



Accountability Report

Chairman's Message

The 2005/2006 fiscal year has been a very exciting time for the Comox Valley Airport Commission. Although we have just completed our second year in the new facilities, the business plan objectives for the five year period have easily been met. To keep pace with the outstanding results that were being achieved by the corporation, the Board rejuvenated itself as a policy governance Board in July 2004. This change has enabled the Board to better provide strategic planning to the corporation, and to develop and implement corporate policy.



The Commission has spent considerable time reviewing the public accountability criteria for the many different airport governing authorities. To meet the current public accountability requirements mandated by the federal government, CVAC is required to hold two annual meetings; one with the public and one with the Nominating Entities. Public accountability is an extremely important issue and the Board felt that we could do a better job with respect to accountability and transparency. The Commission provides a valuable service to the public and businesses of the Comox Valley, has been the recipient of taxpayer dollars at all government levels, and makes decisions which impact our community in a very real and direct way. The work of the Commission and its economic role in the Comox Valley make it imperative that we remain accountable and transparent to the community that we serve.

For the Commission to effectively complete its work it must have continuity in its membership. To that end CVAC is working closely with the Nominating Entities to review the Board structure with the aim of reducing the Board to a workable size while adopting the additional accountability measures in an effort to create procedures that will meet our respective needs. The Board has started that process by focusing its attention on the accountability and transparency measures used by the airport authorities that manage federally owned airports. *Public Accountability Principles for Canadian Airport Authorities (CAA)* is the federal regulation which defines the accountability criteria that must be followed for those airports still owned by the federal government. CVAC has embraced these accountability criteria as a starting point for the review. Our website has been updated to provide the public with information required of Canadian Airport Authorities and our annual report, correctly referred to as our accountability report, reflects those accountability principles as well.

I would like to take this opportunity to thank the members of the Board for their hard work and dedication as it has been especially challenging year due to the high turn over rate of Directors. We would also like to make special mention of serving Directors Wally Silvestri and Gerrit van Boeschoten, and past Director Gil Blair, all of whom we lost this year. They will be missed.

A handwritten signature in black ink, appearing to read 'Terrance Law'. The signature is stylized and cursive.

Terrance Law
Chair

Comox Valley Airport Commission Overview

The Comox Valley Airport Commission (CVAC) is a non-share capital, federally incorporated not for Profit Corporation that provides a public service. CVAC 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 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:

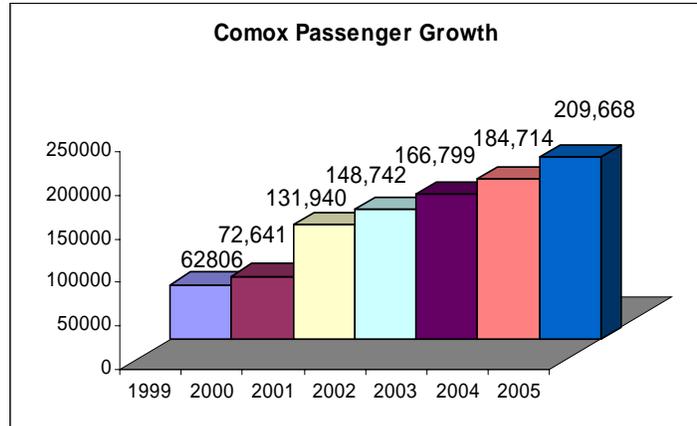
1. Provide facilities that address current and future demands of customers;
2. Promote and foster regional development and community pride;
3. Expand passenger air services;
4. Develop air cargo potential; and,
5. Remain financially viable and cost competitive.

Operations Review and Outlook

2005 in Review

The Comox Valley Airport Commission met all key financial and operational objectives in 2005. Although transborder air service has yet to commence, domestic passenger growth has exceeded expectations. The end result is that the total passenger numbers exceeded those forecast.

Total passenger movements for 2005 were 209,668, an increase of 13.5% over 2004. The Comox Valley Airport is now the sixth busiest airport in British Columbia. The Comox Valley Airport Commission is exceptionally pleased to be voted by customers as the number one airport in Canada in 2005 for Customer Satisfaction. The survey is conducted by the Canadian Airports Council for its members.



