

Nanaimo Airport Commission
2007 Annual Report



Message From the Board Chair

As part of building a solid foundation, we were pleased to have our runway re-classified by Transport Canada in preparation for upcoming airport improvements. In addition, our team completed the preliminary designs, including; the expansion of the runway and taxiway, high intensity lights and an instrument approach.

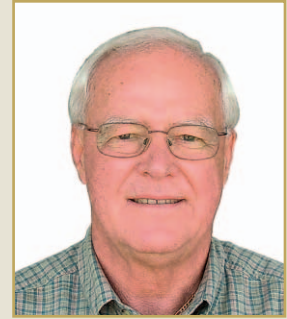
On behalf of the Board, I would like to extend thanks and appreciation to a large supportive team without who's help the success's during 2007 would not have been possible.

The Board is looking forward to completing the detail designs for the project and breaking ground in 2008. This project will allow the airport to provide a broader range of air service in a reliable fashion. We are committed to developing detailed plans that are environmentally sound, supporting a long term sustainable management strategy.

The Nanaimo Airport Commission intends to create a facility capable of offering reliable service to Western Canada and the Pacific Northwest. This airport will continue to be a strong economic engine for the region, as it becomes a Regional, Transborder facility capable of charter flights to sun destinations.



Jerry Pink
Chair
Nanaimo Airport Commission



President, CEO Report

The Nanaimo Airport Team has continued to make safety the leading priority through 2007. Safety was further enhanced with installation of traffic lights at the highway intersection.

The NAC completed over 100 presentations within local communities, including several Open Houses and Town Hall meetings to hear from the public regarding the Airport Improvement Project. At meetings in November 2007 and January 2008, there was an open format that allowed members of the public to bring forward questions. These meetings were held in cooperation with the regional districts and were moderated by the Chair of the respective regional district.

A study conducted during the fall 2007 by the Mustel Market Research Group found "resounding support for the proposed expansion plans" in both the CVRD and RDN, with a total of 87% in favour and 5% undecided.

We are very proud of our environmental projects, including the fish enhancement work completed within Haslam Creek. Our team will continue these efforts with the development of a long term sustainable management program.

We are looking forward to the challenges and opportunities offered by the Airport Improvement Project and anticipate the successful completion of this work within the next several years.



Michael K. Hooper
President, CEO



Mission

To provide a safe, efficient and financially viable airport that offers excellent value and service to all users and in partnership with others, contributes significantly to the economic well being of the community.

Vision

The Nanaimo Airport will maximize its potential to be a dynamic, customer focused, air services gateway to western North America.

The Nanaimo Airport management team extends our appreciation to the outstanding support we have received from the mid-island community. During the past 12 months we have received motions of support for the Airport Improvement Project, from the Regional District of Nanaimo, Cowichan Valley Regional District, City of Nanaimo, City of Parksville, Town of Qualicum, City of Port Alberni, Town of Ladysmith, City of Duncan, District of North Cowichan, Town of Lake Cowichan.





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 Airports Policy transfer initiative.

The Commission is comprised of eight Directors of which 3 are appointed by the Commission, from the community at large. The following five entities nominate one member each:

THE CITY OF NANAIMO;

THE REGIONAL DISTRICT OF NANAIMO;

THE COWICHAN VALLEY REGIONAL DISTRICT;

THE TOWN OF LADYSMITH; AND

THE GREATER NANAIMO CHAMBER OF COMMERCE

Board of Directors



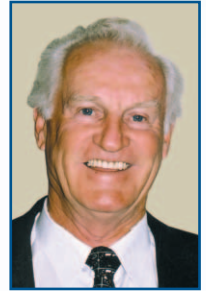
BOARD CHAIR
Jerry Pink



VICE-CHAIR
Russ Burke



DIRECTOR
Guy Bezeau



DIRECTOR
Ken Bosma



DIRECTOR
Ted Brown



DIRECTOR
John Howarth



DIRECTOR
Dixon Kenny



DIRECTOR
Mike McDonald

Staff



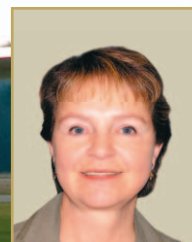
AIRPORT SAFETY AND SECURITY OFFICER
Doug Fern

