



ACCOUNTABILITY REPORT

Chairman's Message

Once again I have the honour to share the continued success story of the Comox Valley Airport. Building on the positive developments of prior years, 2007 was a year filled with many accomplishments and milestones. Annual passenger numbers reached a new milestone of 310,450 an amazing increase of 30% over 2006. The CVAC management team was chosen as the recipients for the prestigious 2007 BC Airport Council Management Award, and for the fourth consecutive year the Airport received number one in Canadian airports for customer service. The BCAC Management Award is in recognition of initiatives undertaken to improve operations and customer relations, deliver cost saving initiatives, implement environmental improvements, successful promotional campaigns, handling of capital budgets on a timely and fiscal manner and overall contribution to the improvement of air transportation network in B.C. This award is a testament to the hard work and dedication of the CVAC management and staff.



This substantial growth in airport use has resulted in the Commission stepping up the planning cycle for future expansion. The Commission updated its Strategic Plan and completed a Master Plan as a guide to follow on infrastructure investment at the airport to satisfy the air travel demands for the Vancouver Island region. I am pleased to report that DND is very supportive of our future needs; however they have no additional land available for us to lease so additional lands are being purchased.

The current terminal building is reaching capacity although it is only four years old. The short term goal is to double the capacity of the air terminal building so as to improve airline queuing space, security, hold room and concession space. The expansion will also provide loading bridges for increased customer convenience and will be able to accommodate larger, wide body aircraft to allow direct flights to Vancouver Island from international destinations. Direct flights provide more efficient routing which will save money, time and fuel, resulting in less greenhouse gases generated from airport activities. Environmentally friendly technology will also be an important component of the design and construction.

The five year capital plan identifies a \$45 million infrastructure investment to meet the anticipated demand for air service for the medium term. Included in that total is \$13 million that CVAC will invest in the next few years to increase our land base, construct a commercial fuel facility in partnership with Shell Aviation, construct an operations support building, and construct additional parking. Stantec Architecture Ltd has been awarded the contract for design development of the terminal building expansion. This company has an excellent track record and is one of North America's leading airport design firms and has completed several airport projects worldwide.

Due to uncertainty in global economies and the ever increasing price of oil, analysts have predicted a cooling in the tourism and travel industries. The Comox Valley Airport has weathered very well through recent years of instability and challenges such as 911 and SARS. We will closely monitor the air travel trends and needs of Vancouver Island as we move forward but I am optimistic that we will continue to be the shining star in the economic well being of Vancouver Island.



David L. Mellin

Operations Review and Outlook

The Comox Valley Airport Commission (CVAC) is a without share capital, not for profit corporation federally incorporated under Part II of the Canada Corporations Act. 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 be Vancouver Island's preferred gateway.

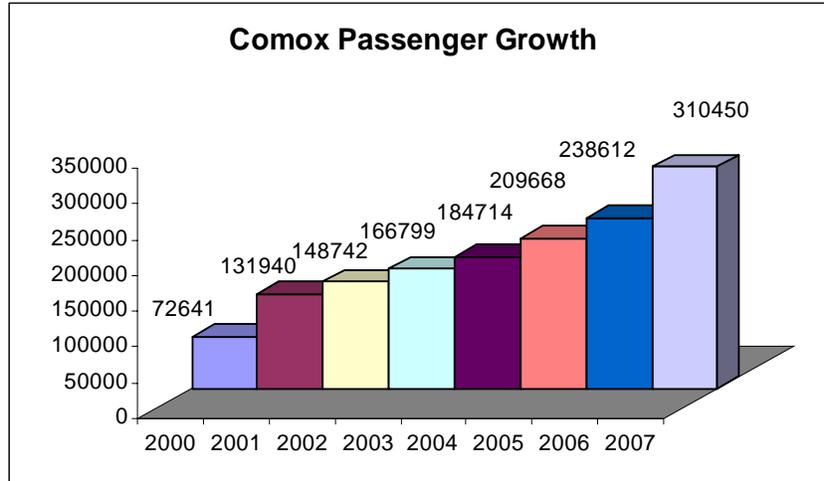
Goals

Four 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 air services; and
4. Financial viability.

