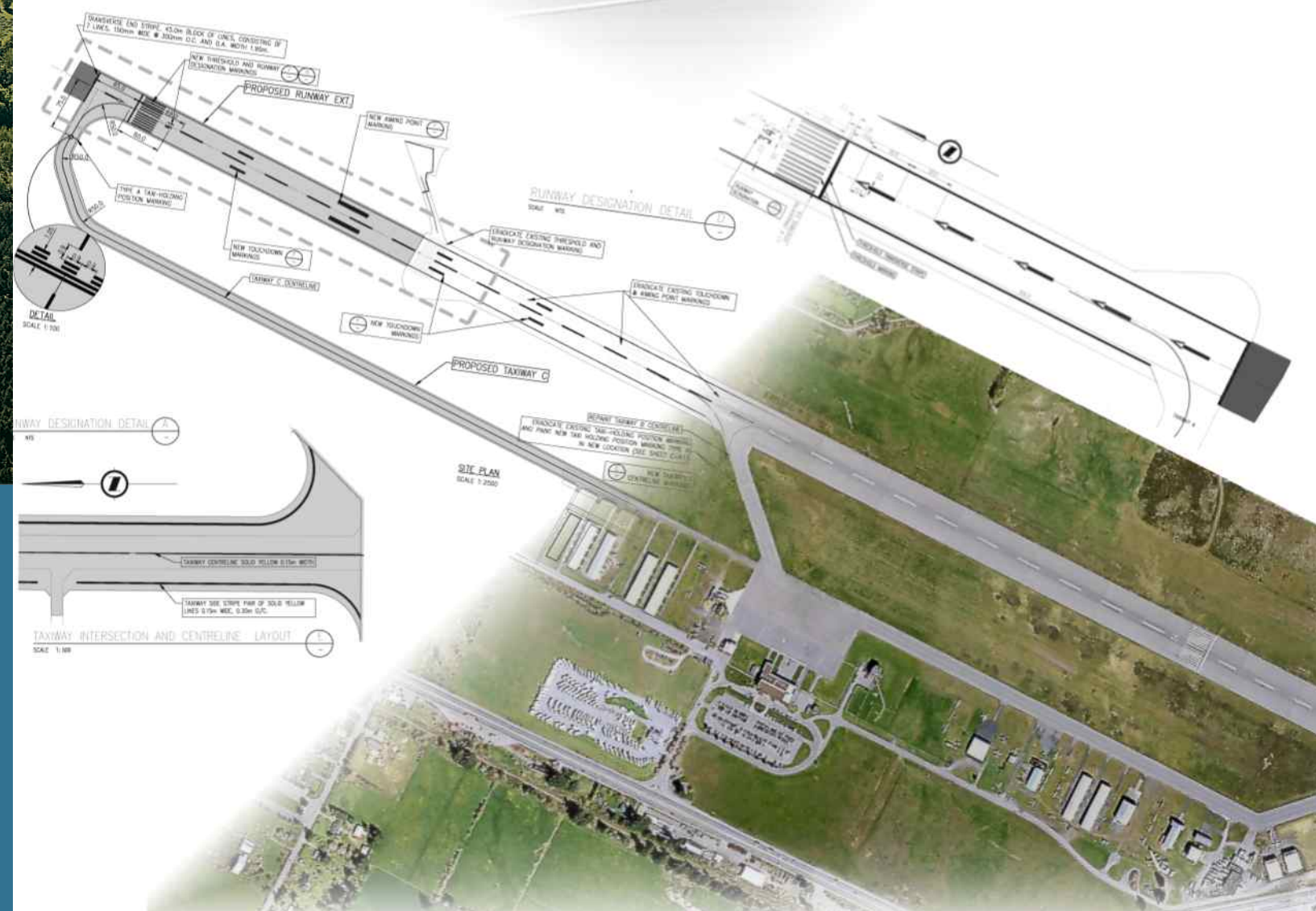




2008 Annual Report

Nanaimo Airport Commission



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Message From the Board Chair

The Nanaimo Airport Commission (NAC) experienced one of the most exciting and successful years in its history. Following a comprehensive preliminary design and public review process the team received \$11 million in funding for the airport improvement project. We extend our appreciation to the Provincial Government for \$6 million and the Island Coastal Economic Trust for \$5 million.