Total Revenues increased slightly while direct operating costs increased significantly. The main factors influencing operating costs increases were expansion of the airside and related systems, increased amortization, and increased property taxes. Interest and bank charges more than doubled in 2005, reflecting the investment in the new infrastructure constructed and placed into service. Total debt as at 31 March 2005 was \$6.6 million.

The Comox Valley Airport Commission invested \$6.44 million to renovate and expand the airport infrastructure in the 2005 fiscal year. Included in these investments were:

- Airside expansion to provide one additional Code E and once additional Code D aircraft operational areas
- Relocate Taxiway to accommodate Code D aircraft
- Concrete ramps installed at Operations Stands 1 and 2 to replace asphalt that was deteriorating
- New vehicle gate and roadway to Aircraft Operations Stand 5 and 6
- Additional vehicle parking and lighting
- Air Terminal Building security upgrades
- Welcome to British Columbia Gateway signage



A number of important long term planning studies were undertaken in 2005 primarily to validate future passenger growth to meet the growing needs of the region:

- Comox Valley Airport Passenger Market Sizes 2004
- Comox Valley Airport Master Plan 2025
- Air Service Development Initiatives
- To support the Master Plan process, the Comox Valley Strategic Plan is being revisited as well
- Courtenay Transportation Study, to identify the short, medium and long term connectivity of the airport to the Inland Island Highway



Outlook for 2006

The current positive economic environment in British Columbia is being felt through the Comox Valley Airport as it serves the needs of the region. The optimistic forecast growth rate has been upgraded to 9.1% per year through 2015. This growth will require significant additional investment by the Comox Valley Airport Commission to meet the growing demand. The Comox Valley Airport Master Plan will guide major capital investments while our ongoing continuous improvement process will determine the minor capital requirements.

The Comox Valley Airport Commission investment program includes \$300,000 for the following projects for 2006/2007:

- Additional induction conveyors for passenger check in
- New check in counters to replace older counters
- Switch over to municipal water
- Additional long term parking
- Additional security upgrades to the Air Terminal Building



Other corporate activities and objectives for 2006 include:

- Completion of the Master Plan
- Update of the Strategic Plan
- Adoption of Safety Management System principles (a federal requirement for large airports)
- Integrated emergency response planning to provide more comprehensive coverage with local, provincial and federal involvement
- Additional air service to meet the evolving demands for air travel

The adequacy of the current facilities to meet the expanding needs of the region will be examined through the Master Planning process.

It is anticipated that the development plans will need to be accelerated in recognition of the continuing high growth environment.



Terrance Law
Board Chair



Chuck Fast
Chief Executive Officer

CEO's Report

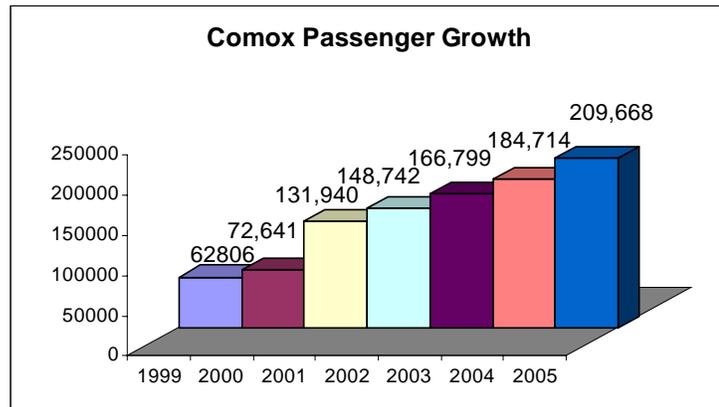
2005 was another very exciting year. It's amazing to watch the business grow in response to the new community airport facilities, and the dedicated marketing that the airport conducts. With the airport's impressive infrastructure provided by DND and the community's new air terminal building, the Comox Valley now enjoys airport facilities that are truly capable of meeting the needs of the region. Our management team is committed to a continuous improvement process and you will likely have noticed these improvements throughout the year. To be voted by the customers as the number one airport in Canada for customer satisfaction for the second year in a row, is a testament to management's commitment. We believe that some of our initiatives are truly cutting edge and do provide the highest level of customer service. However, with this extraordinary growth, CVAC will be challenged to continue to provide the necessary infrastructure and services to accommodate further growth.