2007 in Review

The Comox Valley Airport Commission exceeded all key financial and operational objectives in 2007. Although trans-border air service has yet to commence, domestic passenger growth has exceeded all forecasts with the addition of WestJet direct service to Edmonton and Air Canada Jazz service to Calgary and beyond. The Mexico direct charters have performed extremely well with the increase in service by SunWing Vacations to Cancun which nicely complements the Transat Holidays service to Puerto Vallarta. The end result is that the total passenger numbers are well ahead of the optimistic growth projections.



Total passenger movements for 2007 were 310,450 passengers which represents an increase of 30.1% over 2006. The Comox Valley Airport is the sixth busiest airport in British Columbia and 24th in the nation. The Comox Valley Airport Commission is exceptionally pleased to again be voted by customers as the number one airport in Canada in 2007 for customer satisfaction, which is the fourth year in a row that Comox has received this recognition. The survey is conducted by the Canadian Airports Council for its members.

Total revenues for fiscal year 2007/2008 increased by 32% for the year while direct operating costs increased 23%. Increased revenues were due to increased passenger numbers and a correspondingly higher return from non-airline revenues. Operating costs increases are largely due to increased activity rates, increased amortization expense, and increased property taxes. As at 31 March 2008, the CVAC debt was reduced to \$5.7 million.

The Comox Valley Airport Commission invested an additional \$1,328,380 in property, plant and equipment to expand the airport infrastructure in the 2007/2008 fiscal year. Included in these investments were:

- Air Terminal Building security upgrades
- Parking lot expansion
- Strategic land purchase
- Check in conveyance



Outlook for 2008

The economic environment in British Columbia remains positive in the face of rising fuel prices. The transportation link provided by the Comox Valley Airport will remain vital to the growing needs of the region. An optimistic forecast growth rate is forecast at 9.1% per year through 2015. CVAC has continued to exceed those forecasts and is experiencing a growth rate of 13% for the first five months of 2008. To meet the growing demand and the future needs of the community, additional investment in infrastructure will be required by the Comox Valley Airport Commission. 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 is considering the following projects for 2008/2009:

- A commercial fuel facility
- Land acquisition
- Design development for terminal building expansion
- Design development for an operations and maintenance facility
- Parking lot improvements



The adequacy of the current facilities to meet the expanding needs of the region is being aggressively examined through the Master Planning process. A major expansion to the terminal building is required to meet the continuing high passenger growth environment.



David L. Mellin
Board Chair



Chuck Fast
Chief Executive Officer

CEO's Report

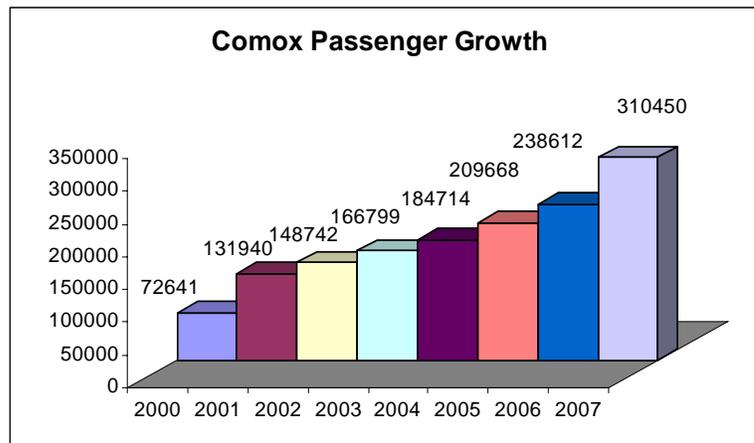
2007 was another very exciting year as the community airport facilities provided further economic opportunities for the corporation to explore. An unprecedented 30% annual passenger growth rate this year posed some significant customer service challenges. The terminal building is showing its limitations as we experienced congestion in several areas of the building due to the large volumes of passengers we processed. Our management team is committed to a continuous improvement process and we have increased staffing to respond to the customers needs. To be voted by the customers as the number one airport in Canada for customer satisfaction for the fourth year in a row, is a testament to management's commitment to continuous improvement. However, with the current extraordinary growth, CVAC will be challenged to continue to provide the necessary infrastructure and services to accommodate further demand.



