



Welcome Aboard!

Chairman's Report

On April 20, 2004, the first flight was flown out of the new air terminal at the Comox Valley Airport. Although the air terminal was not completely finished, operations at the old site were no longer tenable and the move was made according to schedule. The significant challenge of moving airline operations from one site to the new site literally happened between flights. The result has been a dramatic increase in customer service with the new airport facilities. The new facilities are meeting the current demand and stimulating new demand for air travel.



Throughout the past year, the airport staff has made the many necessary improvements to improve customer service at the new terminal building. The Comox Valley Airport Commission participates annually in a national survey for customer satisfaction. It should come as no surprise that the Comox Valley Airport received a last place ranking at the old terminal. We are very pleased to report that the Comox Valley Airport received a first place ranking for 2004, an essential step in fulfilling our Vision "to become Vancouver Island's preferred mid-island gateway." I have no doubt that with the dedication of our airport staff, and the new facilities that they have to work with, that the Comox Valley Airport will continue to receive high marks for customer service and satisfaction.

The new airport facilities have brought enormous economic benefits to the community. This positive economic environment also brings challenges. CVAC has embarked on a Master Planning process for the airport to identify the infrastructure requirements needed to support air travel well into the future. This plan will predict the growth of passenger numbers and will provide indicators to the community planners as to the required supporting infrastructure such as roads and appropriate zoning for best use of the lands surrounding the airport. CVAC feels that it is very important to undertake that planning now so that the community can develop a coordinated strategy to manage the requirements.

On behalf of the Commission, I would like to thank all users of the airport. We trust that the new facilities meet or exceed your expectations. As customer demand increases we will be able to offer additional air service to more locations. I would also like to thank CVAC's Chief Executive Officer, Chuck Fast, and his small, dedicated staff for their extraordinary efforts and achievements during this past year. Their continued dedication has made all of this possible.



Terrance Law
Chair

Comox Valley Airport Commission Overview

The Comox Valley Airport Commission (CVAC) is a non-share capital, not for profit corporation that received its Letters Patent in February 1996. CVAC's mandate is to undertake the management and operation of the commercial civil aviation facilities at Canadian Forces Base (CFB) Comox for the general benefit of the public. CVAC constructed the new airport facilities in the south west corner of CFB Comox and holds a 25 year lease for this land from the Department of National Defence.



The Commission's facilities and leased land area are known as the "Comox Valley Airport". These facilities are also informally referred to by the international identifier for the Comox Airfield, "YQQ".

Comox Valley Airport Commission's Mission Statement

CVAC's Mission is to "operate safe, secure and efficient civil aviation facilities and services which consistently exceed the expectations of our customers and communities."

Comox Valley Airport Commission's Vision

To become Vancouver Island's preferred mid-island gateway.

Goals

Five goals are identified in CVAC's five year Strategic Plan:

1. Provide facilities that address current and future demands of customers;
2. Promote and foster regional development and community pride;
3. Expand passenger air services;
4. Develop air cargo potential; and,
5. Remain financially viable and cost competitive.

CEO's Report

This year has been very exciting; it's hard to believe that a year has already passed since the opening of the new terminal. The business has undergone a significant transformation with the transition from the old site to the new. The airport terminal building is ten times the size and has allowed the Comox Valley to welcome visitors comfortably and in a manner that reflects well on the Valley. The building has a great feel to it with the natural history theme implemented by the Courtenay and District Museum and the representation of local arts and culture throughout the building. The airport facilities also afford the opportunity for the Airport Commission to attract new air service. The Transat Holidays direct flights to Mexico would not have been possible without the new airport facilities. The next few years will be equally exciting as increased use of the airport will create the demand for additional air service.

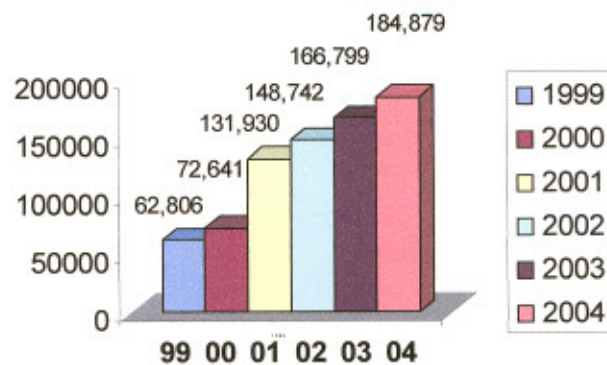


The Comox Valley Airport Commission has provided four performance targets to gauge the success of the airport. These targets are to be achieved over a five year period. We have just commenced our third year of the five year program.