SECURITY OFFICER
David Atkinson

MANAGER OPERATIONS AND MAINTENANCE
Reg Brady

AIRPORT ADMINISTRATOR
Lynn Behnke

PRESIDENT, CEO
Mike Hooper



ACCOUNTING CONTRACTOR
Deb Cross



ADMINISTRATION CONTRACTOR
Suzanne Deveau



Operational – 2007 Project Overview:

- Initiated a Fire Training Program with the Nanaimo Fire Department.
- Completed tree removal and recertified the runway for 5,000 feet.
- Completed in-stream project – Haslam Creek fish enhancement.
- Upgraded domestic water system.
- Completed “Re-certification” requirements to allow for more reliable instrument approaches and submitted GPS WAAS flight procedures to Nav Canada for approval.
- Completed traffic light installation at the highway intersection.
- Completed Purchase of a new equipment, including; Dump Truck for snow removal and security pick-up.
- Completed the data base for a GIS mapping system.



Administration – 2007 Project Overview:

- Updated the Emergency Response Plan.
- Initiated a Safety Management System.
- Implemented a new accounting system.
- Launched a new Website for the Nanaimo Airport.
- Implemented a new computer system, including a comprehensive back-up process on a central server.
- Completed a 20 year Business Plan with Jacobs Consulting, including Market Forecast and Infrastructure Requirements.
- Developed a comprehensive project plan allowing for completion of a 1,600' runway extension with taxiway by the fall of 2009.
- Completed numerous presentations and public venues regarding airport improvements.
- Initiated Federal, Provincial and local funding requests for airport improvements.



I would like to extend my personal appreciation and gratitude to the Nanaimo Airport Team for the tremendous effort and success's we experienced in 2007. I look forward to working through the challenges in 2008 with a very experienced team.

Michael Hooper
President, CEO



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 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 auditors to review significant accounting, internal control and audit matters. The Committee also reviews and approves 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 BGS, MBA
President, CEO
Nanaimo Airport

Nanaimo, BC
February 16, 2008



Partners

John A. Annesley, C.A.*

Lorana LaPorte, C.A., CFP*

Grant McDonald, C.A.*

* incorporated



Church Pickard

Chartered Accountants

"Your Success is our Focus"

AUDITORS' REPORT

To the Directors
Nanaimo Airport Commission


The accompanying summarized statement of financial position as at **December 31, 2007** and the summarized statement of revenue and expenses and net assets for the year then ended are derived from the complete financial statements of the **Nanaimo Airport Commission** as at **December 31, 2007** and for the year ended on which we expressed an opinion without reservation in our report dated February 15, 2008. The fair summarization of the complete financial statements is the responsibility of the commission's management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the condensed financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the commission's financial position, results of operations, and cash flows, reference should be made to the related complete financial statements

CHURCH PICKARD
Chartered Accountants

Nanaimo, B.C.
February 15, 2008

 Members, Institute of Chartered
Accountants of British Columbia

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Nanaimo Airport Commission

Statement of Financial Position

As at **December 31, 2007**

	2007	2006
ASSETS		
CURRENT		
Current investments - Note 4	\$ 453,297	\$ 238,433
Cash	283,581	355,283
Deferred leasing costs and prepaid expenses	121,400	111,636
Accounts receivable	153,719	142,525
	1,011,997	847,877
INVESTMENTS - Note 4	232,132	398,474
PROPERTY AND EQUIPMENT - Note 3	11,004,045	11,077,353
	\$12,248,174	\$12,323,704
LIABILITIES		
CURRENT		
Demand loan - Note 5	\$ 675,000	\$ 676,442
Accounts payable and accrued liabilities	178,574	88,466
Deferred lease revenue	21,284	23,746
	874,858	788,654
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT - Note 6	4,459,853	4,668,437
SECURITY DEPOSITS	18,946	18,946
	5,353,657	5,476,037
NET ASSETS		
NET ASSETS	6,849,517	6,847,667
	\$12,248,174	\$12,323,704