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 fourth year of the five year program.

Passengers – 200,000 annually

By the end of 2007, CVAC intended to fly 200,000 passengers annually. This goal was achieved in 2005 largely due to the regional market development primarily through tourism and a continued focus on customer service. This performance target presumed that air service to the US would be part of the passenger growth. The 200,000 annual passenger target was achieved in 2005 with the growth in the domestic market and Mexico charters.



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 was again met for the 2005/2006 fiscal year. The funds were used to help fund the extensive capital improvement projects that occurred this year.

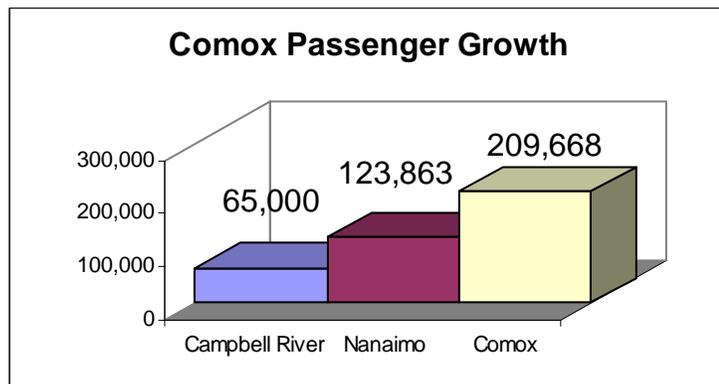
Customer Satisfaction Ranking – 4.0

“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 Airports Council. The Comox Valley Airport provides customer service through a continuous improvement process that requires a dedicated effort from our staff and our airport volunteers. We were very pleased to receive 4.58 rating in 2005 which is a higher ranking than last year. As the number one airport in Canada we have set a high bench mark for future years.



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 2005 was 53%. To increase market share, the Comox Valley Airport will need to provide new air service for the community.



A special thanks to the airport staff and the volunteers. This was a very exciting year as we continue to improve the service we offer to the travelling public. 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



Corporate Governance

2006 Board Of Directors



Terry Law
 Chair
 Executive Committee
 Ex Officio All Standing
 Committees
 Commission Spokesperson



Daryl McLoughlin
 Vice Chair
 Executive Committee
 Governance and Nominating
 Committee
 Finance and Audit Committee



Sandy Gray
 Secretary
 Governance and Nominating
 Committee (Lead)



Dave Koski
 Treasurer
 Executive Committee
 Finance and Audit
 Committee (Lead)



Ken Dawson
 Director
 Finance and Audit
 Committee



Andy Harvie
 Director



Gillian Holmes
 Director



Russell Irvine
 Director
 Governance and
 Nominating Committee



Richard Kanigan
 Director



Bob Long
 Finance and Audit
 Committee
 Governance and
 Nominating Committee



Dave Mellin
 Director



Darlene Neuman
 Director



Hilary Perka
 Director

Fiscal Year 2005 - 2006

		Apr	May	AGM	Jul	Aug	Sep	Oct	Nov	Jan	Feb
Terry Law	Chair										
Daryl McLoughlin	Vice Chair										
Sandy Gray	Secretary										
Dave Koski	Treasurer		A	A							
Ken Dawson	Director								A		
Andy Harvie	Director										
Gillian Holmes	Director								A		
Russell Irvine	Director										
Richard Kanigan	Director										
Bob Long	Director									A	A
Dave Mellin	Director										A
Darlene Newman	Director										
Hilary Perka	Director							A		A	A
Jack Bush	Vice Chair										
Sylvie Hatch	Secretary		A					A			
Bryan Bisley	Director										
Ron Bannerman	Director										
Jay Jennings	Director				A						
Darryl Pippin	Director										
John Watson	Director										
Don Lockett	Director		A	A	A						
Leona Castle	Director		A	A							
Edda Grant	Director										

Note: The areas shaded in green represent the term of the Director

Corporate Officers

Chuck Fast Chief Executive Officer

Corporate Service Providers

CORPORATE BANK

AUDITORS

CORPORATE LEGAL

The Royal Bank of Canada

Meyers Norris Penny LLP

Swift Dattoo & Co.