Airport staff worked with the consulting team, to complete the detailed designs and meet regulatory requirements. An invitation to tender was released in October 2008 and final bids were received in December. The NAC will award the contract in January 2009, with a project completion target of November 2009.

The Nanaimo Airport Commission has maintained a strong focus on safety and environmental items and fully supports the projects undertaken by staff.

The NAC Board is confident in the strategic direction of the airport and the abilities of the management team to implement the improvement projects. The outcome of these initiatives will ensure a reliable transportation system for the surrounding communities.



Jerry Pink
Chair Nanaimo Airport Commission



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 continues to be a strong and vibrant airport. The economic impact of this facility is felt throughout Central Vancouver Island. With the airport improvement project scheduled for completion in 2009, the NAC is in an excellent position to meet the growing needs of the community.

President, CEO Report

The Nanaimo Airport Team continues to focus on safety as the number one priority, with the development of a comprehensive Safety Management System. This program will initiate a continuous improvement process and further develop a pro-active safety culture throughout the Nanaimo Airport site.

We continue to be proud of the substantial environmental projects completed in 2008, including; aquifer protection, the Vesper Sparrow stewardship plan and further fish habitat enhancement in Haslam Creek.

I owe a note of thanks to the full team at Nanaimo Airport, including Board members, Staff, Contractors and Consultants. The Team successfully completed a number of very difficult projects in 2008, not the least was navigating the numerous steps to allow the airport improvement project to move ahead in 2009.

With many exciting projects underway, we are looking forward to the excellent opportunities in the coming year.



Michael K. Hooper, BGS, MBA
President, CEO



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

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



MANAGER SAFETY & SECURITY
Doug Fern

AIRPORT SAFETY & SECURITY OFFICER
Clint Babcock

MANAGER OPERATIONS & MAINTENANCE
Reg Brady

BUSINESS MANAGER
Lynn Behnke

PRESIDENT, CEO
Mike Hooper



Deb Cross

Brian Clark

Shari Barker

Administrative Support

Operation Department

- Ensured that the Nanaimo Airport (YCD) was operated in a safe and secure manner
- Completed Phase 2 of the Haslam Creek fish habitat project
- Completed well water protection program
- Completed the expansion of the overflow parking lot
- Installed work stations for business travelers
- Oversight of new hangar construction on the airport
- Created new approach designs for GPS and ILS instruments
- Completed preparations for the runway expansion project
- Purchased new 4x4, utility vehicle for airport
- Purchased and implemented the new runway sweeper, under ACAP
- Developed a comprehensive, capital replacement plan
- Developed a feasibility plan for using electric carts as tugs
- Developed water and wildlife Management Plans
- Produced Standard Operating Procedures for all equipment on site
- Developed an extended snow removal plan
- Completed Highway Signage Review Project

Airport Improvement Project

- Completed Preliminary Design products
- Completed Detailed Design process
- Completed RFQ and Tender process
- Included ILS civil requirements in final design, offset the cost for these works by adjusting the runway design
- Received sign-off from TC on the Plan of Construction
- Signed an agreement with several neighbours allowing height constraints and the installation of navigation lights on properties, north of the airport
- Completed preliminary project plan for the following components; Environmental, Civil, Electrical, Geotechnical
- Completed model to demonstrate adjustments on the south end of the runway.
- Participated in the RDN, OCP process
- Completed a communications/marketing plan focused on pre and post construction requirements
- Completed a full environmental assessment for the project
- Completed the Public Review process – including >100 presentations

Safety & Security Department

- Ensured that the Nanaimo Airport (YCD) was operated in a safe and secure manner
- Developed and implemented emergency evacuation plans
- Developed and implemented new alarm procedures
- Began Fire Response training with the Cranberry Fire hall as the new service provider – Maintained a partnership with VIERA
- Completed Table-top exercise with YCD team, Ambulance, RCMP and Fire Protection
- Launched a new Safety Web Site for YCD and all tenants
- Completed Phase 1 of the Olympic Security Plan
- Updated and coordinated Security Programs
- Initiated a site “security camera” system