(See accompanying Notes to the Financial Statements)

Nanaimo Airport Commission

Statement of Revenue and Expenses and Net Assets

For the year ended **December 31, 2007**

	Budget 2007 (unaudited)	2007	2006
REVENUE			
Airline passenger fees	\$ 810,000	\$ 836,838	\$ 826,218
Vehicle parking fees	228,550	267,931	253,736
Land lease and licence fees	248,589	245,269	272,551
Air terminal lease and licence fees	204,014	233,150	226,853
Airside facility licence and user fees	36,300	50,717	30,139
Interest and general	20,000	36,376	90,607
	1,547,453	1,670,281	1,700,104
EXPENSES			
Administration and management	549,395	660,033	505,970
Commercial development and marketing	98,300	158,158	45,131
Service buildings and airfield	160,000	157,431	122,129
Emergency, safety, and security	153,214	151,004	129,468
Property taxes	138,000	141,172	137,044
Air terminal building	132,000	114,122	128,609
Airport commission	59,000	75,665	45,942
Bad debts	3,000	4,341	39,020
	1,292,909	1,461,926	1,153,313
REVENUE IN EXCESS OF EXPENSES			
BEFORE OTHER ITEMS	254,544	208,355	546,791
OTHER REVENUE (EXPENSES)			
Amortization of deferred contributions related to property and equipment	-	417,805	398,672
Gain on sale of capital asset	-	836	-
Depreciation	-	(628,667)	(553,225)
	-	(210,026)	(154,553)
REVENUE IN EXCESS OF EXPENSES	\$ 254,544	(1,671)	392,238
NET ASSETS, BEGINNING OF THE YEAR		6,847,667	6,455,429
CHANGE IN FAIR VALUE OF INVESTMENTS CLASSIFIED AS AVAILABLE FOR SALE		48,521	-
NET ASSETS, END OF THE YEAR		\$ 6,894,517	\$ 6,847,667



Nanaimo Airport Commission

Notes to the Financial Statements

For the year ended **December 31, 2007**

1. Operations

The Nanaimo Airport Commission operates the Nanaimo airport facility. On December 2, 1996, all airport land, buildings, and improvements were transferred to the commission from the Ministry of Transport for \$10. Under the terms of the transfer agreement, the commission must continue to operate the airport until December 2, 2046. If the commission ceases to operate or manage the airport, the Ministry of Transport has the option to reacquire the facilities for \$1. This option expires December 2, 2046.

Prior to the transfer, the commission operated the airport through a head lease from the Ministry of Transport.

The commission files as a non-profit organization under the Income Tax Act and is registered as a non-profit society under the Societies Act of British Columbia.

2. Significant accounting policies

The financial statements of the commission have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations.

- Deferred leasing charges

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

- Property and equipment

Purchased property and equipment are recorded at cost at date of transfer and amortized. Contributed property and equipment 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 property and equipment as follows:

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

- 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.

Revenue from leases is deferred and recognized into revenue over the life of the lease.

- Use of estimates

The preparation of the financial statements of the Nanaimo Airport Commission in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions, mainly considering values, which affect reported amounts of assets, liabilities, revenue and expenses, and related disclosures. Amounts are based on best estimates, but actual amounts may vary from the amounts recorded.