Corporate Governance

ACCOUNTABILITY

The Comox Valley Airport Commission is a federally incorporated not-for-profit corporation which provides a public service. The corporate governance processes of the Commission are structured to promote the purposes and business of the Commission as set forth in the Commission's Letters Patent. Pursuant to the Commission's By-Laws, the following bodies nominate Directors to the Board:

- The City of Courtenay, Town of Comox, and the Village of Cumberland each of which nominate 1 Board member;
- The Regional District of Comox Strathcona Areas A, B, C, and K each of which nominate 1 Board member
- Chambers of Commerce for the Comox Valley, and Cumberland and District, each nominate 1 Board member
- Comox Valley Economic Development Society nominates 1 member

STANDING BOARD COMMITTEES

The Commission's Board of Directors has three standing Committees tasked with general oversight in specific areas. The standing committees and their committee chairs are:

Executive Committee	Terry Law
Audit and Finance	Dave Koski
Governance and Nominating	Sandy Gray

PUBLIC AND STAKEHOLDER ACCOUNTABILITY

The Commission strives to achieve an optimum level of public and stakeholder accountability. The processes involved in achieving this level of accountability include:

- An Annual Public Meeting;
- A published accountability report including audited financial statements;
- A scheduled independent review of review of management operations and financial performance every five year, including a published report;
- Disclosure of Canadian Airport Authorities required public information through the web site;
- An annual meeting with all Nominating Entities attended by the Board of Directors and CEO;
- Compliance with the DND Lease;
- Regulatory compliance;
- Meetings with key stakeholders;
- Accessibility compliance for federally regulated transportation;
- Regular meetings with airport operators and tenants; and
- Regular briefings to Comox Valley civic and business organizations

CODE OF BUSINESS CONDUCT AND CONFLICT OF INTEREST POLICY

The Commission Board of Directors has adopted a Code of Conduct and Conflict of Interest Policy. All directors sign an attestation on an annual basis indicating knowledge and compliance with this Policy.

PUBLIC TENDERING

The Commission, reports all goods, services and construction contracts in excess of \$100,000 which were entered into during the year and which were not awarded on the basis of a competitive tendering process. There were no un-tendered contracts this year exceeding this amount.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Commission has implemented corporate governance policies and practices which are in alignment with best practices for effective corporate governance. The following information relates to the current corporate governance practices of the Commission:

1. The Board has responsibility for the stewardship of the Commission with the aim of fulfilling the stated purposes as set forth in the Letters Patent.
2. The Board has adopted a strategic planning process that includes a land-use plan, a long-term airport Master Plan and a Strategic Plan. Critical elements of these plans are reviewed by the Board on an annual basis in conjunction with the establishment of annual goals and budget.
3. The Commission had a number of systems in place to identify, manage and mitigate various risks, including:
 - An organizational structure with dedicated safety, security and emergency planning and response personnel;
 - Corporate policies and plans covering key governance, strategic and financial issues;
 - Risk transfer through contract;
 - Incident reporting and response procedures;
 - An Airport Safety Committee and an Occupational Safety and Health Committee; and,
 - Comprehensive insurance coverage.
4. The Board appoints the CEO. Succession planning, including the appointment, training and evaluation of senior management, which is regularly monitored by the Board.
5. The Commission has a communications policy and program, which include communication processes associated with the general public, industry stakeholders, Nominating Entities and employees.
6. The Commission has a comprehensive management information and reporting system in place, which includes regular reporting to the Board on key financial and operations results.
7. The Board is comprised exclusively of unrelated, non-management Directors. Each Director must sign the Commission's Code of Conduct and Conflict of Interest Policy on an annual basis and follow the procedures prescribed therein with respect to disclosure of any potential conflicts of interest. When a potential conflict of interest arises, the Director does not participate in any Board activities related to such activities.

