HALIFAX INTERNATIONAL AIRPORT AUTHORITY

Annual Report 2012

HALIFAX
STANFIELD
INTERNATIONAL
AIRPORT

IN FLIGHT

Anticipation rises as an aircraft accelerates down a runway.

The instant of lift-off always exhilarates.

Halifax International Airport Authority (Airport Authority) experienced that uplift in 2012.

The extended main runway signaled new opportunities to compete and win in a global marketplace, particularly for air cargo, and represents yet another competitive advantage that Halifax Stanfield International Airport brings to our region.

A chic new hotel redefined the airport landscape as it emerged beside the terminal.

And while serving a record number of passengers, Halifax Stanfield International Airport received international recognition for its continued commitment to delivering a superior airport experience.

Every successful take-off depends on teamwork. Throughout 2012, the dedicated team at the Airport Authority reaped the benefits of diligent planning, strategic investment and community partnerships.

It was a year we truly were in flight.

Peter McDonough
Chair of the Board of Directors

Tom Ruth
President & CEO

INTROSPECTIVE

A Message from the Chair of the Board and the President & CEO

In 2012, Halifax International Airport Authority reached a new altitude. Our most recent major developments position Halifax Stanfield International Airport to play an even more compelling role in the long-term prosperity of Atlantic Canada. We are better equipped than ever to compete in a global marketplace.

The extension of our main runway is a significant milestone in the evolution of Halifax Stanfield International Airport (Halifax Stanfield). Along with our strategic location, the longer runway makes Halifax Stanfield a valuable global hub and an even stronger contender for new passenger and cargo business – giving Nova Scotia and all of Atlantic Canada – new opportunities to grow.

The new Metro Transit airport bus service provides both employees and travellers with an efficient, green and economical ground transportation link to and from the heart of Halifax.

Construction of the ALT boutique-style hotel continued, promising visitors quick access to chic accommodations and a high-tech meeting venue, via convenient interior pedestrian links with the terminal and parkade.

Halifax Stanfield welcomed more than half of all air passengers in Atlantic Canada in 2012 – a record 3.6 million – with an average of 170 flights per day.

Halifax Stanfield was recertified in 2012 as Airport Service Quality Assured – the international gold standard for passenger service excellence – making it one of only 12 airports in the world to reach this pinnacle of customer satisfaction.

Not satisfied to rest on our laurels, this global recognition inspires us to enhance our customer service offering. In 2012, the Airport Authority launched The Stanfield Way, a comprehensive airport-wide program designed to formalize and articulate the service culture of our airport community. It unites everyone who works at Halifax Stanfield in the common purpose of reaching out and taking even better care of our passengers and visitors.

Even these ambitious projects and impressive statistics don't reveal the many ways the Airport Authority – and the airport community of nearly 5,300 people – has embraced the pivotal role Halifax Stanfield plays in the economic and cultural development of the entire Atlantic region.

We aspire to reflect the spirit, energy and pride of the community we serve. The Airport Authority fostered many mutually beneficial partnerships with charitable organizations, associations and cultural groups throughout 2012.

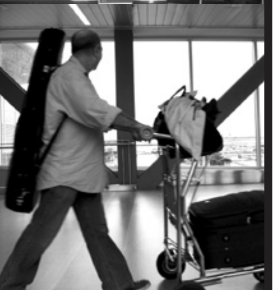
Having delivered on all substantive goals in our previous five-year strategic plan, we unveiled our 2013-2017 Strategic Plan in September. With informed input from our own people and our various stakeholders, the new plan is a framework for our future and lays out the steps we will take to capitalize on our position as one of Atlantic Canada's most critical pieces of transportation infrastructure.

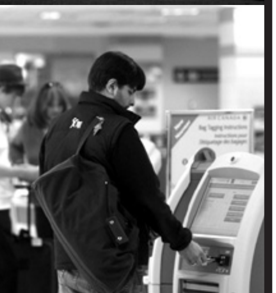
Our accomplishments over the past decade were achieved with a great deal of guidance from Bob Winters, who, in 2012, completed his term as Chairman and 10 years of service as a Board Director. We sincerely thank him for his leadership and dedication to the Airport Authority.

And of course, there's the cornerstone of our organization – our people – whose names you see in this report. We thank them for their outstanding efforts and the contributions they make every day.

Halifax Stanfield is well positioned to expand airline services domestically and across the world. We will also leverage our prime location to pursue non-aeronautical revenues by developing land between our existing facilities and Atlantic Canada's most heavily-travelled highway – which is right on our doorstep.

Halifax Stanfield is a world-class airport creating prosperity for our region by connecting Atlantic Canada to the world through flight. We are poised for growth, eager to build on our solid foundation of success, ready to lift us all toward a brighter, stronger, more prosperous tomorrow.





INFRASTRUCTURE

The movement of people and cargo by air is complex and challenging.

In 2012, Halifax International Airport Authority took practical steps to make air transportation a more seamless experience.

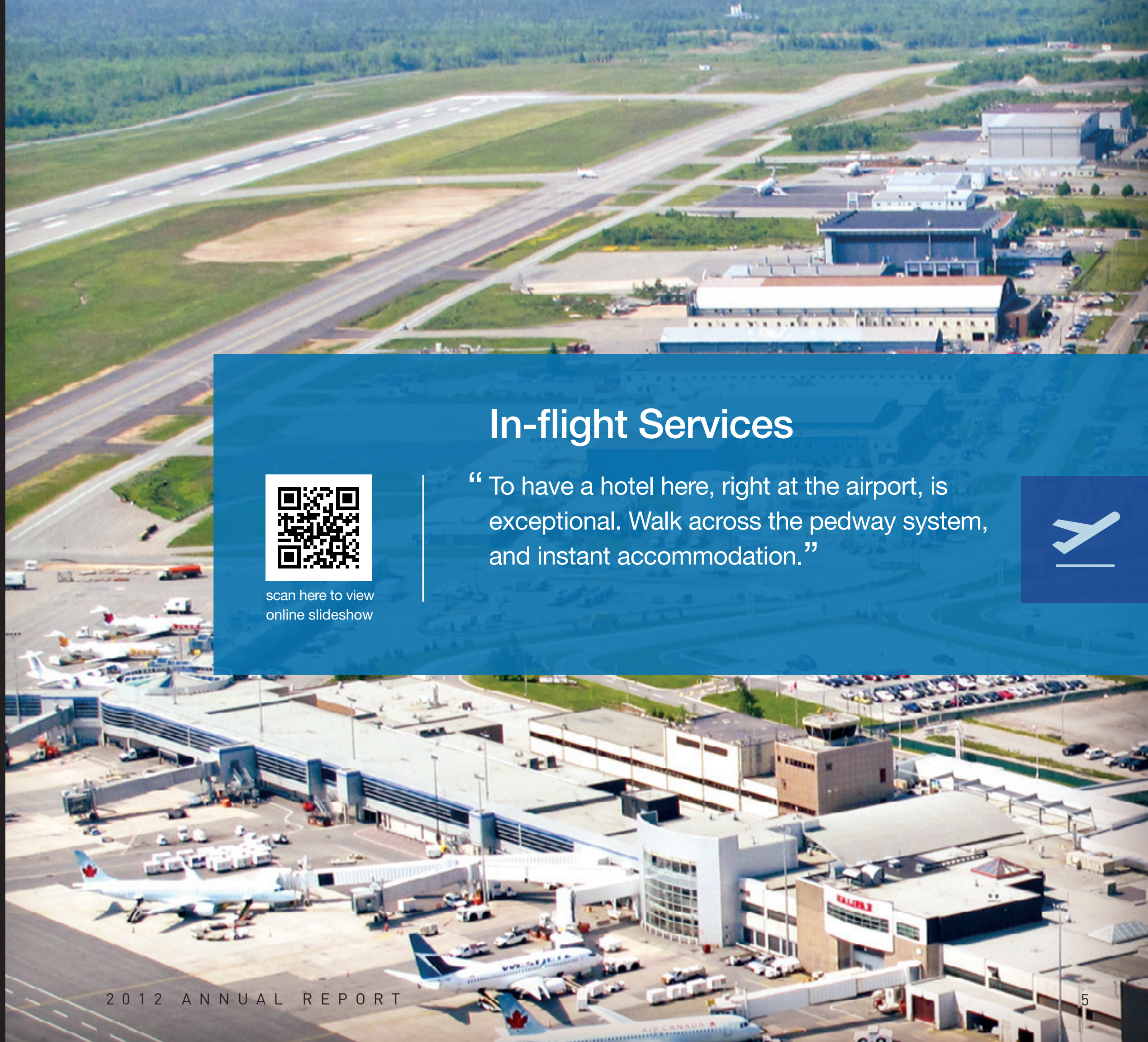
The substantial completion of our newly extended main runway to 10,500 feet heralds a new era for travellers and traders alike. The longer runway, made possible by investments from the Airport Authority and both the federal and provincial governments, means cargo freighters can operate throughout the year with heavier cargo loads. And larger passenger planes – that also carry significant amounts of cargo – will help move more Nova Scotia products to markets around the world, as well as bring products from around the globe to us.