The Comox Valley Airport Commission has provided five performance targets to gauge the success of the airport. These targets are to be achieved over a five year period from 2007 through 2012.

Passengers – 400,000 annually by 2012

By the end of 2012, the CVAC intends to fly 400,000 passengers annually. With the dynamic increase achieved in 2007, this goal is very achievable. Passenger increases are due to increased awareness of Vancouver Island, regional market development primarily through tourism, and a continued focus on customer service. The domestic market continues to show great strength with the WestJet direct daily service to Edmonton and Air Canada Jazz service to Calgary. The Mexico charters are very popular and we hope to provide additional capacity again this year.



Destinations

The Comox Valley Airport intends to increase the number of destinations served from 6 to 10 by the year 2012. Last year we saw the addition of Cancun, by SunWing Vacations, using AeroMexico aircraft. With the increased passenger numbers, Comox is able to focus a larger passenger market through the airport. This will allow CVAC to entice additional airline service for Vancouver Island.

Available Cash

The Comox Valley Airport Commission requires a very aggressive business plan that addresses the long-term viability and the future infrastructure needs of the airport. This performance target has been upgraded from a fixed amount annually to 49% for revenue by 2012. Fiscal year 2007/2008 generated \$1.46 million dollars available (39.9%) which was all invested in infrastructure improvements and to pay down the long term debt.

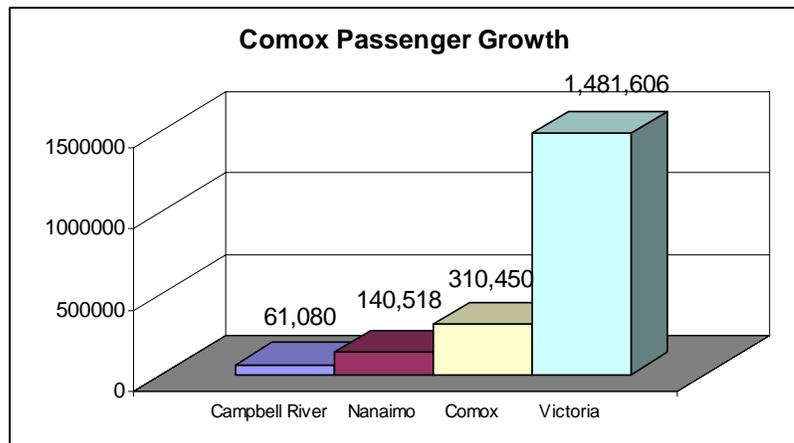
Customer Satisfaction Ranking – 4.5

“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 2007 which maintains us as the number one airport in Canada for customer service.



Share of Regional Passengers

Regional passenger traffic is measured by adding the annual passenger totals of the major regional airports of Vancouver Island and now includes the Victoria Airport. CVAC’s market share for 2007 was 15.6%. CVAC’s 2012 goal is 17%.



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 that passenger growth was simply outstanding.

Chuck Fast
 CEO

The Volunteers



The volunteers play a vital role in the day to day function of the Comox Valley airport. These Ambassadors who are easy to spot wearing cheerful red vests and greeting visitors with warm smiles have been serving our airport seven days a week since 2001 when West Jet commenced flights to Comox. The move to the new facilities meant that the role of the ambassadors shifted from directing outside traffic and crowd control to an inside greeter. Now the Ambassadors concentrate on assisting visitors at arrivals and departures, and answering a wide array of questions. For the past 4 years the Comox Airport has been voted #1 in customer service in Canadian Airports. Reaching and maintaining this honoured spot can be highly attributed to the dedication of these community minded citizens.