8. Board appointments are made by the Nominating Entities in accordance with the Commission's By-Laws. The Commission's Governance and Nominating Committee is responsible for providing a list of qualified nominees to the Board for submission to the Nominating Entities for their decision and nomination.
9. The Board has a self-evaluation process in place to review the performance of the Board and Board Committees.
10. Each new Director receives a comprehensive orientation, which includes a meeting with the Chair, CEO, facility tour, a Policies and Procedures Manual and information regarding Board and corporate operations. Ongoing education on relevant topics is provided to all Board members.
11. A Role Statement has been developed for the Board of Directors and terms of reference have been developed for the Board Officers including the CEO. A Policies and Procedures Manual, approved by the Board, defines the Board and Management authorities. The Commission's corporate objectives are approved by the Board and the CEO is assessed against these objectives on an annual basis.
12. The Board has three standing committees, each Committee Chair reports directly to the Board on the activities of his or her Committee. The Board meets in camera as required at each Board meeting. The Board Chair and the Nominating and Governance Committee ensure that the Board's independence is respected and preserved.
13. The Commission's Governance and Nominating Committee is responsible to the Board for the monitoring of corporate governance issues.
14. All members of the Authority's Audit and Finance Committee are Directors who are financially literate. The Committee's responsibilities include;
 - Oversight of corporate level financial policies and issues which affect the overall operation, planning and management of the Commission;
 - Review of financial management policies and issues including annual budgets, banking arrangements, accounting systems and procedures, internal financial controls, significant changes to relevant legislation, insurance policies, statutory remittances, regular financial status reports and oversight of information technology systems; and
 - Monitoring of the external and internal audit programs and preparation of the annual financial statements.

COMOX VALLEY AIRPORT COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2006

***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

31 May 2006

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 stroke extending to the right.

Chuck Fast
Chief Executive Officer
Comox Valley Airport Commission



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, 2006 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, 2006 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, British Columbia

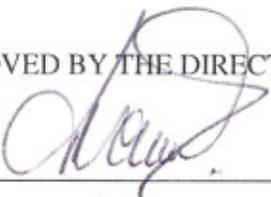
May 26, 2006

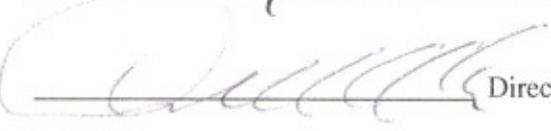
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COMOX VALLEY AIRPORT COMMISSION
STATEMENT OF FINANCIAL POSITION - MARCH 31, 2006

	Operating Fund \$	Capital Fund \$	Total 2006 \$	Total 2005 \$
CURRENT ASSETS				
Cash	117,671	27,413	145,084	618,367
Accounts receivable	170,919	57,847	228,766	205,660
Prepaid expenses and deposits	7,580	2,500	10,080	34,947
	<u>296,170</u>	<u>87,760</u>	<u>383,930</u>	<u>858,974</u>
INTERFUND ACCOUNTS	2,023,076	(2,023,076)	-	-
PROPERTY, PLANT AND EQUIPMENT (Note 3)	-	17,835,613	17,835,613	12,906,194
INTANGIBLE ASSETS (Note 6)	35,834	29,150	64,984	-
	<u>2,355,080</u>	<u>15,929,447</u>	<u>18,284,527</u>	<u>13,765,168</u>
 CURRENT LIABILITIES				
Bank indebtedness	-	-	-	2,211,033
Deferred revenue (Note 8)	42,558	492	43,050	1,317
Trade accounts	126,379	70,651	197,030	120,520
Wages and deductions	21,779	-	21,779	19,731
Construction holdbacks	-	-	-	95,687
Current portion of long-term debt (Note 7)	-	440,004	440,004	-
	<u>190,716</u>	<u>511,147</u>	<u>701,863</u>	<u>2,448,288</u>
LONG-TERM DEBT (Note 7)	-	6,123,328	6,123,328	-
	<u>190,716</u>	<u>6,634,475</u>	<u>6,825,191</u>	<u>2,448,288</u>
 NET ASSETS				
Invested in property, plant and equipment	-	9,294,972	9,294,972	9,810,029
Unrestricted	2,164,364	-	2,164,364	1,506,851
	<u>2,164,364</u>	<u>9,294,972</u>	<u>11,459,336</u>	<u>11,316,880</u>
	<u>2,355,080</u>	<u>15,929,447</u>	<u>18,284,527</u>	<u>13,765,168</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, 2006