Administration Department

- Initiated and implemented Phase 1 of Lease Agreements, including meetings with all tenants
- Initiated a property management system with DTZ Barnicke
- Implemented a financial tracking model for capital projects
- Initiated PFF application with ACJ
- Programmed and implemented a new Flight Information Display System (FIDS) – removing a legacy system that was failing
- Developed site access for the main printer and maintained site computer system
- Developed a Draft Land Use Plan for airport lands
- Developed and initiated a Marketing Plan based on airport improvements
- Initiated an on-line survey program for the public (survey monkey)
- Developed and initiated a digital file tracking system
- Completed Phase 1 of the Safety Management System (HF training)
- Worked with existing and potentially new air carriers to develop future routes
- Initiated a 6 month Pilot project with Greyhound Bus services



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
March 16, 2009



Partners
John A. Annesley, C.A.[®]
Lorena LaPorte, C.A., CFP[®]
Grant McDonald, C.A.¹
¹Incorporated



AUDITORS' REPORT

To the Directors
Nanaimo Airport Commission

The accompanying summarized statement of financial position as at **December 31, 2008** 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, 2008** and for the year ended on which we expressed an opinion without reservation in our report dated February 18, 2009. 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

CHURCH PICKARD
Chartered Accountants

Nanaimo, B.C.
February 18, 2009

 Members, Institute of Chartered Accountants of British Columbia

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Nanaimo Airport Commission Statement of Financial Position

As at December 31, 2008

	2008	2007
ASSETS		
CURRENT		
Current investments - Note 4	\$5,245,105	\$453,297
Cash	591,834	283,581
Deferred leasing costs and prepaid expenses	120,188	121,400
Accounts receivable	350,826	153,719
	6,307,953	1,011,997
INVESTMENTS - Note 4	4,495	232,132
PROPERTY AND EQUIPMENT - Note 3	11,467,592	11,004,045
	17,780,040	\$12,248,174
LIABILITIES		
CURRENT		
Demand loan - Note 5	\$ -	\$675,000
Accounts payable and accrued liabilities	127,224	178,574
Deferred lease revenue	36,397	21,284
	163,621	874,858
DEFERRED REVENUE RELATED TO RUNWAY EXPANSION - Note 6	5,454,762	-
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT - Note 6	5,022,338	4,459,853
SECURITY DEPOSITS	18,946	18,946
	10,659,667	5,353,657
NET ASSETS		
INVESTED IN PROPERTY AND EQUIPMENT	6,445,254	6,544,192
INTERNALLY RESTRICTED - Note 7	619,202	307,000
UNAPPROPRIATED FUNDS	55,917	43,325
NET ASSETS	7,120,373	6,894,517
	\$17,780,040	\$12,248,174

Nanaimo Airport Commission Statement of Revenue and Expenses and Net Assets

For the year ended December 31, 2008

	Budget 2008 (unaudited)	2008	2007
REVENUE			
Airline passenger fees	\$888,821	\$929,346	\$836,838
Vehicle parking fees	267,378	314,769	267,931
Air terminal lease and licence fees	229,458	253,328	233,150
Land lease and licence fees	225,846	248,894	245,269
Interest and general	30,600	122,334	36,376
Airside facility licence and user fees	41,400	50,670	50,717
	1,683,503	1,919,341	1,670,281
EXPENSES			
Administration and management	626,100	622,133	660,033
Service buildings and airfield	162,500	253,405	157,431
Emergency, safety, and security	170,150	164,552	151,004
Air terminal building	136,100	143,823	114,122
Property taxes	140,000	134,638	141,172
Commercial development and marketing	82,800	113,665	158,158
Airport commission	81,800	75,899	75,666
Bad debts	3,000	2,447	4,341
	1,402,450	1,510,562	1,461,927
REVENUE IN EXCESS OF EXPENSES BEFORE OTHER ITEMS	281,053	408,779	208,354
OTHER REVENUE (EXPENSES)			
Amortization of deferred contributions related to property and equipment	-	463,195	417,805
Gain on sale of property and equipment	-	-	836
Amortization	-	(684,595)	(628,667)
	-	(221,400)	(210,026)
REVENUE IN EXCESS OF EXPENSES (EXPENSES IN EXCESS OF REVENUE)	\$281,053	187,379	(1,672)
NET ASSETS, BEGINNING OF THE YEAR		6,894,517	6,847,668
CHANGE IN FAIR VALUE OF INVESTMENTS CLASSIFIED AS AVAILABLE FOR SALE		38,477	48,521
NET ASSETS, END OF THE YEAR		\$7,120,373	\$6,894,517

Nanaimo Airport Commission Notes to the Financial Statements

For the year ended December 31, 2008

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

- 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. All other revenue is recognized when earned.

- Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the determinations of the collectibility of accounts receivable, the amortization of capital assets, valuation of inventories, and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

Nanaimo Airport Commission Notes to the Financial Statements

For the year ended December 31, 2008

3. Property and Equipment

	Cost	Accumulative Amortization	Net 2008	Net 2007
Land	\$ 3,633,608	\$ -	\$ 3,633,608	\$ 3,622,242
Buildings and improvements	4,071,017	1,677,081	2,393,936	2,554,542
Runway, airfield, and parking lot improvements	7,582,305	2,701,417	4,880,888	4,448,919
Fence	188,819	154,558	34,261	50,244
Furniture, equipment, and computer hardware	301,632	251,114	50,518	55,901
Vehicles	853,453	387,500	465,953	270,327
Computer software	21,230	12,80	28,428	1,870
	\$ 16,652,064	\$ 5,184,472	\$ 11,467,592	\$ 11,004,045

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

4. Investments

The short-term investments consist of several term deposits and GICs, having interest rates ranging from 1.54% to 4.00% and maturing at various dates from January 2009 to June 2009. The long-term investments consist of common shares. Short-term and long-term investments are designated as available for sale securities and are recorded at fair value.

	2008	2007
Available for sale:		
Short-term investments	\$ 5,245,105	\$ 453,297
Long-term investments	4,495	232,132
	\$ 5,249,600	\$ 685,429

5. Demand Loan

In 2007 the commission converted their Royal Bank of Canada demand loan into a mortgage on the land that was purchased in 2006. The loan bears interest at prime with monthly, interest-only payments, and is due on demand. The loan is secured by a general security agreement and the land. During 2008, the loan was paid in full.

During 2008 the commission secured a demand non-revolving loan of \$2,000,000 with interest payable at the Canadian Western Bank's prime lending rate. This demand loan was not used in 2008.

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:

	2008	2007
Balance, beginning of the year	\$ 4,459,853	\$ 4,668,437
Capital assistance received, or receivable	1,025,680	209,221
Amortized to revenue	(463,195)	(417,805)
	\$ 5,022,338	\$ 4,459,853

Included in capital assistance received is \$762,195 in grants used for runway expansion costs in the current year. The total grants received to date for the runway expansion project are \$6,216,957. The remainder of these funds are included in deferred revenue.

Nanaimo Airport Commission Notes to the Financial Statements

For the year ended December 31, 2008

7. Restricted net assets

The board has restricted funds in order to provide for future capital programs in the amount of \$619,202. Included in this total is \$74,802 of interest received on capital grants which has been restricted for runway expansion purposes.

8. Commitments

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

2009	\$ 3,434
2010	1,926
	\$ 5,360

The commission entered into a contract with Jakes Construction Ltd. on January 26, 2009 in regards to the YCD Improvement capital project. The commission has committed to spending \$8,715,380 over the term January 30, 2009 to November 13, 2009.

9. Subsequent events

At the date of the auditor's report, the commission was in the process of securing a line of credit with HSBC Bank Canada. The line of credit bears interest at prime plus 0.20% and is in the amount of \$2,000,000.

A \$10 airport improvement fee has been approved by the commission. This is to be implemented on tickets sold after March 1, 2009 and for travel after April 1, 2009.

10. 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.

- 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 \$38,276 CA\$ at December 31, 2008. 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 the carrying amounts of these financial instruments approximate their fair value due to their short-term maturity or capacity of prompt liquidation. See Note 4 for investments.

Five Year Capital Plan

Proposed five year plan

Note: Excludes the Airport Improvement Project and ACAP funding contributions.