Passengers – 200,000 annually

By the end of 2007, CVAC intends to fly 200,000 passengers annually. This goal is being achieved through regional market development primarily through tourism and a continued focus on customer service. Passenger growth for the first three months of 2005 has been exceptional with nearly a 25% growth rate. This performance target presumed that air service to the US would be part of the passenger growth. The 200,000 annual passenger target will be achieved in 2005 with the growth in the domestic market and Mexico charters.

Comox Passenger Traffic



Capital Reserve

The Comox Valley Airport Commission requires a very aggressive business plan to address the long-term viability of the airport. The plan sets aside funds for future capital improvements and the replacement of the current infrastructure. This \$500,000 funding goal will again be met for the 2004/2005 fiscal year with the funds earmarked for the completion of the airside.

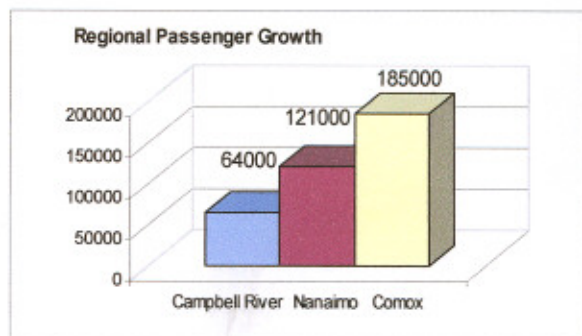
Customer Satisfaction Ranking – 4.0

“To exceed the expectations of our customers and communities” it is necessary to offer a high degree of customer service. Customer Satisfaction is measured annually through a program administered by the Canadian Airport Council. The Comox Valley Airport administers customer service through a continuous improvement process that requires a dedicated effort from our staff and our airport volunteers. CVAC will be challenged to maintain its 2004 first place ranking of 4.49 that it received in 2004. The survey yielded several negative comments on the older portion of Knight Road and the Knight/Pritchard Road intersection. As the passenger numbers increase, the dissatisfaction with this roadway will increase and impact negatively on the visitor’s travel experience. To assist in the process, CVAC is participating with funding for the regional transportation strategy. CVAC’s desire is to identify the short, medium and long term strategies for connecting airport traffic to the Inland Island Highway.



Share of Regional Passengers – 60%

Regional passenger traffic is measured by adding the annual passenger totals of Campbell River, Comox and Nanaimo Airports. CVAC’s market share for 2004 was 50%. To increase market share, the Comox Valley Airport will need to provide new air service for the community. The success of Transat



Holidays to Mexico is a great example of how the market responds to good air service. The Transat Holidays’ load factor was 94%, which was excellent and prompted Transat Holidays to add a second destination, Cancun, for the 2005/2006 season.

A special thanks to the airport staff and the volunteers. This was a very demanding year as we adjusted to the new facilities and the many opportunities that it presented. The flexibility of the staff and the volunteers to accommodate the passenger growth was simply outstanding.



Chuck Fast
CEO

Comox Valley Airport Volunteers



Comox Valley Airport Staff

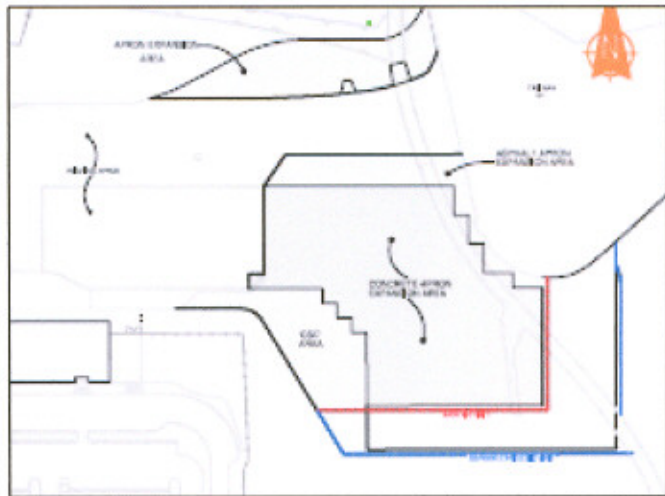
Comox Valley Airport Operational Goals for 2005

The operational goals for this year are driven by the five goals identified in CVAC's Strategic Plan:

- Provide facilities that address current and future demands of customers;
- Promote and foster regional development and community pride;
- Expand passenger air services;
- Develop air cargo potential; and,
- Remain financially viable and cost competitive.