Indeed, Halifax Stanfield handles more air cargo than all the other airports in Atlantic Canada – combined. And with increased cargo service and more aircraft movements, we can continue to be a major economic generator for Nova Scotia and all of Atlantic Canada.

In partnership with the Canadian Air Transport Security Authority, the Airport Authority embarked on a significant capital project to upgrade baggage handling systems and screening equipment. This will expedite baggage processing while meeting the highest security standards.

And once the new on-site ALT Halifax hotel opens in 2013, travellers will access an enclosed pedway linked to the terminal and parkade that will guarantee a smooth, comfortable transition to the next phase of their journey.

As we continue to invest in Halifax Stanfield, our focus is squarely on introducing services and designing infrastructure to enhance the airport experience – making air travel easy and enjoyable while optimizing safety and security for all our passengers and visitors.



In-flight Services

scan here to view online slideshow

"To have a hotel here, right at the airport, is exceptional. Walk across the pedway system, and instant accommodation."

In-flight Excellence

"The Stanfield Way is designed to help airport employees understand that the most effective way to ensure a safe airport environment... is to reduce stress for anxious travellers."

scan here to view online slideshow

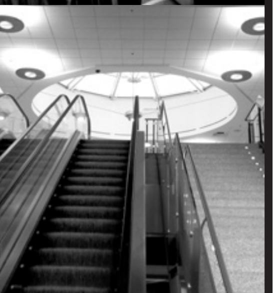
INTERACTION

We realize that while Halifax Stanfield is “home” to airport staff, those who only occasionally visit this vibrant and bustling airport can sometimes become overwhelmed in unfamiliar surroundings.

In 2012, Halifax International Airport Authority launched The Stanfield Way – a program that gathers the airport community around the common purpose of providing the best experience to travellers and visitors. Through workshops, 300 airport employees have already seen how reaching out to a visitor – if only for a minute – can make them feel at home. And, at the same time, committing to the five program attributes of happy, helpful, courteous, caring and kind will help ease the strain that some air travellers feel.

The Stanfield Way is the latest manifestation of our culture of superior service. That culture was recognized in 2012 when Halifax Stanfield was recertified by Airports Council International as Airport Service Quality Assured, making it one of only 12 airports in the world to reach this pinnacle of passenger satisfaction.

From 100 Tartan Team volunteers providing a warm welcome for every traveller and visitor, to airport staff conducting tours for schools, community groups and people with special needs, the Halifax Stanfield family is a living example of the Airport Authority’s vision: “Great people creating the best airport community in the world.”



INVESTMENT

Since taking on responsibility for Halifax Stanfield International Airport in 2000, Halifax International Airport Authority's management team has built a strong reputation for ensuring that day-to-day operations run smoothly, providing a positive experience for the millions of passengers and visitors who travel through the airport each year.

At the same time, the Airport Authority has guided the entire enterprise through evolving business and strategic plans.

An integrated four-tiered planning process – 20-year Master Plan, 10-year Capital and Financial Plan, 5-year Strategic Plan, and an annual Business Plan – guide operations and development of the airport to achieve goals that best serve the short- and long-term needs of our community, stakeholders and the air transportation industry.

The Airport Authority's robust planning processes have kept the airport on a steady path of growth and development, and on a solid financial course through a lengthy period of global economic uncertainty.

The next five years will be shaped by six business strategies – safety, security and environmental excellence; facilities and service improvements; culture of superior service; air service growth; non-aeronautical revenue growth; and professional excellence.

And, our new mission statement: "A world-class airport creating prosperity for our region by connecting Atlantic Canada to the world through flight" will serve us well, defining Halifax Stanfield as an economic catalyst and industry leader in our region.

In-flight Performance

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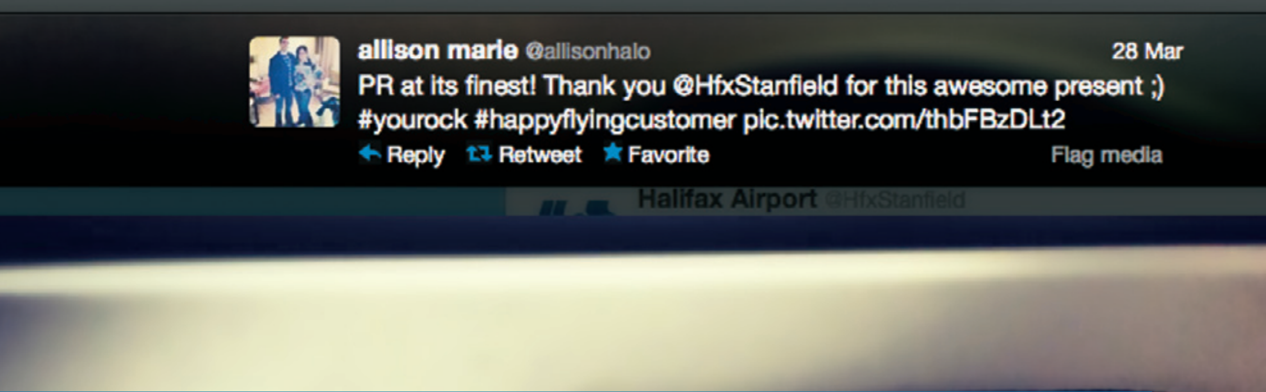
online slideshow

"Halifax Stanfield is one of Atlantic Canada's most critical pieces of transportation infrastructure. It really is important to the development, economically and socially, of the entire region."



In-flight Connectivity

“In 2012 we really put a focus on creating those ‘wow!’ moments and the personal touch… meeting our online community in real life.”

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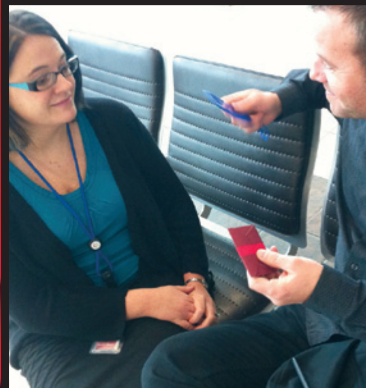


INTERCONNECTIONS

Operating an airport offers rich possibilities for helping travellers, customers and staff make local, international and even unexpected personal connections.

In 2012, Delta Air Lines returned to Halifax Stanfield with regular service to New York and seasonal service to Detroit and Atlanta. Porter Airlines and Condor added flights, and Icelandair extended its season.

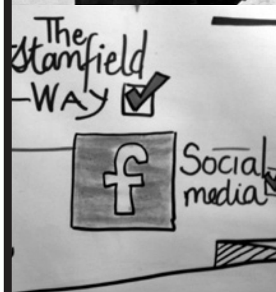
Halifax Stanfield had its busiest year in 2012, welcoming 3,605,701 passengers – accounting for over half of all air travellers in Atlantic Canada.