Nanaimo Airport Commission

Notes to the Financial Statements

For the year ended **December 31, 2007**

3. Property and equipment

	Cost	Accumulated Amortization	Net 2007	Net 2006
Land	\$ 3,622,242	\$ -	\$ 3,622,242	\$ 3,622,242
Buildings and improvements	4,071,017	1,516,475	2,554,542	2,716,915
Runway, airfield, and parking lot improvements	6,800,475	2,351,556	4,448,919	4,244,983
Fence	188,819	138,575	50,244	67,172
Furniture, equipment, and computer hardware	286,342	230,441	55,901	55,107
Vehicles	522,393	252,066	270,327	352,373
Computer software	13,230	11,360	1,870	6,042
Bridge	-	-	-	12,519
	\$ 15,504,518	\$ 4,500,473	\$ 11,004,045	\$ 11,077,353

Included in property and equipment is the acquisition of the airport facility by way of the transfer agreement described in Note 1. The recorded amount of the transfer was \$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).

4. Investments

The commission has invested in several term deposits and GIC's, having interest rates ranging from 3.6% to 4.15% and maturing at various dates from May 2008 to May 2009.

	2007	2006
Short-term investments	\$ 453,297	\$ 238,433
Long-term investments	232,132	398,474
	\$ 685,429	\$ 636,907

5. Demand loan

During the year, the commission converted the Royal Bank of Canada demand loan into a mortgage on the land that was purchased during 2006. The loan bears interest at prime plus 2% with monthly-interest only payments and is due on demand. The loan is secured by a general security agreement and the land.



Nanaimo Airport Commission

Notes to the Financial Statements

For the year ended **December 31, 2007**

6. Deferred contributions related to property and equipment

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

	2007	2006
Balance, beginning of the year	\$ 4,668,437	\$ 5,067,109
Capital assistance received, or receivable	209,221	-
Amortized to revenue	(417,805)	(398,672)
	\$ 4,459,853	\$ 4,668,437

7. Restricted net assets

The board has restricted funds in order to provide for future capital programs in the amount of \$307,000.

8. Commitments

The commission is committed under two lease agreements for office equipment under operating lease, and two contracts for winter maintenance and snow removal. Minimum payments for each of the next three years, and in total, are as follows:

2008	\$ 10,646
2009	3,434
2010	1,926
	\$ 16,006

9. Financial instruments

Financial instruments are financial assets or liabilities where, in general, the commission has the right to receive cash or another financial asset from another party or the commission has the obligation to pay another party cash or other financial assets. The commission's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, and demand loan.

- Financial risk

The financial risk is the risk to the commission's earnings that arises from fluctuations in interest rates, foreign exchange rates, and the degree of volatility of these rates. The commission does not use derivative instruments to reduce its exposure to interest risk as management does not consider them to be material. There were no significant accounts receivable or accounts payable denominated in foreign currency at the year end. The US\$ cash balance was \$30,359.94 CA\$ at December 31, 2007. The commission does not use hedging to minimize their risk to foreign exchange fluctuations as they do not consider this risk to be significant.

- Credit risk

The commission is exposed to credit risk from its tenants and licensees. The commission has a significant number of diverse tenants and licensees which reduces the concentration of credit risk; however, at the year end there was only one major scheduled carrier, which increases the amount of credit risk as the carriers create the largest portion of revenue.

- Fair market value

For cash, accounts receivable, accounts payable and accrued liabilities, and demand loan the carrying amounts of these financial instruments approximate their fair value due to their shortterm maturity or capacity of prompt liquidation. Refer to Note 5 for information regarding demand loan.

Five Year Capital Plan

Proposed five year plan

Note: Excludes the Airport Improvement Project

PROJECTS	2008	2009	2010	2011	2012
Perimeter fence clearing, gravel path	10,000	15,000			
Runway sweeper	40,000				
Safety Management System	10,000	8,000	8,000		
Security camers	7,000	10,000	10,000		
Smoking shelters	6,000				
Long term parking lot	12,000	10,000			
Fork lift	7,000				
External properties	10,000	10,000	10,000		
Haslam Creek improvement	25,000	10,000	10,000		
Janitorial storage space	5,000				
Direct Digital Control System (ATB)	4,000				
Large capacity water filter system	10,000				
Flight information display system (FIDS)	12,000				
Airport utility vehicle	12,000				
Upgrade auto gate controllers		15,000			
Frontage fencing		16,400			
Ramp hog loader attachment		25,000			
Apron overlay		45,000			
Passenger covered walkways			30,000		
Apron concrete park stands			75,000		
De-icing spreader			6,000		
Terminal seating			30,000		
Security enhancements RAIC			10,000		
Replace DME - contingency				130,000	
Extension to Mustang Road & misc				75,000	75,000
CAR 303 Fire Truck					150,000
General projects & purchases	20,000	20,000	20,000	20,000	20,000
TOTAL CAPITAL PLAN	190,000	184,400	209,000	225,000	245,000