The major focus for the upcoming year will be to complete the airside ramp. The airport planning process allowed for a phased growth to the new airport facilities to accommodate the needs of the community. The new air terminal building was designed

to allow additional airside development to handle more aircraft as the demand grew. Currently, the available airside limits the Comox Valley Airport to small wide body aircraft such as the Boeing 757. The completion of the airside will allow CVAC to meet the requirements for aircraft capable of long haul charters to Europe and Asia as well as provide space for additional aircraft parking. The regional market is ready to accept large inbound charter flights and this project will provide the necessary airside space.



The Airport Commission has sufficient funds to start construction and provide some additional airside pavement but not enough funds to complete the full build out. Additional funding is being sought to optimize the benefit to the community from this additional airside construction which will prepare the airport for future demand including increased activity in support of the Olympics.



2005 Board of Directors and Committee Participation

Director		Committees
Terrance Law	Chair	Executive Committee Ex officio member of all Standing Committees Commission Spokesperson
Jack Bush	Vice Chair	Executive Committee Governance and Nominating Committee
Sylvie Hatch	Secretary	Executive Committee Governance and Nominating Committee (Lead)
Dave Koski	Treasurer	Executive Committee Audit & Finance Committee (Lead)
Bryan Bisley	Director	
Gil Blair	Director	Audit & Finance Committee
Leona Castle	Director	
Edda Grant	Director	Governance and Nominating Committee
Gillian Holmes	Director	
Jay Jennings	Director	Audit & Finance Committee
Don Lockett	Director	
Daryl McLoughlin	Director	Audit & Finance Committee
Hilary Perka	Director	
Walter Silvestri	Director	

COMOX VALLEY AIRPORT COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2005

*Management Responsibility for Financial
Statements*

Auditors' Report

Statement of Financial Position

*Statement of Operations and Changes in Net
Assets*

Statement of Cash Flows

Notes to Financial Statements





YQQ

FINANCIAL STATEMENTS OF COMOX VALLEY AIRPORT COMMISSION

Management Responsibility for Financial Statements

THE ACCOMPANYING FINANCIAL STATEMENTS and the notes thereto have been prepared by management in accordance with Canadian generally accepted accounting principles.

The Commission's accounting procedures and related safeguards of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. The establishment and maintenance of these policies of reporting systems include the determination of significant estimates, the disclosure of sufficient information about the extent and nature of events having an effect on the Commission in these financial statements, and internal controls including those designed to prevent and detect fraud and error ensuring compliance with applicable legislative authorities.

The Board of Directors appoints an Audit and Finance Committee consisting of four Directors. This committee meets periodically with Management and independent auditors to review significant accounting, internal control and auditing matters. The Committee also reviews and approves the annual financial statements of the Commission and the independent auditors report before the submission to the Board of Directors for final approval.

The financial information throughout this annual report is consistent with the information presented in these financial statements.

A handwritten signature in black ink, appearing to read 'Chuck Fast', with a long horizontal line extending to the right.

Chuck Fast
Chief Executive Officer



MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

To the Directors of
Comox Valley Airport Commission

We have audited the statement of financial position of Comox Valley Airport Commission as at March 31, 2005 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the commission as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants

Courtenay, BC
May 27, 2005

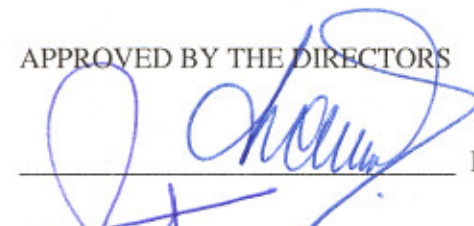
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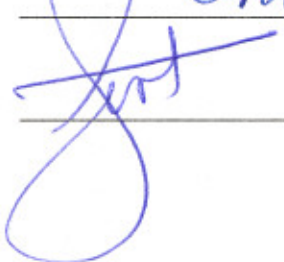
COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF FINANCIAL POSITION - MARCH 31, 2005