Trade connections increased, too. Cargojet initiated service to Europe and added five domestic flights on behalf of UPS, which contributed to the 29,570 metric tonnes of cargo processed through Halifax Stanfield in 2012 – up 1.1 per cent from 2011.

Ground connections are also vital. The launch of Metro Transit bus service connecting Halifax Stanfield to the city centre provided additional transportation options for both travellers and airport workers.

The Airport Authority's evolving social media presence also enhanced the airport experience. By staying connected with our Twitter followers, we were able to respond immediately to traveller questions and concerns, and even meet face-to-face when they let us know they were in the terminal building.

And we connected with travellers on another level too. With the launch of SOAR Halifax, our new complimentary in-terminal magazine, we were able to share air travel news, articles of interest to leisure and business travellers, and ways to make travel easier, quicker and more relaxed.



INVOLVEMENT

When you visit Halifax Stanfield International Airport, you immediately sense that you've entered a place where people matter most.

It could be the delight of a juggler from the Halifax International Busker Festival entertaining you by the baggage carousel or looking through a whimsical kaleidoscope created by a sculpture student as part of the Nova Scotia College of Art and Design's Airport Project.

It could be getting a unique perspective of the airfield during the Lung Association of Nova Scotia's first Runway Run on our newly-extended main runway, or a representative from Taste of Nova Scotia offering you a refreshing drink of wild blueberry juice on a hot summer day.

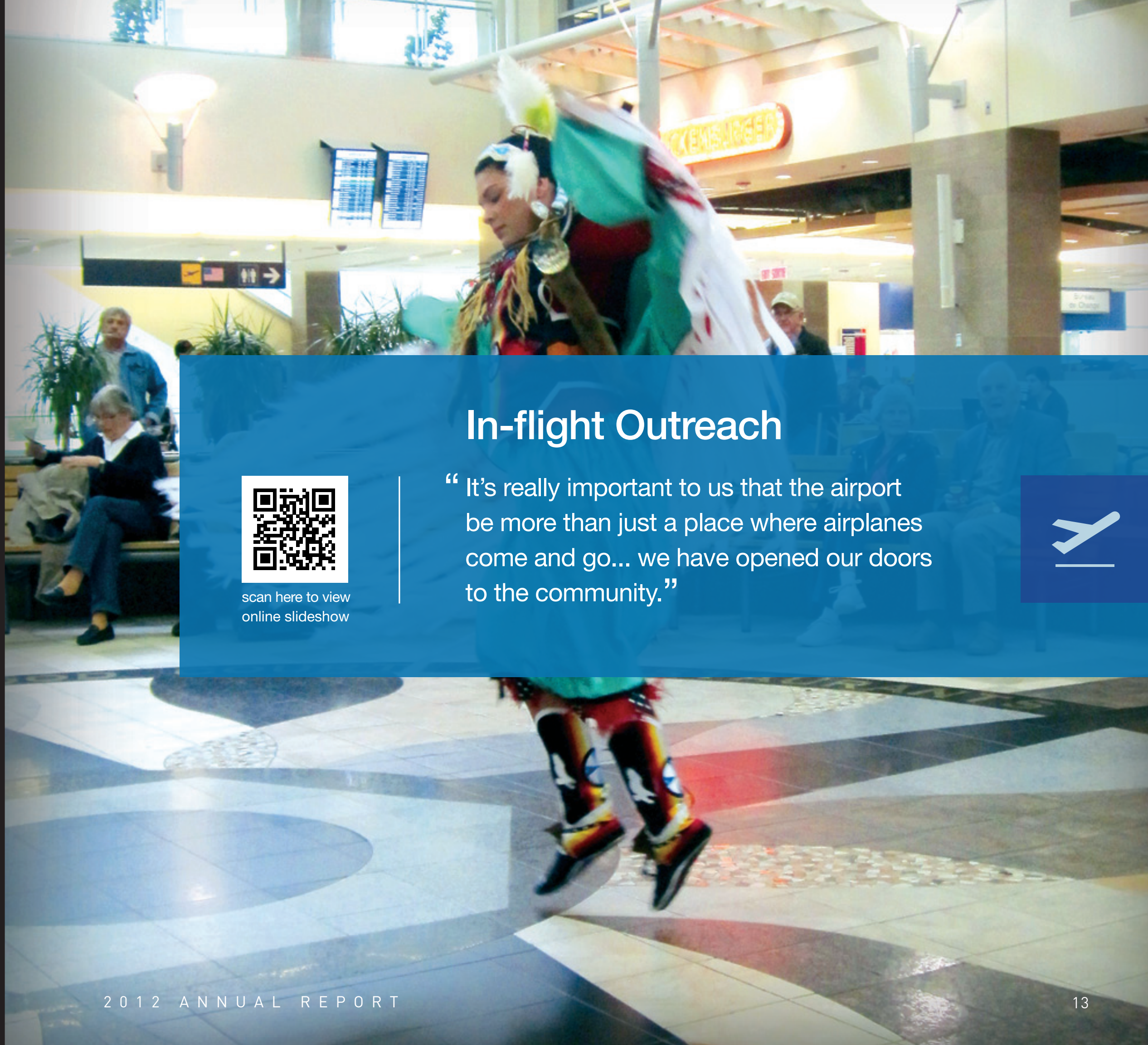
Halifax International Airport Authority's culture of engagement is redefining the experience of "going to the airport."

In 2012, we broadened our presentation of exhibits, introducing visitors to the distinctive cultural groups in our provincial mosaic and to the works of contemporary Nova Scotia performers, artists, and artisans.

The Airport Authority's corporate donations of $200,000 supported more than 300 community organizations and events throughout Nova Scotia in 2012. We assisted seven organizations through our Humanities Fund – a unique union-management collaboration that helps meet basic needs in the community based on employee suggestions.

Airport Authority employees did their part outside the airport too – from volunteering with Habitat for Humanity Nova Scotia to fundraising for the United Way, Canadian Cancer Society, Breast Cancer Research, and the Lung Association of Nova Scotia.

At the Airport Authority, "great people creating the best airport community in the world" is more than a vision statement – it's a way of life.



In-flight Outreach

scan here to view
online slideshow

“It’s really important to us that the airport be more than just a place where airplanes come and go... we have opened our doors to the community.”

Halifax International Airport Authority has identified six business strategies that support its mission and vision.

IN REVIEW

2012 Highlights and Accomplishments

- Extended Runway 05/23 to 10,500 feet to accommodate larger aircraft and create new economic development opportunities
- Metro Transit bus service launched, providing both travellers and employees with an efficient and economical ground transportation link
- Completed a five-year strategic plan to guide us through 2017
- Construction of the ALT Halifax Hotel by Groupe Germaine Hospitality continued
- Processed 29,570 metric tonnes of cargo – up 1.1 per cent from 2011 – in part due to Cargojet initiating service to Europe and adding five domestic flights on behalf of UPS
- Welcomed a record 3,605,701 passengers – more than half of all air passengers in Atlantic Canada – as Delta Air Lines returned with regular service to New York and seasonal service to Detroit and Atlanta, Porter Airlines and Condor added flights, and Icelandair extended its season

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- **Received the following awards and recognition:**
  - Recertified as Airport Service Quality Assured – the international gold standard for customer service excellence – one of only 12 airports in the world to reach this pinnacle of passenger satisfaction
  - Two Airports Council International-North America concession awards: Best Specialty Retail Program and Best Food and Beverage Program
  - An Airport Revenue News award for Airport with the Best Customer Service
  - Named a finalist in a national awards program called Canada's Passion Capitalists, where, from over 100 entries from across Canada, 28 finalists were selected and Halifax International Airport Authority was one of only five organizations chosen from Atlantic Canada
  - Named as one of Progress Magazine's Top 101 companies in Atlantic Canada
  - Airport Authority President & CEO Tom Ruth named as one of Atlantic Canada's Top 50 CEO's by Atlantic Business Magazine

