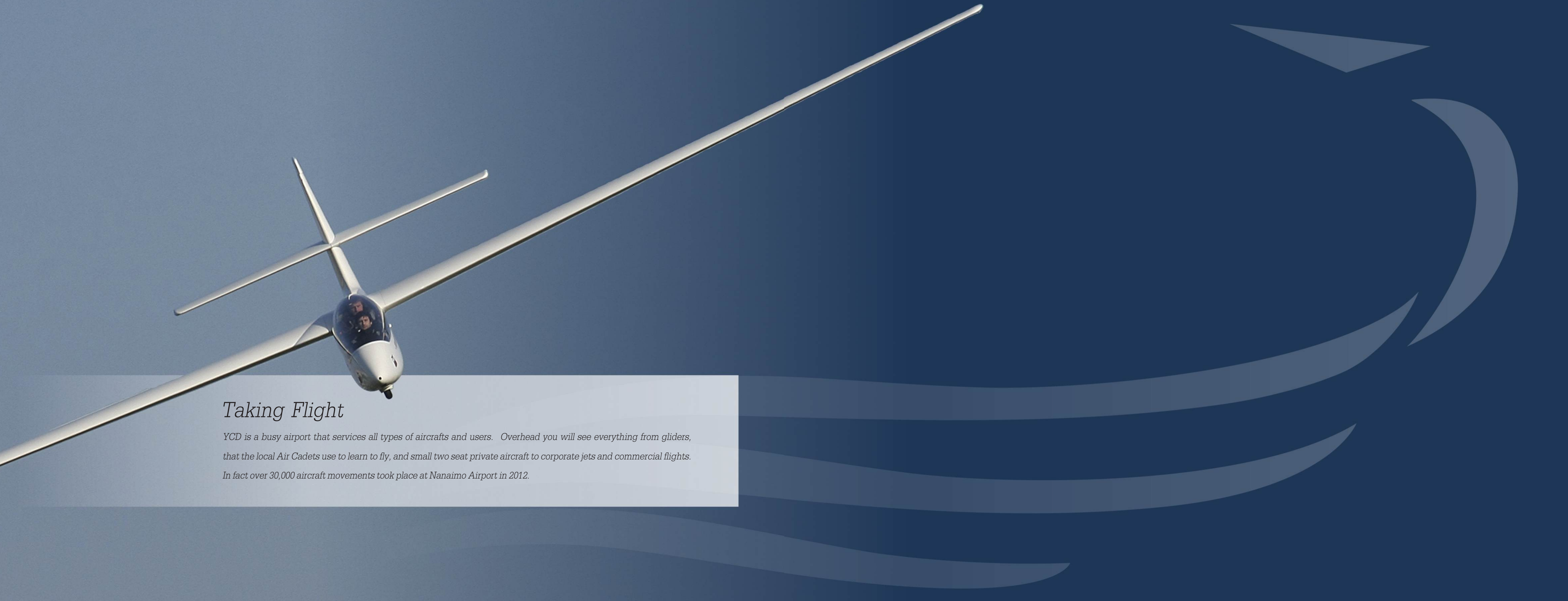
In addition to attracting additional scheduled and chartered air services, YCD has a unique opportunity to develop an additional revenue stream from better utilization of airport lands. The available lands along the new taxi-way at cost-effective lease rates will attract aviation-based businesses such as:

- Freight & courier operations
- Terminal retail & services
- Aviation support services
- Aircraft related suppliers
- Aerospace education & training



Dreams come true, right from here!

Regardless if your dream is to visit Disney or the beaches of Mexico, you can fly from Nanaimo. With hassle-free connections to all the major vacation destinations, traveling from YCD just makes sense. No long drives, no ferry and when you return you will only be minutes from home.



Taking Flight

YCD is a busy airport that services all types of aircrafts and users. Overhead you will see everything from gliders, that the local Air Cadets use to learn to fly, and small two seat private aircraft to corporate jets and commercial flights.

In fact over 30,000 aircraft movements took place at Nanaimo Airport in 2012.