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2005</u>	<u>Total 2004</u>
	\$	\$	\$	\$
CURRENT ASSETS				
Cash	107,453	510,914	618,367	1,607,191
Accounts receivable	144,761	60,899	205,660	332,072
Grants and service agreements receivable	-	-	-	3,687,235
Prepaid expenses and deposits	<u>8,696</u>	<u>26,251</u>	<u>34,947</u>	<u>2,454</u>
	260,910	598,064	858,974	5,628,952
INTERFUND ACCOUNTS	1,343,374	(1,343,374)	-	-
PROPERTY AND EQUIPMENT (Note 3)	<u>-</u>	<u>12,906,194</u>	<u>12,906,194</u>	<u>9,843,851</u>
	<u>1,604,284</u>	<u>12,160,884</u>	<u>13,765,168</u>	<u>15,472,803</u>
 CURRENT LIABILITIES				
Bank indebtedness (Note 4)	-	2,211,033	2,211,033	2,111,033
Deferred revenue	1,317	-	1,317	-
Trade accounts	76,385	44,135	120,520	1,699,235
Wages and deductions	19,731	-	19,731	8,565
Security deposits	-	-	-	6,295
Construction holdbacks	<u>-</u>	<u>95,687</u>	<u>95,687</u>	<u>839,439</u>
	<u>97,433</u>	<u>2,350,855</u>	<u>2,448,288</u>	<u>4,664,567</u>
 NET ASSETS				
Invested in property and equipment	-	9,810,029	9,810,029	4,535,139
Externally restricted	-	-	-	5,360,180
Unrestricted	<u>1,506,851</u>	<u>-</u>	<u>1,506,851</u>	<u>912,917</u>
	<u>1,506,851</u>	<u>9,810,029</u>	<u>11,316,880</u>	<u>10,808,236</u>
	<u>1,604,284</u>	<u>12,160,884</u>	<u>13,765,168</u>	<u>15,472,803</u>

APPROVED BY THE DIRECTORS


 _____ Director


 _____ Director

The accompanying notes are an integral part of these financial statements.

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2005

	Operating Fund	Capital Fund (Restricted)	Total 2005	Total 2004
	\$	\$	\$	\$
REVENUE				
Terminal fees	968,125	-	968,125	839,250
Grant and service agreement revenue	-	290,473	290,473	8,109,527
Airport improvement fees	-	465,787	465,787	406,708
Concessions - car	143,037	-	143,037	122,567
Concessions - parking	174,066	-	174,066	91,908
Office rentals	134,649	-	134,649	63,481
Interest	5,320	4,413	9,733	8,657
Concessions - other	37,537	-	37,537	8,055
Advertising	56,379	-	56,379	-
Miscellaneous	3,466	3,246	6,712	579
	<u>1,522,579</u>	<u>763,919</u>	<u>2,286,498</u>	<u>9,650,732</u>
EXPENSES				
Airport improvement fee expense	-	32,965	32,965	31,952
Amortization	-	591,759	591,759	3,298
Bad debts	2,455	-	2,455	-
Board expenses	26,081	-	26,081	14,017
Customs	16,963	-	16,963	-
Demolition expense	-	124,967	124,967	-
Insurance	22,287	-	22,287	12,329
Interest and bank charges	1,278	99,518	100,796	213
Marketing	118,213	-	118,213	131,818
Office	44,086	-	44,086	24,998
Professional fees	44,964	-	44,964	32,009
Property taxes (Note 6)	12,000	-	12,000	6,042
Rent	14,398	-	14,398	14,544
Repairs and maintenance	117,811	-	117,811	32,191
Sub-contract	3,989	-	3,989	4,395
Utilities	63,879	-	63,879	14,897
Volunteer expense	8,402	-	8,402	14,547
Wages and benefits	431,839	-	431,839	215,773
	<u>928,645</u>	<u>849,209</u>	<u>1,777,854</u>	<u>553,023</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES				
	593,934	(85,290)	508,644	9,097,709
NET ASSETS - BEGINNING OF YEAR	<u>912,917</u>	<u>9,895,319</u>	<u>10,808,236</u>	<u>1,710,527</u>
NET ASSETS - END OF YEAR	<u><u>1,506,851</u></u>	<u><u>9,810,029</u></u>	<u><u>11,316,880</u></u>	<u><u>10,808,236</u></u>

The accompanying notes are an integral part of these financial statements.