Continued our community outreach activities, including:

- Supporting nearly 300 organizations with more than $200,000 in corporate donations, as well as promotional items and in-kind promotional space
- Completing the final year of a signature partnership with Habitat for Humanity, which saw $100,000 provided over three years to this life-changing organization
- Assisted seven organizations through our Humanities Fund – a unique union-management collaboration that helps meet basic needs in the community based on employee suggestions
- Waived the fees to provide in-kind support to Air Canada's Dreams Take Flight that offers financially challenged children a trip to Disney World for a day; and the Airport Authority's Sandi Nicholson volunteered her time as a chaperone
- Employee fundraising efforts supported the United Way, Canadian Cancer Society, Breast Cancer Research, and the Lung Association of Nova Scotia
- Partnered with the Nova Scotia College of Art and Design to create The Airport Project, which showcases the work of 12 Advanced Sculpture students throughout the terminal
- Created a pleasant atmosphere for travellers, visitors and staff by featuring various interactive events, musical and interpretive performances, and cultural demonstrations in the terminal building

- Introduced The Stanfield Way – a program designed to articulate our customer service culture and inspire members of the airport community to ensure travellers and visitors have a positive airport experience
- In partnership with the Canadian Air Transport Security Authority, began work to upgrade baggage systems to improve both transborder (USA) and domestic/international operations
- Created plans to expand and rebuild the domestic/international check-in area, including improvements to the exterior architecture at the south end of the terminal
- Began initial high level commercial planning to generate revenues on airport property between the terminal and Highway 102
- Worked with Canada Border Services Agency to develop systems to process passengers faster and with less stress, including having volunteers help travellers fill out paper work when returning from international trips or going through US preclearance

- Introduced a new airport magazine – SOAR Halifax
- Rolled out a Performance Management and Career Development System for Airport Authority unionized staff, after extensive union-management consultation
- Signed a new collective agreement – negotiated in just eight days
- Conducted a biennial Employee Opinion survey that indicated an overall 10 per cent improvement in all key areas
- Aligned our Environmental Management System with the requirements of the ISO 14001 standard
- Successfully hosted a major Emergency Training Exercise in cooperation with airport tenants, various levels of government and several emergency response agencies
- Recertified our Occupational Health and Safety program through Safety Services Nova Scotia
- Started Phase One of an Energy Conservation Program, installing a new capacitor bank to deal with peak electrical demand; better lighting; and control mechanisms to dim lights when not in use
- Continued with the implementation and development of a major IT Enterprise Systems and Infrastructure Plan – comprising 13 different projects – to improve efficiency and replace information technology assets

Air Service Summary 2012

Scheduled and Charter Passenger Services

17 Domestic Destinations	13 Transborder (USA) Destinations	18 International Destinations
Calgary, AB	Atlanta, Georgia	Bahamas – Nassau
Charlottetown, PE	Boston, Massachusetts	Bermuda – Hamilton
Charlo, NB	Chicago, Illinois	Cuba – Cayo Coco, Havana (one-stop), Holguin, Santa Clara, Varadero
Deer Lake, NL	Detroit, Michigan	Dominican Republic – Puerto Plata, Punta Cana, Samana
Edmonton, AB	Ft. Lauderdale, Florida	Germany – Frankfurt
Fredericton, NB	Newark, New Jersey	Iceland – Reykjavik
Gander, NL	New York (LGA), New York	Jamaica – Montego Bay
Goose Bay, NL	Orlando, Florida	Mexico – Cancun
Hamilton, ON	Philadelphia, Pennsylvania	St. Pierre et Miquelon
Moncton, NB	St. Petersburg, Florida	Turks and Caicos – Providenciales
Montréal, QC	Tampa, Florida	United Kingdom – London (Gatwick), London (Heathrow)
Ottawa, ON	Washington (Dulles), Virginia	
Saint John, NB	Washington (National), Virginia	
St. John's, NL		
Sydney, NS		
Toronto, ON		
Toronto City Centre, ON		

Scheduled and Charter Air Carriers

18 Passenger Air Carriers	13 Cargo Carriers
Air Canada	ABX Air / TNT
Air Canada Jazz	Air Canada
Air Georgian	Air St. Pierre
Air St. Pierre	Air Transat
Air Transat	Cargojet
American Airlines	Condor Flugdienst
CanJet Airlines	Finnair
Condor Flugdienst	Icelandair
Continental Airlines	Kelowna Flightcraft (Purolator)
Cubana Airlines	Korean Airlines
Delta Air Lines	Morningstar Express (FedEx)
Icelandair	Skylink Express
Porter Airlines	WestJet
Provincial Airlines	
Sunwing Airlines	
United Airlines	
US Airways	
WestJet	

Five-Year Forecast

	ACTUAL			FIVE-YEAR FORECAST*				
YEAR	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Passenger Volume	3,508,153	3,594,164	3,605,701	3,685,026	3,791,892	3,904,511	4,020,085	4,133,451
Per cent Change	2.7 %	2.5 %	0.3 %	2.2 %	2.9 %	3.0 %	3.0 %	2.8 %
Total Aircraft Movements	87,021	86,874	84,486	86,088	88,094	90,199	92,265	94,332
Per cent Change	-1.7 %	-0.2 %	-2.7 %	1.9 %	2.3 %	2.4 %	2.3 %	2.2 %
Expenditures on Capital Assets, net Government Contributions ($000's)	$ 22,667	$ 21,782	$ 24,315	$ 44,900	$ 34,200	$ 49,700	$ 40,900	$ 35,000
Rent Payable to Transport Canada ($000's)	$ 4,346	$ 5,192	$ 5,284	$ 6,100	$ 6,400	$ 6,700	$ 7,100	$ 7,500

* The forecast figures indicated are subject to change.

INTERPRETING THE NUMBERS

2012 Financial Overview

Prudent financial management and disciplined planning led Halifax International Airport Authority to another year with a positive bottom line and valuable contributions to the regional economy.

In an industry that has been severely tested by global economic forces, we are pleased to have received a seventh consecutive A+ credit rating from Standard & Poor's (S&P). The agency based its rating on the Airport Authority's "strong business risk profile, which benefits from strong internal cash flow generation, conservative management, robust liquidity support, and a relatively low debt burden."

The most recent economic impact study commissioned by the Airport Authority and executed by the Chris Lowe Planning and Management Group indicated that airport activities in 2011 contributed $1.26 billion to the Nova Scotia economy and provided a total employment impact of 12,040 full-time equivalent jobs, of which 5,260 were direct, 2,890 indirect and 3,890 induced.

Revenues in 2012 increased to $79.3 million, up from $77.9 million in the previous year. This total reflects increased revenue from such sources as concessions and parking. While our passenger total set a record, the growth in operating revenues related to aeronautical fees grew only slightly when compared to 2011. The growth was tempered as airlines reduced seat capacity into our market in the second half of 2012.

Airport Improvement Fee (AIF) revenues were marginally higher than in 2011, rising from $26.8 million to $26.9 million.

Expenses rose from $74.4 million in 2011 to $77.7 million in 2012. While such factors as interest costs remained consistent, the Airport Authority faced higher amortization costs, as well as increases in salaries, wages and benefits. Materials, supplies and services rose in such price-driven areas as security costs, maintenance and electricity.

Overall, revenues exceeded expenses in 2012 by $1.6 million. As always, this amount will be reinvested in airport operations and development to improve our facilities and services.

In 2012, we undertook a comprehensive consultative exercise with our own people and stakeholders to update our five-year strategic plan. This plan commits the Airport Authority to pursuing not only growth in revenues from air passenger and cargo services, but revenue diversification through the development of airport real estate – specifically the area that stretches from the terminal to Highway 102. And, by increasing non-aeronautical revenue, we are able to diversify our business and maintain competitive aeronautical fees.