Joan & Ernie Turner

Our dedicated members include:

Ollie Acorn	Shelley Irving	Hilary Perka
Sally Atton	Margie & Clem Jean	Novello Riley
Rosemary Alexander	Hank Jolley	Stan Robinson
Don Beeler	Wayne King	Rick Rodriguez
Skip Blain	Cathy Lane	Lynnea Ross
Evelyn Bowers	Karen Lange	Judi Rupert
Margaret Brimacombe	Donna Laplante	Sally Say
Joy Bruce	John LeRoss	Edi Tapp
Joan Clarke	Helmut Lewandowsky	Mike Taylor
Norma Cronmiller	Val Little	Isabel Thomas
Alice Doherty	Jan MacArthur	Joan & Ernie Turner
Bernice Dueck	Linda Magnuson	Lori Tymchuk
Heather Ferraby	Heather Mikulas	Liz Verret
Gerry Hancock	Joanne Murphy	Audrey Yates
Lois Hayhurst	Peter Murphy	June Watson
Darlene Neuman	Sandy Nowik	Bev & John Wolsey

The Comox Valley Airport Commission Staff



The Administration Team



CVAC Team receives BCAC 2007 Management Award

Alex Robertson, Joanne Jacobson, Chuck Fast, Kathy Penner, Ian Heslegrave

Corporate Governance

2008 Board Of Directors



Dave Mellin
Chair
 Executive Committee
 Ex Officio All Standing
 Committees
 Commission Spokesperson



Daryl McLoughlin
Vice Chair
 Executive Committee
 Audit Committee
 Finance Committee



Ken Dawson
Secretary
 Executive Committee
 Governance and Nominating
 Committee (Lead)



Russell Irvine
Treasurer
 Executive Committee
 Finance Committee (Lead) Audit
 Committee (Lead)



Darlene Neuman
Director
 Governance and
 Nominating Committee



Linda Oprica
Director
 Governance and
 Nominating Committee



Terry Law
Director
 Finance Committee



Jay Oddleifson
Director
 Audit Committee
 Finance Committee



Scott Torry
Director
 Finance Committee



Chuck Fast
CEO
 All Committees as appropriate
 Spokesperson

Fiscal Year 2007 – 2008

CVAC Board Attendance						AGM						
Apr 07 – Mar 08		07	07	07	07	07	07	07	07	08	08	08
		April	May	Jun	July	Aug	Oct	Nov	Dec	Jan	Feb	Mar
David Mellin	Chair	N										N
Daryl McLoughlin	Vice Chair	O			A							O
Ken Dawson	Secretary		A	A							A	
Russell Irvine	Treasurer	M										M
Andy Harvie	Director	E				A						E
Darlene Neuman	Director	E									A	E
Jay Oddleifson	Director	T		A								T
Linda Oprica	Director	I										I
Gillian Holmes	Director	N										N
Scott Torry	Director	G										G
Terry Law	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

Cook Roberts LLP

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:

- Local government nominates five members, one appointee must live in Courtenay, one must live in Comox
- The Comox Valley Chamber of Commerce nominates one member
- Comox Valley Economic Development Society nominates one member
- Two members are appointed by the Board

STANDING BOARD COMMITTEES

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

Executive Committee	Dave Mellin
Audit Committee	Russell Irvine
Governance Committee	Ken Dawson
Finance Committee	Russell Irvine

PUBLIC AND STAKEHOLDER ACCOUNTABILITY

The Commission strives to achieve a high 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;
- Disclosure of the 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.

COMPETITIVE 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 contracts in excess of \$100,000 that were not awarded by contract.

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 four 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 Commission's Audit 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.