PROJECTS	2009	2010	2011	2012	2013
Perimeter fence clearing, gravel path	10,000	15,000			
Material Spreader	20,000				
Computer Upgrades	10,000	5,000	5,000	5,000	5,000
Safety Management System	25,000	10,000	5,000		
Security Cameras	15,000	10,000	5,000		
Event Shelter	10,000				
Vital Aviation - Roof	15,000				
Parking Lot Lighting	12,000	10,000			
Forklift & Implements	15,000				
External Properties	5,000	10,000	10,000		
Haslam Creek Improvements	5,000	5,000	5,000		
Entrance Landscaping	10,000				
Phone System	15,000				
Air Delivery Systems (ATB)	15,000				
Awning Replacements	5,000	5,000			
Large capacity Water Filter System		10,000			
Upgrade Auto Gate Controllers		15,000			
Frontage Fencing		20,000			
Ramp Hog Loader Attachment		25,000			
Apron Overlay		45,000			
Passenger Covered Walkway			30,000		
Apron Concrete Park Stands			75,000		
Terminal Seating			30,000		
Security Enhancements RAIC			10,000		
Replace DME - contingency				130,000	
Extension to Mustang Rd & misc				50,000	30,000
CAR 303 Fire Truck					150,000
General Project & Purchases	20,000	20,000	20,000	20,000	20,000
TOTAL CAPITAL PLAN	207,000	205,000	195,000	205,000	205,000

YCD Improvement Projects

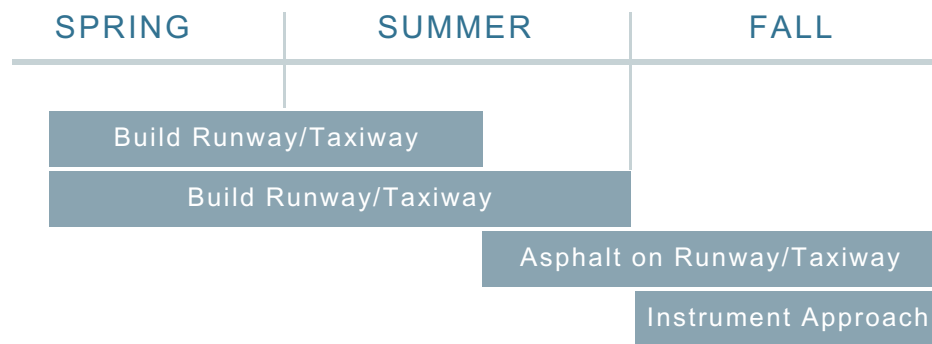
Thanks to generous support from the Province of BC and the Island Coastal Economic Trust, we are in a position to complete Phase 1 of the airport improvement project during 2009.

Phase 1 (2007 to 2009) includes:

- (a) extending the runway 1,600 feet,
- (b) taxiway/apron improvements,
- (c) high intensity runway lighting, instrument system approaches; and
- (d) flight path protection and studies.

Phase 1 Target completion date: November 30, 2009

Cost estimate is \$16.4 million



Airport Improvement Project

PHASE 1	PHASE 2				
2009	2010	2011	2012	2013	2014
Runway/Taxiway Extension	Terminal Building				Full-Time Fire Dept.
High Intensity Lights	Parking Lot	Septic and Water System			
Instrument Approach					



YCD — The Future

As economic drivers go, airports have a long reach and Nanaimo Airport is no different. Nanaimo Airport currently makes a \$41-million contribution to the local economy and is either directly or indirectly the source of 584 fulltime jobs. Analysts predict these numbers will swell to \$121-million and 1,600 jobs within 20 years.

Nanaimo Airport will be a major contributor to the success of local business' across the service area, including the Nanaimo Conference Center and the Vancouver Island University.

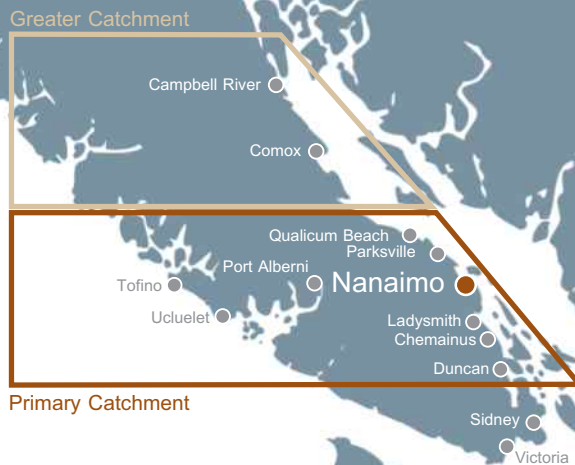
In business, air travel equates to time and time is money — count the briefcases in departing aircraft and the picture is clear. Tourism officials say investment in destination marketing in Nanaimo and Parksville will increase significantly because of air service.

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

Catchment Area

The airport's primary catchment area illustrated on the map includes a population greater than 232,000 and all those areas where YCD is the closest airport offering scheduled service.

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



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