Since taking over operation of Halifax Stanfield in 2000, the Airport Authority has been responsible for nearly $450 million in capital improvements, comprising more than 70 per cent of all airport-related construction and renovation in Atlantic Canada. In that same period, airport activities have contributed more than $12 billion to the Nova Scotia economy.

Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Directors of
Halifax International Airport Authority

We have audited the accompanying financial statements of **Halifax International Airport Authority** [the "Authority"], which comprise the balance sheet as at December 31, 2012, and the statements of operations and changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audit 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 **Halifax International Airport Authority** as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Halifax, Canada
March 22, 2013

Chartered Accountants

Balance Sheet

As at December 31

[in thousands of dollars]	2012 $	2011 $
ASSETS		
Current		
Cash and cash equivalents	59,812	66,937
Accounts receivable	5,436	4,921
Prepaid expenses	1,015	809
Inventories	884	950
Total current assets	67,147	73,617
Capital assets, net *[note 3]*	327,376	319,606
Debt Service Reserve Fund *[note 4]*	7,427	7,427
Accrued benefit asset *[note 7]*	5,307	3,936
	407,257	404,586
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	20,766	16,237
Deferred contributions related to capital assets	2,014	5,616
Current portion of long-term debt *[note 4]*	80	80
Total current liabilities	22,860	21,933
Long-term debt *[note 4]*	283,489	283,549
Security deposits	1,515	1,428
Total liabilities	307,864	306,910
Net assets		
Equity in capital assets *[note 5]*	99,393	97,676
	407,257	404,586

Commitments *[note 6]*
Contingencies *[note 10]*

See accompanying notes

On behalf of the Board:

Director

Director

Statement of Operations and Changes in Net Assets

Year ended December 31

[in thousands of dollars]	2012 $	2011 $
REVENUE		
Terminal and passenger security fees	17,408	17,039
Parking	11,229	10,539
Concessions	10,556	10,445
Landing fees	9,494	9,590
Rental	2,461	2,260
Interest	806	870
Other *[note 3]*	512	394
	52,466	51,137
Airport improvement fees *[note 5]*	26,863	26,753
	79,329	77,890
EXPENSES		
Salaries, wages and benefits	18,896	17,427
Amortization	16,645	15,612
Materials, services and supplies	16,602	15,752
Interest on long-term debt *[note 4]*	14,813	15,008
Ground lease rent	5,284	5,192
General and administrative *[note 3]*	4,047	4,070
Property taxes	1,405	1,386
	77,692	74,447
Excess of revenue over expenses for the year	1,637	3,443
Net assets, beginning of year	97,676	94,153
Net assets	99,313	97,596
Amortization of deferred financing costs	80	80
Net assets, end of year *[note 5]*	99,393	97,676

See accompanying notes

Statement of Cash Flows

Year ended December 31

[in thousands of dollars]	2012 $	2011 $
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	1,637	3,443
Add (deduct) items not affecting cash		
Amortization	16,645	15,612
Accrued benefit asset	(1,371)	(1,306)
Net change in non-cash working capital balances related to operations	4,075	(653)
Cash provided by operating activities	20,986	17,096
INVESTING ACTIVITY		
Expenditures on capital assets	(24,315)	(21,782)
Cash used in investing activity	(24,315)	(21,782)
FINANCING ACTIVITIES		
Deferred contribution related to capital assets	(3,716)	4,435
Decrease in deferred rent	(80)	(80)
Cash (used in) provided by financing activities	(3,796)	4,355
Net decrease in cash during the year	(7,125)	(331)
Cash and cash equivalents, beginning of year	66,937	67,268
Cash and cash equivalents, end of year	59,812	66,937

See accompanying notes

[Tabular amounts are in thousands of dollars]

1. GENERAL

Halifax International Airport Authority [the "Authority" or "HIAA"] was incorporated on November 23, 1995 as a corporation without share capital under Part II of the *Canada Corporations Act*. On February 1, 2000, the Authority signed a 60-year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Halifax Robert L. Stanfield International Airport [the "Airport" or "HSIA"]. Excess of revenue over expenses are retained and reinvested in airport operations and development.

HSIA is a world-class airport creating prosperity for its region by connecting Atlantic Canada to the world through flight. The airport is the largest airport in Atlantic Canada, and the region's gateway to the world.

The Authority is governed by a Board of Directors whose members are nominated by the Halifax Regional Municipality, the Province of Nova Scotia and the federal Government, as well as the Halifax Chamber of Commerce. The nominated members can also appoint additional members who represent the interests of the community.

The Authority is exempt from federal and provincial income taxes, federal large corporation's tax, and Nova Scotia capital tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority's financial statements have been prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ["CICA"] Accounting *Handbook – Accounting Standards for Private Enterprises*, which sets out generally accepted accounting principles ["GAAP"] for non-publicly accountable enterprises in Canada, and include significant accounting policies described hereafter.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

[Tabular amounts are in thousands of dollars]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

Government assistance

Amounts received or receivable resulting from government programs for capital development are reflected as reductions of the cost of the assets to which they relate when the Authority becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

Inventories

Inventories consist of materials, parts and supplies and are stated at the lower of cost, determined on an average cost basis, and net realizable value.

Ground lease

The ground lease with Transport Canada is accounted for as an operating lease.

Capital assets

Capital assets are recorded at cost, including interest on funds borrowed for capital purposes, net of contributions and government assistance, and are amort
their estimated useful lives on a straight-line basis at the following rates:

Computer hardware and software	20% - 33%
Leasehold improvements	2.5% - 10%
Machinery, equipment, furniture and fixtures	5% - 20%
Vehicles	5% - 17%

Construction in progress is recorded at cost and is transferred to leasehold improvements when the projects are complete and the assets are placed into service.

[Tabular amounts are in thousands of dollars]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized over the term of the loan.

Revenue recognition

Landing fees, terminal fees, parking revenue and passenger security fees are recognized as the airport facilities are utilized. Concession revenue is recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum guarantees where applicable. Rental revenue are recognized over the terms of the respective leases, licenses and permits. Airport improvement fees [“AIF”] are recognized when originating departing passengers board their aircraft as reported by the airlines.

Deferred contributions

Deferred contributions relate to funds for future capital acquisitions. These contributions are applied as the related capital expenditures are realized.

Employee benefit plans

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit and defined contribution components. In valuing pension obligations for its defined benefit component, the Authority uses the accrued benefit actuarial method prorated on services and best estimate assumptions. Pension plan assets are valued at current market values. The excess of the accumulated net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over the average remaining service life of employees. Defined contribution component amounts are expensed as incurred.

[Tabular amounts are in thousands of dollars]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Authority's financial instruments consist of cash, accounts receivable, Debt Service Reserve Fund, accounts payable and accrued liabilities and long-term debt. Accounts receivable are classified as loans and receivables and are accounted for at amortized cost. Cash and the Debt Service Reserve Fund are classified as held-for-trading and are recorded at fair value with realized and unrealized gains and losses reported in earnings in the period during which they arise. Accounts payable and accrued liabilities and long-term debt are classified as other liabilities and are accounted for at amortized cost with gains and losses reported in earnings in the period during which they arise. The Authority has no held-to-maturity or available-for-sale financial assets.

Transaction costs are capitalized and added to the cost of financial assets and liabilities not classified as held-for-trading.

[Tabular amounts are in thousands of dollars]

3. CAPITAL ASSETS

Capital assets consist of the following:

	2012			2011
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Computer hardware and software	8,503	6,774	1,729	294
Leasehold improvements	374,697	72,913	301,784	300,768
Machinery, equipment, furniture and fixtures	12,149	7,473	4,676	4,901
Vehicles	13,158	4,764	8,394	8,705
Construction in progress	10,793	–	10,793	4,938
	419,300	91,924	327,376	319,606

During the year, $6,687,000 [2011 – $6,018,000] in government contributions was received or is owing to the Authority, and was applied to capital assets. The government contributions that were received in 2011 and applied to capital assets in 2012 were $3,716,000 [2011 – $1,583,000]. The contributions relate to capital development.