	<u>Operating Fund</u>	<u>Capital Fund (Restricted)</u>	<u>Total 2006</u>	<u>Total 2005</u>
	\$	\$	\$	\$
REVENUE				
Terminal fees	1,066,279	-	1,066,279	968,125
Grant and service agreement revenue	-	35,562	35,562	290,473
Airport improvement fees	-	523,355	523,355	465,787
Concessions - car	174,302	-	174,302	143,037
Concessions - parking	238,743	-	238,743	174,066
Office rentals	161,931	-	161,931	134,649
Interest	2,415	6,722	9,137	9,733
Concessions - other	52,401	-	52,401	37,537
Advertising	82,963	-	82,963	56,379
Miscellaneous	1,722	14	1,736	6,712
	<u>1,780,756</u>	<u>565,653</u>	<u>2,346,409</u>	<u>2,286,498</u>
EXPENSES				
Airport improvement fee expense	-	39,620	39,620	32,965
Amortization	-	844,521	844,521	591,759
Bad debts	3,756	-	3,756	2,455
Board expenses	18,548	-	18,548	26,081
Customs	17,793	-	17,793	16,963
Demolition expense	-	-	-	124,967
Insurance	33,650	-	33,650	22,287
Interest and bank charges	1,546	196,569	198,115	100,796
Marketing	145,180	-	145,180	118,213
Office	29,885	-	29,885	44,086
Professional fees	34,740	-	34,740	44,964
Property taxes	59,106	-	59,106	12,000
Rent	39,507	-	39,507	14,398
Repairs and maintenance	128,318	-	128,318	117,811
Sub-contract	2,630	-	2,630	3,989
Utilities	70,235	-	70,235	63,879
Volunteer expense	5,497	-	5,497	8,402
Wages and benefits	532,852	-	532,852	431,839
	<u>1,123,243</u>	<u>1,080,710</u>	<u>2,203,953</u>	<u>1,777,854</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	657,513	(515,057)	142,456	508,644
NET ASSETS - BEGINNING OF YEAR	<u>1,506,851</u>	<u>9,810,029</u>	<u>11,316,880</u>	<u>10,808,236</u>
NET ASSETS - END OF YEAR	<u><u>2,164,364</u></u>	<u><u>9,294,972</u></u>	<u><u>11,459,336</u></u>	<u><u>11,316,880</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, 2006

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2006</u>	<u>Total 2005</u>
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenses	657,513	(515,057)	142,456	508,644
Adjustment for				
Amortization	-	844,521	844,521	591,759
Gain on sale of property, plant and equipment	-	-	-	(3,246)
	<u>657,513</u>	<u>329,464</u>	<u>986,977</u>	<u>1,097,157</u>
Changes in non-cash working capital				
Net change in amounts receivable and payable	67,125	(65,627)	1,498	1,503,663
Change in prepaid expenses	1,116	23,751	24,867	(32,493)
Change in security deposits	-	-	-	(6,295)
	<u>725,754</u>	<u>287,588</u>	<u>1,013,342</u>	<u>2,562,032</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund advances	(679,702)	679,702	-	-
Advances of long-term debt	-	6,600,000	6,600,000	-
Repayment of long-term debt	-	(36,667)	(36,667)	-
Advances of short-term debt	-	-	-	1,100,000
Repayment of short-term debt	-	(2,211,033)	(2,211,033)	(1,000,000)
	<u>(679,702)</u>	<u>5,032,002</u>	<u>4,352,300</u>	<u>100,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	-	(5,773,941)	(5,773,941)	(3,656,356)
Sale of property, plant and equipment	-	-	-	5,500
Purchase of intangible assets	(35,834)	(29,150)	(64,984)	-
	<u>(35,834)</u>	<u>(5,803,091)</u>	<u>(5,838,925)</u>	<u>(3,650,856)</u>
CHANGE IN CASH DURING YEAR	10,218	(483,501)	(473,283)	(988,824)
CASH				
- BEGINNING OF YEAR	<u>107,453</u>	<u>510,914</u>	<u>618,367</u>	<u>1,607,191</u>
- END OF YEAR	<u>117,671</u>	<u>27,413</u>	<u>145,084</u>	<u>618,367</u>

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

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006

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. The majority of this fund is externally restricted to be used for capital purposes.