MEYERS NORRIS PENNY LLP

COMOX VALLEY AIRPORT COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2008

***Management Responsibility for Financial
Statements***

Auditors' Report

Statement of Financial Position

Statement of Changes in Net Assets

Statement of Operations

Statement of Cash Flows

Notes to Financial Statements

May 21, 2008

Financial Statements of the 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 controls 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 the compliance with applicable legislative authorities.

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



Chuck Fast
Chief Executive Officer

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, 2008 and the statements of operations, 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Mayer Norris Penny LLP
Chartered Accountants

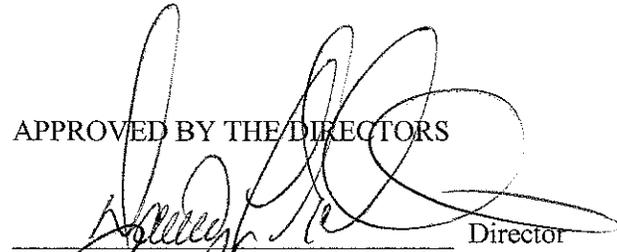
Courtenay, British Columbia
May 16, 2008

COMOX VALLEY AIRPORT COMMISSION

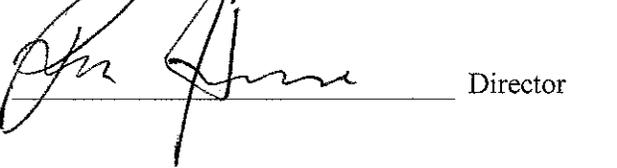
STATEMENT OF FINANCIAL POSITION - MARCH 31, 2008

	<u>Operating Fund</u> \$	<u>Capital Fund</u> \$	<u>Total 2008</u> \$	<u>Total 2007</u> \$
CURRENT ASSETS				
Cash	330,793	63,022	393,815	349,414
Accounts receivable	301,222	37,744	338,966	287,489
Prepaid expenses and deposits	<u>21,866</u>	<u>-</u>	<u>21,866</u>	<u>21,442</u>
	653,881	100,766	754,647	658,345
INTERFUND ACCOUNTS	3,884,535	(3,884,535)	-	-
PROPERTY, PLANT AND EQUIPMENT (Note 4)	<u>-</u>	<u>18,039,699</u>	<u>18,039,699</u>	<u>17,590,730</u>
	<u>4,538,416</u>	<u>14,255,930</u>	<u>18,794,346</u>	<u>18,249,075</u>
 CURRENT LIABILITIES				
Deferred revenue (Note 10)	24,420	-	24,420	13,640
Trade accounts	208,856	69,377	278,233	164,803
Wages and deductions	50,773	-	50,773	30,203
Current portion of long-term debt (Note 9)	<u>-</u>	<u>628,438</u>	<u>628,438</u>	<u>476,671</u>
	284,049	697,815	981,864	685,317
LONG-TERM DEBT (Note 9)	<u>-</u>	<u>5,351,864</u>	<u>5,351,864</u>	<u>5,683,324</u>
	<u>284,049</u>	<u>6,049,679</u>	<u>6,333,728</u>	<u>6,368,641</u>
 NET ASSETS				
Invested in property, plant and equipment	-	8,206,251	8,206,251	8,844,601
Unrestricted	<u>4,254,367</u>	<u>-</u>	<u>4,254,367</u>	<u>3,035,833</u>
	<u>4,254,367</u>	<u>8,206,251</u>	<u>12,460,618</u>	<u>11,880,434</u>
	<u>4,538,416</u>	<u>14,255,930</u>	<u>18,794,346</u>	<u>18,249,075</u>