During the year a gain of $148,000 [2011 – $18,000] was recognized in other income and a loss of $39,000 [2011 – $14,000] was recognized in general and administrative expenses that related to the disposal of capital assets.

[Tabular amounts are in thousands of dollars]

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2012 $	2011 $
5.503%, non-amortizing Series A Revenue Bonds due July 19, 2041. Interest payable semi-annually in arrears on January 19 and July 19 of each year until maturity, which commenced on January 19, 2007.	150,000	150,000
4.888%, non-amortizing Series C Revenue Bonds due November 15, 2050. Interest payable semi-annually in arrears on May 15 and November 15 of each year until maturity, which commenced on May 15, 2011.	135,000	135,000
Transport Canada deferred rent, non-interest-bearing, repayable in monthly installments of $6,700, which commenced in 2006.	241	322
	285,241	285,322
Less current portion	80	80
Less transaction costs net of accumulated amortization	1,672	1,693
	283,489	283,549

Bond issues

In July 2006, the Authority completed its inaugural $150 million Revenue Bond issue. The $150 million 5.503% Series A Revenue Bonds are due on July 19, 2041. In November 2010, the Authority completed a $135 million Revenue Bond issue. The $135 million 4.888% Series C Revenue Bonds are due on November 15, 2050.

The net proceeds from these offerings were used to finance the Capital Plan and for general corporate purposes. These purposes included repaying existing bank indebtedness and funding of the Debt Service Reserve Fund. The bonds are direct obligations of the Authority ranking pari passu with all other indebtedness issued under the Master Trust Indenture.

[Tabular amounts are in thousands of dollars]

4. LONG-TERM DEBT (CONTINUED)

Credit facilities

The Authority has authorized credit facilities with the Canadian Imperial Bank of Commerce, which provide the Authority with a combined availability of $94.5 million, comprised of an $80 million Capex facility and a $14.5 million revolving operating and letter of credit facility. These facilities are secured under the Master Trust Indenture and are available by way of overdraft, prime rates loans, or bankers' acceptances.

As at December 31, 2012, an amount of $11.4 million of the operating and letter of credit facility had been committed, with $2.1 million designated to pension plan funding regulations and $9.3 million designated to the Operating and Maintenance Reserve Fund.

Reserve funds

Pursuant to the terms of the Master Trust Indenture, the Authority is required to establish and maintain with a trustee a Debt Service Reserve Fund. The balance within this fund must be equal to at least 50% of annual bond debt service costs. As at December 31, 2012, the Debt Service Reserve Fund included $7.4 million [2011 – $7.4 million] in interest-bearing deposits held in trust. These trust funds are held for the benefit of bondholders for use in accordance with the terms of the Master Trust Indenture.

The Authority is also required to maintain an Operating and Maintenance Reserve Fund. The balance in the Operating and Maintenance Reserve Fund must be equal to at least 25% of certain defined operating and maintenance expenses for the previous fiscal year. Approximately $9.9 million will be required to fund the Operating and Maintenance Reserve Fund in 2013. The Operating and Maintenance Reserve Fund may be satisfied by cash, letters of credit, or the undrawn availability under a committed credit facility.

Capitalized interest

Interest on long-term debt amounting to $224,000 [2011 – $12,000] was capitalized as part of construction in progress during the year.

5. AIRPORT IMPROVEMENT FEES

The AIF are used to fund the cost of the Authority's capital program and related financing costs, along with debt and operational surpluses. Operational surpluses consist of excess of revenue over expenses before depreciation and interest. The AIF rate as at December 31, 2012 was $20 [December 31, 2011 – $20] and applies to each departing enplaned passenger. Effective January 1, 2013, the rate is $25. The AIF are collected by the air carriers for a fee of 6% under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving the Airport. Under the agreement, AIF revenue may only be used to pay for the capital and related financing costs as jointly agreed with air carriers operating at the Airport.

[Tabular amounts are in thousands of dollars]

5. AIRPORT IMPROVEMENT FEES (CONTINUED)

A summary of the AIF collected and capital and related financing expenditures are as follows:

	2012 $	2011 $
AIF revenue (net):		
AIF revenue	28,606	28,487
AIF collection costs	(1,743)	(1,734)
	26,863	26,753
Interest on surplus funds	806	870
Net funds received	27,669	27,623
Capital expenditures funded by AIF	24,315	21,782
Interest expense funded by AIF	14,813	15,008
	39,128	36,790
Excess of expenditures over AIF revenue	(11,459)	(9,167)
Excess of expenditures over AIF revenue, beginning of year	(279,142)	(269,975)
Excess of expenditures over AIF revenue, end of year	(290,601)	(279,142)

From January 1, 2001 to December 31, 2012, the cumulative capital expenditures funded by AIF totalled $479,788,000 [2011 – $440,660,000] and exceeded the cumulative AIF revenue by $290,601,000 [2011 – $279,142,000].

[Tabular amounts are in thousands of dollars]

5. AIRPORT IMPROVEMENT FEES (CONTINUED)

Net assets of the Authority as at December 31 are as follows:

	2012 $	2011 $
Net assets provided by AIF	38,476	42,266
Net assets provided by other operations	63,198	57,771
Opening adjustment to net assets	(2,281)	(2,361)
Net assets, end of year	99,393	97,676

The opening adjustment to net assets represents deferred financing costs amounting to $2.761 million related to a cash flow hedge, which was discontinued before the end of the original hedge term. The balance of these costs was allocated to net assets on January 1, 2007, the date at which the hedge was discontinued.

The deferred costs are amortized over the remaining term of the previously hedged instruments. The amortization related to the current year amounts to $80,000 [2011 – $80,000] and cumulative amortization to date amounts to $480,000.

6. COMMITMENTS

Transfer agreement

Effective February 1, 2000, the Authority signed a 60-year ground lease with Transport Canada which provides for the Authority to lease the Airport. A 20-year renewal option may be exercised, but at the end of the term, unless otherwise extended, the Authority is obligated to return control of the Airport to Transport Canada. Lease payments are based on a percentage of gross revenue on a progressive scale.

On May 9, 2005, the Government of Canada announced the adoption of a new rent policy which resulted in reduced rent over the long-term for Canadian airport authorities, including the Authority. In 2006, this new rent policy began to be phased in. The new formula achieved its full impact in 2010.

The estimated lease obligations over the next five years are approximately as follows:

	$
2013	6,100
2014	6,400
2015	6,700
2016	7,100
2017	7,500

[Tabular amounts are in thousands of dollars]

6. COMMITMENTS (CONTINUED)

Long-term debt – bond issues

The interest payable over the next five years on the Authority's Series A and Series C bonds is as follows:

	$
2013	14,854
2014	14,854
2015	14,854
2016	14,854
2017	14,854

Construction in progress

As at December 31, 2012, the Authority had outstanding contractual construction commitments amounting to approximately $5.0 million [2011 – $1.8 million].

7. PENSION PLAN

The Authority sponsors a pension plan [the "Plan"] on behalf of its employees, which has defined benefit and defined contribution components. An actuarial valuation has been prepared as at January 1, 2012 for purposes of funding the Plan. A measurement date of December 31, 2012 has been used for the purposes of the financial statements.

[Tabular amounts are in thousands of dollars]

7. PENSION PLAN (CONTINUED)

The following table provides information concerning the assets, accrued benefit obligation, funded status and prepaid (accrued) pension costs of the Plan as at December 31:

	2012 $	2011 $
Plan assets	34,216	30,288
Accrued benefit obligation	(38,602)	(34,413)
Funded status – plan deficit	(4,386)	(4,125)
Unamortized net actuarial loss	9,693	8,061
Accrued benefit asset	5,307	3,936

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

	2012 %	2011 %
Discount rate	4.50	5.00
Expected long-term rate of return on plan assets	6.25	6.50
Rate of compensation increase	3.75	3.75

Other information related to the Authority's defined benefit component is as follows:

	2012 $	2011 $
Employer's contribution	2,464	1,938
Employees' contributions	164	165
Benefits paid	1,449	939

	2012 %	2011 %
Equity securities	48	46
Fixed income securities	42	44
Real estate securities	10	10
	100	100

[Tabular amounts are in thousands of dollars]

7. PENSION PLAN (CONTINUED)

Pension expense amounted to $635,000 [2011 – $459,000] for the defined contribution component and $1,093,000 [2011 – $644,000] for the defined benefit component.