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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NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006

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, plant 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.

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NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006

3.	PROPERTY, PLANT AND EQUIPMENT:	2006		2005	
		Cost	Accumulated Amortization	Cost	Accumulated Amortization
		\$	\$	\$	\$
	Airside	8,803,883	502,928	3,266,381	136,099
	Air terminal building	7,679,796	637,322	7,615,930	317,330
	Computer equipment	35,795	22,493	20,843	10,562
	Conveyance equipment	920,814	87,293	837,373	41,869
	Equipment	170,052	29,361	123,557	12,356
	Furniture and fixtures	216,932	69,447	212,242	47,753
	Groundside	1,479,520	122,335	1,456,526	60,689
		19,306,792	1,471,179	13,532,852	626,658
	Unamortized cost		17,835,613		12,906,194
4.	RESTRICTED CONTRIBUTIONS:	2006		2005	
		\$		\$	
	Transport Canada	-		264,875	
	Canadian Air Transport Security Authority	35,562		25,598	
				35,562	290,473
	Airport improvement fees			523,355	465,787
				558,917	756,260

During the year CVAC received restricted capital contributions from the Canadian Air Transport Security Authority for the purpose of constructing terminal equipment.

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.

COMOX VALLEY AIRPORT COMMISSION

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5. COMMITMENTS:

The Commission is committed under a lease agreement for land with total lease payments of \$981,925, assuming there is no change in the payment amount over the term of the lease. The expected future minimum lease payments over the next five years are as follows:

	\$
2007	39,277
2008	39,277
2009	39,277
2010	39,277
2011	39,277

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.

The Commission has committed to pay \$20,000 towards a transportation study and \$10,000 towards an initiative promoting and marketing Vancouver Island agriculture and determining the requirements for air cargo to support the export of those products.

6. INTANGIBLE ASSETS:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	\$	\$	\$	\$
Strategic plan	35,834	-	-	-
Master plan	<u>29,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>64,984</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Unamortized cost		<u><u>64,984</u></u>		<u><u>-</u></u>

Both of the above plans were works in progress at March 31, 2006 so no amortization has been recorded. The plans are expected to be completed within the next year and will be amortized on a straight-line basis over five years once they are completed.

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7.	LONG-TERM DEBT:	<u>2006</u>	<u>2005</u>
		\$	\$
	Royal Bank of Canada; repayable over 15 years at \$36,667 per month plus interest at prime less .5%, secured by general security agreement on all property of the Commission, a mortgage of lease in the amount of \$7,000,000 between the Minister of National Defense and the Commission and a certificate of all-risk insurance covering the airport terminal building	6,563,332	-
	Less: principal due within one year	<u>440,004</u>	<u>-</u>
		<u><u>6,123,328</u></u>	<u><u>-</u></u>

Interest on long-term debt not disclosed separately in these financial statements amounts to \$190,602 (2005 - \$nil).

The aggregate principal estimated repayable in each of the next five years is as follows:

	\$
2007	440,004
2008	440,004
2009	440,004
2010	440,004
2011	440,004

8.	DEFERRED REVENUE:	<u>2006</u>	<u>2005</u>
		\$	\$
	Deferred revenue - Beginning of year	1,317	-
	Recognized as revenue during the year	(1,317)	-
	Additions during the year	<u>43,050</u>	<u>1,317</u>
	Deferred revenue - End of year	<u><u>43,050</u></u>	<u><u>1,317</u></u>

Deferred revenue consists primarily of prepaid fees received for advertising services and parking passes.

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NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006

9. 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, 2006 three customers accounted for 71% (2005 - 77%) of accounts receivable in the operating fund, and three customers accounted for 96% (2005 - 62%) 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, bank indebtedness, trade accounts, wages and deductions and construction holdbacks approximate their fair value due to the short-term maturities of these items. The carrying amount of CVAC's long-term debt approximates its fair market value due to the debt's variable interest rate.

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 long-term debt, which may be mitigated by locking in the interest rates on bank debt when circumstances warrant.