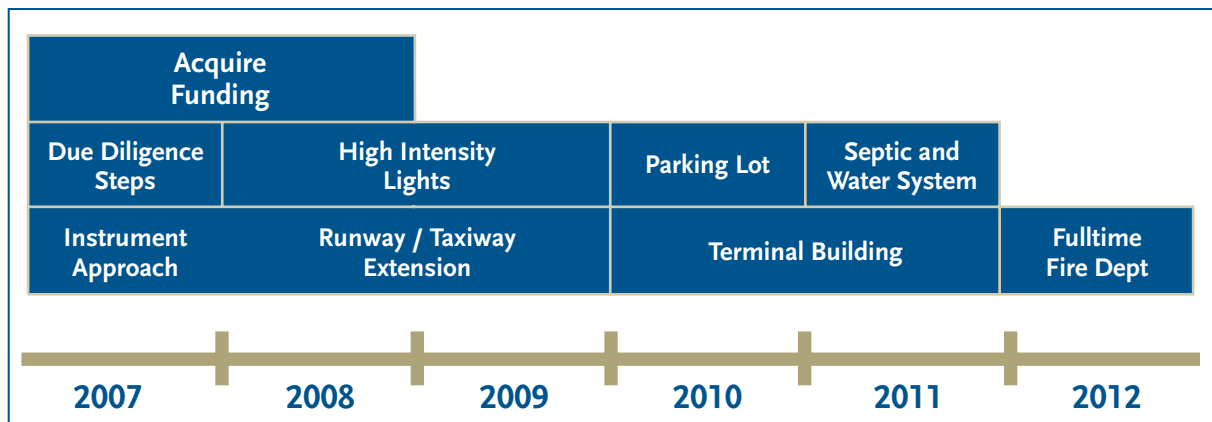
YCD Improvement Projects

In response to the demonstrated market need, NAC proposes to improve its reliability in all weather conditions.

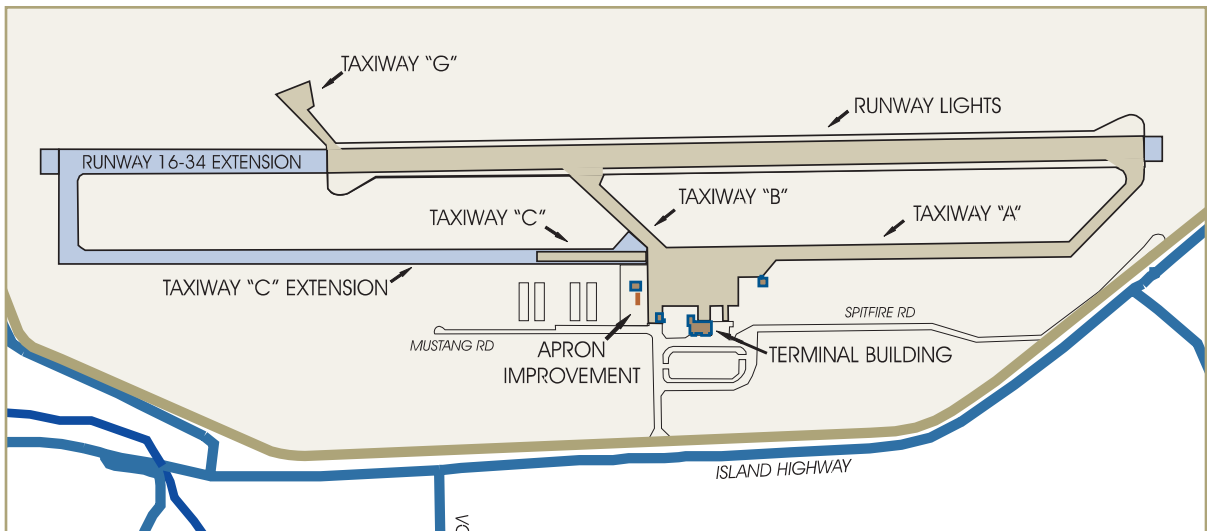
Phase 1 (2007 to 2009) includes: (a) extending the runway 1,600 feet, (b) taxiway/apron improvements, (c) high intensity runway lighting, instrumental system approaches; and (d) flight path protection and studies. The Phase 1 cost estimate is \$16.4 million, with the start date for preliminary design of April 15, 2007 and a completion date of November 30, 2009.