APPROVED BY THE DIRECTORS



Director



Director

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

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2008

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2008</u>	<u>Total 2007</u>
	\$	\$	\$	\$
BALANCE - BEGINNING OF YEAR				
As previously stated	3,071,667	8,881,638	11,953,305	11,681,080
Prior period adjustment (Note 8)	<u>(35,834)</u>	<u>(37,037)</u>	<u>(72,871)</u>	<u>(64,984)</u>
As restated	3,035,833	8,844,601	11,880,434	11,616,096
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>1,218,534</u>	<u>(638,350)</u>	<u>580,184</u>	<u>264,338</u>
BALANCE - END OF YEAR	<u><u>4,254,367</u></u>	<u><u>8,206,251</u></u>	<u><u>12,460,618</u></u>	<u><u>11,880,434</u></u>

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

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2008

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2008</u>	<u>Total 2007</u>
	\$	\$	\$	\$
REVENUE				
Terminal fees	1,646,618	-	1,646,618	1,255,087
Airport improvement fees (Note 5)	-	800,559	800,559	611,154
Concessions - car	296,977	-	296,977	223,581
Concessions - parking	517,564	-	517,564	332,151
Office rentals	184,482	-	184,482	173,659
Interest	13,152	6,730	19,882	7,455
Concessions - other	95,355	-	95,355	69,430
Advertising	93,339	-	93,339	76,907
Miscellaneous	-	-	-	5,121
	<u>2,847,487</u>	<u>807,289</u>	<u>3,654,776</u>	<u>2,754,545</u>
EXPENSES				
Airport improvement fee expense	-	56,282	56,282	44,014
Amortization	-	879,412	879,412	857,172
Bad debts	2,456	-	2,456	1,377
Board expenses	32,030	-	32,030	9,481
Customs	47,707	-	47,707	21,872
Insurance	38,440	-	38,440	36,634
Interest and bank charges	2,651	326,499	329,150	350,089
Marketing	208,757	-	208,757	104,710
Office	66,352	-	66,352	44,950
Professional fees (note 12)	61,220	183,446	244,666	35,750
Property taxes	75,909	-	75,909	68,663
Rent	39,277	-	39,277	39,277
Repairs and maintenance	194,184	-	194,184	166,436
Sub-contract	2,180	-	2,180	8,860
Utilities	87,962	-	87,962	87,016
Volunteer expense	9,498	-	9,498	6,943
Wages and benefits	760,330	-	760,330	606,963
	<u>1,628,953</u>	<u>1,445,639</u>	<u>3,074,592</u>	<u>2,490,207</u>
EXCESS OF REVENUE OVER EXPENSES	<u>1,218,534</u>	<u>(638,350)</u>	<u>580,184</u>	<u>264,338</u>

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

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2008

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2008</u>	<u>Total 2007</u>
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenses	1,218,534	(638,350)	580,184	264,338
Adjustment for non-cash items:				
Amortization	<u>-</u>	<u>879,412</u>	<u>879,412</u>	<u>857,172</u>
	<u>1,218,534</u>	<u>241,062</u>	<u>1,459,596</u>	<u>1,121,510</u>
Changes in non-cash working capital				
Net change in amounts receivable and payable	79,206	14,098	93,304	(111,937)
Change in prepaid expenses	<u>(424)</u>	<u>-</u>	<u>(424)</u>	<u>(11,362)</u>
	<u>1,297,316</u>	<u>255,160</u>	<u>1,552,476</u>	<u>998,211</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund advances	(1,146,184)	1,146,184	-	-
Advances of long-term debt	-	300,000	300,000	-
Repayment of long-term debt	<u>-</u>	<u>(479,693)</u>	<u>(479,693)</u>	<u>(403,337)</u>
	<u>(1,146,184)</u>	<u>966,491</u>	<u>(179,693)</u>	<u>(403,337)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	<u>-</u>	<u>(1,328,382)</u>	<u>(1,328,382)</u>	<u>(390,544)</u>
CHANGE IN CASH DURING YEAR				
	151,132	(106,731)	44,401	204,330
CASH				
- BEGINNING OF YEAR	<u>179,661</u>	<u>169,753</u>	<u>349,414</u>	<u>145,084</u>
- END OF YEAR	<u>330,793</u>	<u>63,022</u>	<u>393,815</u>	<u>349,414</u>
SUPPLEMENTARY CASH FLOW INFORMATION:				
Interest paid	-	326,499	326,499	317,707
Interest received	<u>12,549</u>	<u>6,411</u>	<u>18,960</u>	<u>7,092</u>

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

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

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, plant and equipment purchases, expansion projects and debt repayment.