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2005

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2005</u>	<u>Total 2004</u>
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenue over expenditures	593,934	(85,290)	508,644	9,097,709
Adjustment for				
Amortization	-	591,759	591,759	3,298
Gain on sale of property and equipment	-	(3,246)	(3,246)	-
	<u>593,934</u>	<u>503,223</u>	<u>1,097,157</u>	<u>9,101,007</u>
Changes in non-cash working capital				
Net change in amounts receivable and payable	(19,498)	1,523,161	1,503,663	(1,384,341)
Change in prepaid expenses	(6,242)	(26,251)	(32,493)	(1,078)
Change in security deposits	(6,295)	-	(6,295)	213
	<u>561,899</u>	<u>2,000,133</u>	<u>2,562,032</u>	<u>7,715,801</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund advances	(640,758)	640,758	-	-
Advances of short-term debt	-	1,100,000	1,100,000	2,111,033
Repayment of short-term debt	-	(1,000,000)	(1,000,000)	-
	<u>(640,758)</u>	<u>740,758</u>	<u>100,000</u>	<u>2,111,033</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	-	(3,656,356)	(3,656,356)	(9,032,815)
Sale of property and equipment	-	5,500	5,500	-
	<u>-</u>	<u>(3,650,856)</u>	<u>(3,650,856)</u>	<u>(9,032,815)</u>
CHANGE IN CASH DURING YEAR	(78,859)	(909,965)	(988,824)	794,019
CASH				
- BEGINNING OF YEAR	<u>186,312</u>	<u>1,420,879</u>	<u>1,607,191</u>	<u>813,172</u>
- END OF YEAR	<u>107,453</u>	<u>510,914</u>	<u>618,367</u>	<u>1,607,191</u>

The accompanying notes are an integral part of these financial statements.

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2005

1. PURPOSE:

The Comox Valley Airport Commission (CVAC) was granted letters patent under the Canada Corporations Act on February 12, 1996. CVAC has operated the civilian air terminal located on Department of National Defence grounds adjacent to CFB Comox since July 1, 1996.

All earnings of CVAC are retained and reinvested in civilian airport operations and development.

CVAC is exempt from federal and provincial income and capital taxes.

2. SIGNIFICANT ACCOUNTING POLICIES:

a) Fund Accounting

CVAC follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for CVAC's operating activities.

The Capital Fund reports the assets, liabilities, revenues, and expenses related to CVAC's property and equipment and expansion projects.

b) Revenue Recognition

Restricted contributions are recognized as revenue of the Capital Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenues are receivable when services are performed, the facilities are utilized or the amounts are earned pursuant to the related agreements.

Terminal Fees are recognized as each passenger enplanes and deplanes.

Airport Improvement Fee revenue is recognized at passenger departure.

Car Concession revenue is recognized monthly based on a percentage of gross monthly revenue from car rental agencies.

Parking Concession revenue is recognized as the lot is used.

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COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

Office Rental revenue is recognized monthly per rental agreements.

Other Concession revenue is recognized monthly based on a percentage of gross revenue from other concessions.

Advertising revenue is recognized monthly as it is earned.

- c) Amortization charges have been calculated applying the straight line method at the following annual rates:

Airside	24 years
Air terminal building	24 years
Computer equipment	3 years
Conveyance equipment	20 years
Equipment	10 years
Furniture and fixtures	10 years
Groundside	24 years

- d) 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Accounts payable includes estimates of amounts owing at year end for items, such as property taxes, where invoices have not been received. Amortization is based on the estimated useful lives of property and equipment, except for airside, air terminal building and groundside, which are amortized over the term of the existing DND lease.

These estimates and assumptions are reviewed periodically, and as adjustments become necessary they are reported in earnings in the periods in which they become known.

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2005

3. PROPERTY AND EQUIPMENT:	2005		2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Airside	3,266,381	136,099	2,724,751	-
Air terminal building	7,615,930	317,330	6,088,609	114,314
Asphalt and parking areas	-	-	40,134	40,134
Computer equipment	20,843	10,562	11,184	5,422
Conveyance equipment	837,373	41,869	-	-
Equipment	123,557	12,356	-	-
Furniture and fixtures	212,242	47,753	31,711	29,477
Groundside	1,456,526	60,689	1,134,555	-
Leasehold improvements	-	-	49,369	49,369
Motor vehicles	-	-	3,788	1,534
	<u>13,532,852</u>	<u>626,658</u>	<u>10,084,101</u>	<u>240,250</u>
Unamortized cost	<u>12,906,194</u>		<u>9,843,851</u>	

During the year the terminal under construction was put into use. Accumulated costs of construction were reallocated to the above asset categories and amortized.