Phase 2 (2010 to 2012) includes: (a) terminal building expansion, (b) road & parking expansion, (c) relocation of combined services building, (d) installation of water & sewer treatment facilities; and (e) Emergency Response Service vehicle enhancements. The Phase 2 cost estimate is \$7.7 million with a target start date for design of October 1, 2010 and a completion date of November 30, 2012.

Phase 3 (2018) includes: (a) road & parking expansion. Phase 3 cost estimate is \$0.5 million, with the start date of January 1, 2018 and a completion date August 30, 2018.



Airport Improvement Project



YCD – The Future



The Nanaimo Airport is a strong and vibrant airport. The economic impact of this facility is felt throughout Central Vancouver Island. Continued growth of our service area strongly indicates the need for expansion. Now that a solid foundation has been laid, the Nanaimo Airport Commission is in an excellent position to grow and meet the increasing needs of the area.

The strength of the foundation will allow for the development of a first class facility while contributing to the economic growth of the region. By the year 2026, Nanaimo Airport is forecast to greatly increase its role as a major economic driver for the City of Nanaimo and surrounding communities.

Central Vancouver Island is experiencing substantial growth. The Vancouver Island Conference Center opens in spring 2008, which will greatly improve Nanaimo's destination status. Growth in tourism-oriented projects is underway throughout the region and will add to the increased demand for air service. The Nanaimo airport is well positioned to meet these increasing demands and has a solid foundation to build on.

Three years of hard work from the Directors, management, staff and contractors of the Nanaimo Airport Commission has laid a solid foundation that will allow the Nanaimo airport to grow to its full potential.

The core of these efforts is around four key goals:

- Provide the Central Island region with the best possible air service.
- Plan, develop and maintain the airport infrastructure to high standards of efficiency, operations, safety, security and convenience.
- Aggressively pursue business and property development opportunities.
- Establish and maintain the highest standards of management practices consistent with the operations of a first class airport.



Fact Sheet

The Nanaimo Airport property is located 15 minutes south of Nanaimo and is situated on approximately 500 acres, including the Cottonwood Golf Course.

On Site Facilities

Runway, 5000' x 200'

- Medium-intensity edge lighting
- Approach lighting system (ODALS)
- Runway 16 is currently a non-instrument runway with published RNAV, NDB/DME and NDB approaches
- Runway 34 is a non-instrument approach

Apron, 554' x 352'

- Edge lighting, flood lights and three ground power unit plug-ins
- Fuel truck, Jet A-1

Terminal Building, 1,230 m²

- Airline offices
- Café
- Security screening by Garda
- Passenger pre-board screening and hold room
- Vehicle rentals
- Canada Customs inspection
- 24 hour security on-site

As identified in a recent economic report, the Nanaimo Airport currently contributes 584 full time jobs and \$41 million to the regional economy, based on direct, indirect and induced effects. During the next 20 years it is projected that these numbers will grow to 1,617 full time jobs and over \$120 million per year will originate from the Nanaimo Airport.





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