8. CAPITAL RISK MANAGEMENT

The Authority is a corporation without share capital and, accordingly, is funded through operating revenue, AIF revenue, reserve funds, the debt capital markets and its bank credit facility. Aeronautical charges are set each year to cover the projected operating costs, after consideration of the projected air traffic and passenger activity and non-aeronautical revenue. Any funds generated by the Authority are used to cover costs within its mandate.

The Authority's objective for managing capital is to acquire and maintain sufficient capital to safely and effectively manage the Airport's operations. The Authority aims to manage capital to deliver world-class facilities and services to the travelling public. The capital managed by the Authority is composed of long-term debt. As at December 31, 2012, the balance outstanding, excluding any current portion, amounts to $283,328,000 [2011 – $283,549,000].

The Authority's indebtedness is secured under the Master Trust Indenture, and supplemented from time to time with established common security and a set of common covenants by the Authority for the benefit of its lenders. The covenants that the Authority must meet include two specific coverage tests for operating expenses and debt service payments. The gross debt service covenant states that the total revenue, including the revenue account balance at the beginning of the year, must at least cover operating expenses, including interest and principal payments. The debt service covenant states that the net revenue for that specific year must be at least 1.25 times the total interest and principal payments for that year. As at December 31, 2012, the Authority is in compliance with all covenants outlined in the Master Trust Indenture.

In accordance with the Master Trust Indenture, two reserve funds must also be maintained: a Debt Service Reserve Fund and an Operating and Maintenance Reserve Fund. As at December 31, 2012, the Authority satisfies the requirements for both of these reserve funds.

9. FINANCIAL INSTRUMENTS

Fair value

The Authority's financial instruments consist of cash, accounts receivable, Debt Service Reserve Fund, accounts payable and accrued liabilities and long-term debt. The difference between the carrying values and the fair market values of the financial instruments, excluding long-term debt, are not material due to their short-term maturities. The carrying amount of the current portion of long-term debt approximates its fair value given its short-term nature. The fair value of the bonds was calculated to be $283,328,000.

[Tabular amounts are in thousands of dollars]

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risk management

The Authority is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include interest rate risk, liquidity risk, credit risk, and concentration risk. The Authority's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is subject to interest rate risk relating to its Debt Service Reserve Fund and credit facilities. The Authority manages its interest rate risk through the use of fixed-rate financing where applicable.

The Authority has entered into fixed-rate long-term debt and, accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced. However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt.

The Authority's most significant exposure to interest rate risk relates to its credit facilities. The Authority's Capex facility, which is in place for the financing of near-term construction costs related to the Authority's Capital Program, is subject to floating interest rates. Management believes that the impact of interest rate fluctuations on construction costs is not material.

The Authority's Debt Service Reserve Fund is subject to changes in interest rates. Management believes that the impact of interest rate fluctuations on the Debt Service Reserve Fund is not representative of the Authority's exposure to interest rate risk as interest income is not essential to the Authority's operations. These funds are intended for reinvestment in airport operations and development, and not for purposes of generating interest income.

If interest rates had been 50 basis points [0.50%] higher or lower and all other variables were held constant, including timing of expenditures related to the Authority's capital expenditure programs, the Authority's earnings for the year would not have been significantly impacted.

Liquidity risk

The Authority manages its liquidity risk by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis, and by matching its long-term financing arrangements with its cash flow needs. The Authority has ready access to sufficient financing as well as committed lines of credit through credit facilities with a major Canadian bank.

The future annual payment requirements of the Authority's obligations under its long-term debt are described in note 6.

[Tabular amounts are in thousands of dollars]

9. FINANCIAL INSTRUMENTS (CONTINUED)

Credit and concentration risks

The Authority is subject to credit risk through its accounts receivable, which consist primarily of current aeronautical fees and AIF owing from air carriers. The Authority performs ongoing credit valuations of receivable balances and maintains an allowance for potential credit losses. The Authority's right under the *Airport Transfer (Miscellaneous Matters) Act* to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. The majority of the Authority's accounts receivables are paid when they are due.

A significant portion of the Authority's revenue, and resulting receivable balances, are derived from air carriers. The Authority derives approximately 53% [2011 – 51%] of its landing fee and terminal fee revenue from Air Canada and its affiliates. Management believes, however, that the Authority's long-term exposure to any single airline is mitigated by the fact that approximately 80% of the passenger traffic through the airport is origin and destination traffic and therefore other carriers are likely to absorb the traffic of any carrier that ceases operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

10. CONTINGENCIES

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business, which the Authority believes would not reasonably be expected to have a material adverse effect on its financial position.

11. SUBSEQUENT EVENT

During the year, the Authority requested an amendment to its ground lease to extend the term for an additional 20 years. Subsequent to year end, the Authority was advised of Transport Canada's support to amend the ground lease to extend the lease term to 2080. The amendment remains subject to the final approval of the Minister of Transport and the trustee under the Master Trust Indenture, which the Authority expects to receive in 2013.

Corporate Governance

Halifax International Airport Authority (the "Airport Authority") is governed by a Board consisting of a maximum of 14 directors nominated by the following entities:

Federal Government	2
Provincial Government	1
Halifax Regional Municipality	4
Halifax Chamber of Commerce	3
Airport Authority Board of Directors	4

Generally, a director may serve no more than a total of nine years from the date of transfer, February 1, 2000. Collectively, directors are expected to possess knowledge relating to the aviation industry, air transportation, business, finance, administration, law, government, engineering, labour organizations, and the interests of consumers.

The Board oversees the conduct and operation of the Airport Authority; reviews and approves corporate strategies, plans and financial objectives; appoints the Chief Executive Officer; assesses the performance of the Board and the Chief Executive Officer; ensures effective communication with the nominators and the community; and ensures the effectiveness of the Airport Authority's internal controls and systems in preserving and enhancing the Airport Authority's assets and pursuing its mission. The Board meets as often as is required to carry out its responsibilities and maintains three standing committees that make recommendations to the Board with respect to matters within their jurisdiction: the Governance Committee, chaired by Michele Wood-Tweel; the Audit Committee, chaired by Marie Mullally; and the Capital Projects Committee, chaired by Wadih Fares.

The Airport Authority has adopted conflict of interest guidelines to govern the conduct of, and the disclosure and avoidance of conflicts of interest for, all officers and directors. These disclosures are updated as required.

During 2012, the Governance Committee of the Board reported that there were no breaches of the conflict of interest guidelines by any officer or director of Halifax International Airport Authority.

Compensation of the senior officers and directors of the Airport Authority is reviewed annually. Amounts paid to Airport Authority officers and directors during 2012 follow.

Board of Directors Total Compensation

Chair: J. R. Winters* (until July 24th)	$ 48,750
Chair: P. McDonough** (as of July 24th)	$ 11,250
Vice Chair: P. McDonough (until July 24th)	$ 27,700
Vice Chair: W. Fares*** (as of September 28th)	$ 167
Secretary: J. S. Cowan	$ 25,200

DIRECTORS:

B. Buckles	$ 16,000
S. Dempsey	$ 16,400
W. Fares	$ 17,400
J. Hunt	$ 17,200
M. Mullally	$ 21,800
C. Newcombe	$ 16,000
R. Wilber	$ 14,000
M. Wood-Tweel	$ 20,600

Notes: Amounts paid represent funds issued within the 2012 taxation year

* J. R. Winters completed his term as Chair effective July 24, 2012

** P. McDonough assumed the role of Chair effective July 24, 2012

*** W. Fares assumed the role of Vice Chair effective September 28, 2012

Executive Compensation

The salary range for the President & CEO and for the Vice Presidents of the Airport Authority during 2012 was $131,450 to $288,750. In addition to base salaries, annual bonus payments totalling $327,436 were paid during the year. Bonus payments are contingent upon individual and corporate achievements.