4. BANK INDEBTEDNESS:	2005	2004
	\$	\$
Bank of Montreal; demand non-revolving construction facility, secured by first position on specific equipment purchased, assignment of rents and accounts receivable, and a construction insurance policy, interest at prime less 0.25%	<u>2,211,033</u>	<u>2,111,033</u>

COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2005

5. RESTRICTED CONTRIBUTIONS:	<u>2005</u>	<u>2004</u>
	\$	\$
Regional District of Comox-Strathcona	-	4,000,000
Province of British Columbia	-	2,000,000
Transport Canada	264,875	1,635,125
Canadian Air Transport Security Authority	<u>25,598</u>	<u>474,402</u>
	<u>290,473</u>	<u>8,109,527</u>
Airport improvement fees	<u>465,787</u>	<u>406,708</u>
	<u><u>756,260</u></u>	<u><u>8,516,235</u></u>

During the year CVAC received restricted capital contributions from Transport Canada and the Canadian Air Transport Security Authority for the purpose of constructing the terminal building and related airside and groundside structures.

CVAC collects an airport improvement fee (AIF) of \$5 per outgoing passenger to fund the cost of major capital expenditures. These fees are collected by the air carriers under an agreement between CVAC, the Air Transport Association of Canada (ATAC) and the air carriers serving the airport. By agreement with ATAC, AIF revenues are restricted to pay for the capital and related financing costs of major airport infrastructure development.

6. PROPERTY TAXES:

Assessed value for 2004 was zero due to the expired lease and rehabilitation liability at the old site, and the modest amount of construction done at the new site at the time of assessment. The property tax listed represents the first three month accrual on CVAC's 2005 assessment. CVAC's assessment only provides for common areas and CVAC office space. All tenants pay taxes directly on their leased areas.

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2005

7. LEASE COMMITMENTS:

The commission is committed under lease agreements for land with future minimum lease payments over the next five years as follows:

	\$
2006	42,026
2007	42,026
2008	42,026
2009	42,026
2010	42,026

Effective June 30, 2003 the CVAC entered into a 25 year lease with the Department of National Defence for the land where the airport is situated. Lease payments have been set for the initial five year period. The annual payment could change in July, 2009 but is not expected to decline.

8. COMPARATIVE FIGURES:

Certain comparative figures have been restated, where necessary, to conform to the current year's presentation.

9. SUBSEQUENT EVENT:

On April 5, 2005 the construction loan with the Bank of Montreal was replaced with a demand credit facility to a maximum of \$5,000,000 from the Royal Bank, with interest to a maximum of prime plus 2%, secured by a mortgage of lease and a general security agreement.

10. CONTRACTUAL OBLIGATIONS:

CVAC has contractual obligations for completion of the ramp totalling \$268,500. CVAC also has contractual obligations of \$60,000 for marketing and strategic planning services, \$20,000 for a transportation study, and \$26,000 for acoustic modifications.

COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2005

11. FINANCIAL INSTRUMENTS:

CVAC, as part of its operations, carries a number of financial instruments. It is management's opinion that CVAC is not exposed to significant interest, currency or credit risks arising from these financial instruments, except as otherwise disclosed.

Credit Concentration: As at March 31, 2005 three customers accounted for 77% (2004 - 91%) of accounts receivable in the operating fund, and four customers accounted for 97% (2004 - 6%) of accounts receivable in the capital fund. CVAC believes that there is no unusual exposure associated with the collection of these receivables. CVAC performs regular credit assessments of its customers and provides allowances for potentially uncollectable accounts receivable.

Fair Value of Financial Instruments: The carrying amounts of cash, accounts receivable, prepaid expenses and deposits, bank indebtedness, trade accounts, wages and deductions, and construction holdbacks approximate their fair value due to the short term maturities of these items.

Interest Rate Risk: Interest rate risk is the risk that the value of a financial instrument may be adversely affected by a change in the interest rates. In seeking to minimize risk from interest rate fluctuations, CVAC manages its exposure through its normal operating and financing activities. CVAC is exposed to interest rate risk primarily through its bank indebtedness, which may be mitigated by locking in the interest rates on bank debt when circumstances warrant.