Contracts in excess of $106,270

The Airport Authority, in accordance with its lease with Transport Canada, is required to report all contracts in excess of $106,270 ($75,000 in 1994 dollars adjusted by the Consumer Price Index) that were entered into during the year and that were not awarded on the basis of a public competitive tendering process.

During 2012, the Airport Authority entered into the following sole source contracts in excess of $106,270.

The Airport Authority entered into a three-year software support and maintenance contract with ARINC for a total of $360,000. As part of our technology refresh review, the Airport Authority assessed the condition of the ARINC Common Use Terminal Equipment and Common Use Self Serve software platform and determined that properly supported, it will continue to meet our requirements for three additional years. The Airport Authority will refresh the common use platform in 2015. This contract was awarded without a public competitive tendering process as ARINC software is proprietary technology, and support and maintenance can only be provided by ARINC, as developers of the system code.

The Airport Authority also entered into a sole source contract with Softchoice for $250,000. Softchoice Ltd. (formerly Unis Lumin) is the original supplier of the Airport Authority's campus network backbone components and installation services. Having implemented the original network backbone as a result of a competitively tendered project, it was determined that Softchoice's experience with the Airport Authority's existing systems provided a net benefit in having them replace the network core as part of the Airport Authority's IT Enterprise Systems and Infrastructure plan.

Board of Directors

Peter McDonough, QC – Chair
Peter is Counsel at McInnes Cooper and has been practicing corporate, property development and real property law for over 40 years. He has served on the Board of Governors of Dalhousie University, Nova Scotia College of Art & Design, Nova Scotia Special Olympics, and the YMCA. As well, he has been the Vice Chair of the Halifax Industrial Commission and President of the Dalhousie Alumni Association, and is the founding President of the Dalhousie Black & Gold Club.

Wadih M. Fares, C.M., P. Eng., FEC, D. Comm. – Vice Chair
Wadih Fares received his Bachelor of Engineering degree from the Technical University of Nova Scotia and a Diploma of Engineering from Dalhousie University. Wadih has over 25 years of experience in every aspect of building design, project management and development. He currently serves as President and CEO of WM Fares Group. The Halifax based firm has been behind the success of major hospitality, multi-unit residential and commercial projects throughout the Maritime Provinces, Ontario and Alberta. He has also shared his expertise with others in the industry, through his membership with Engineers Nova Scotia, and past membership in New Brunswick, Prince Edward Island, Alberta and Ontario.

Board of Directors (continued)

Wadih has an impressive record of community involvement. He has held, over the years, a long list of positions and has continued his tradition of giving back to the community through a wide range of roles, including: Honourary Consul of Lebanon for the Maritime Provinces, Honourary member on the Board of the Canadian Lebanese Chamber of Commerce and Industry. He also sits on the Board of Directors for Waterfront Development Corporation Limited, Dalhousie University Board of Governors, Minister's Immigration Advisory Council, Past Chair and Director on the Board of Pier 21 Society, and the QEII Board of Trustees.

Wadih has received a number of honours, including: the Order of St. Gregory, the Queen's Golden Jubilee Medal Award, the Queen Elizabeth II Diamond Jubilee Medal, and in 2012 was named a Member of the Order of Canada (C.M.).

James S. Cowan, QC – Secretary to the Board

Jim is a member of the Senate of Canada where he serves as the Leader of the Opposition. He is also a partner of the law firm Stewart McKelvey. He was the Chair of the Board of Governors of Dalhousie University from 2000 to 2008 and past Chair of the Atlantic Provinces Transportation Commission. Upon his appointment to the Senate in March of 2005, Jim resigned from the Board but continues as Secretary, a position that he has held since 1995.

Board of Directors (continued)

Brian Buckles – Director

Brian had over 40 years experience with Scotiabank prior to retiring in 2004. He is a Fellow of the Institute of Canadian Bankers and held various Management positions in both Nova Scotia and the New Brunswick and Prince Edward Island Regions.

Brian has served as Chair for the Pictou County United Way, New Glasgow Downtown Development, and as a director for the Pictou County Chamber of Commerce.

Stephen Dempsey – Director

Stephen Dempsey is the Executive Director of the Offshore Energy Research Association of Nova Scotia. A former CEO of the Greater Halifax Partnership, Stephen's contributions have been recognized by being named one of the Top 50 CEO's in Atlantic Canada.

Stephen serves his community by participation on several boards and is currently chair of the board for Partners for Care Association, as well as having served as past chair of the Halifax Gateway Council and the Atlantic Provinces Chambers of Commerce.

Board of Directors (continued)

Jeffrey R. Hunt – Director
Jeff is a Partner with the Truro office of Patterson Law. He is immediate Past Chair of the firm's Litigation Group, with a practice in areas of insurance, employment and general litigation. He has been with Patterson Law since 1992 and a Partner since 1997.

Jeff is the Past Division Chair of the United Way of Colchester County Campaign Cabinet, Past Member of the Parish Council and Finance Committee for St. John's Anglican Church, and a Board Member of the Honourable G. I. Smith Memorial Trust. He has served as a member of the Regional Assessment Appeal Court since 2008, and has served as a one person Board of Inquiry under the Police Act. In 2009, Jeff was appointed to the Election Commission of Nova Scotia.

Marie Mullally, FCA, MBA – Director
Marie Mullally, FCA, MBA is President & CEO of Credit Union Atlantic (CUA). CUA is a customer owned financial institution providing banking services and financial solutions to individuals and businesses in Greater Halifax/ Dartmouth, and is one of the largest credit unions in Atlantic Canada.

Ms. Mullally has served as a member of a number of private, not-for-profit and public sector boards, and currently serves on the board of the Queen Elizabeth II Health Sciences Centre Foundation. In 2007, she received a Fellow Chartered Accountants designation and in 2008 was named CA of the Year. Ms. Mullally has also been named one of Atlantic Canada's Top 50 CEO's and she holds a Certified Director designation from the Institute of Corporate Directors.

Board of Directors (continued)

Cheryl Newcombe – Director
Cheryl joined the HIAA Board in July 2005. She is President of the Human Resources Association of Nova Scotia, member of the Board of the World Trade and Convention Centre, and is the past Chair of the Halifax Regional Water Commission.

Robin Wilber – Director
Robin is President of Elmsdale Lumber Company Limited, a position he has held for over 30 years. He is responsible for the management of day to day operations of the sawmill, and provides leadership and direction to upwards of 60 staff. Robin is also Partner in Wilber & Fenton, a housing development company and Corridor Developments, a residential rental development company. He is the immediate past Chairman of the Maritime Lumber Bureau, President of L&R Property Management Ltd., a member of the East Hants Water Advisory and Protection Committee, and a founding member of the East Hants & District Chamber of Commerce.

Michele A. Wood-Tweel, FCA, CFP, TEP – Director
Michele is CEO and Executive Director of The Institute of Chartered Accountants of Nova Scotia (ICANS). Before joining ICANS, she practiced with KPMG LLP for over 20 years in the areas of personal taxation and financial planning. Michele is a member of the Board of Trustees of the IWK Health Centre Foundation and a Director of Efficiency Nova Scotia Corporation. She is a past Chair of Saint Mary's University and has previously served on the Boards of the Halifax-Dartmouth Bridge Commission, The Royal Nova Scotia International Tattoo Society and the Halifax Chamber of Commerce.

Our People

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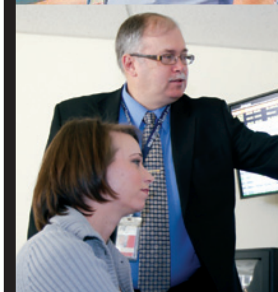

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