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, 2008

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) Property, plant and equipment are initially recorded at cost. Amortization is provided using the straight line method at rates intended to amortize the cost of assets over their estimated useful lives. In the year of acquisition, amortization is taken at one-half of the following rates.

Airside	over life of lease, 20 years remaining
Air terminal building	over life of lease, 20 years remaining
Computer equipment	3 years
Conveyance equipment	20 years
Equipment	10 years
Furniture and fixtures	10 years
Groundside	over life of lease, 20 years remaining

- d) Measurement uncertainty:

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 Department of National Defense 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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COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

e) Recent accounting pronouncements:

CICA Handbook Section 1400 *General Standards of Financial Statement Presentation* has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. This amendment is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Commission does not expect the adoption of these changes to have a material impact on its financial statements.

f) Financial instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments – Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading. The Commission has classified the cash as held for trading. These instruments are initially recognized at their fair value determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in excess of revenues over expenses.

Held for trading financial instruments are subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Net gains and losses arising from changes in fair value are recognized immediately in excess of revenues over expenses.

Loans and receivables:

The Commission has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in excess of revenues over expenses. Total interest income, calculated using the effective interest rate method, is recognized in excess of revenues over expenses..

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

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COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

Other financial liabilities:

The Commission has classified trade accounts, wages and deductions and long-term debt as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in excess of revenues over expenses.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Financial asset impairment:

The Commission assesses impairment of all its financial assets, except those classified as held for trading. Management considers whether the issuer is having significant financial difficulty; or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in excess of revenues over expenses.

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

3. CHANGE IN ACCOUNTING POLICY:

Financial instruments

Effective April 1, 2007, the Commission adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards.

CICA 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to cash flow hedges or available-for-sale financial assets, outside of excess of revenues over expenses, in a statement of comprehensive income (loss). Comprehensive income (loss) is defined as the change in equity of the Commission arising from transactions and other events and circumstances, except those resulting from owner investment and distribution. Accumulated comprehensive income (loss) is separately disclosed as a component of equity.

Transitional provisions require that any cumulative gains and losses arising from translation of a self-sustaining foreign operation, appraisal increase credits and donations from non-owners, be reclassified as accumulated other comprehensive income, and that prior year comparative figures be restated. The Commission had no items requiring reclassification to accumulated other comprehensive income.

Although the requirements of CICA 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to CICA 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets.

The application of hedge accounting is covered in CICA 3865 Hedges. The Commission does not have any transactions which they have elected to apply hedge accounting.

CICA 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3862 Financial Instruments - Disclosures and CICA 3863 Financial Instruments - Presentation discuss the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

Pursuant to the requirements of these financial instruments standards, the Commission now classifies and recognizes its financial assets and liabilities as described in Accounting Policies, Note 2. Upon adoption, the Commission remeasured its held for trading financial assets at their fair value, and its loans and receivables and other financial liabilities at their amortized cost. There was no impact from this change in accounting policy.

COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

4. PROPERTY, PLANT AND EQUIPMENT:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	\$	\$	\$	\$
Airside	8,806,242	1,130,455	8,805,354	754,677
Air terminal building	7,691,246	1,232,578	7,691,246	914,517
Computer equipment	54,469	37,483	38,998	27,243
Conveyance equipment	1,187,636	168,677	1,021,531	113,448
Equipment	260,039	63,707	213,450	40,032
Furniture and fixtures	235,270	95,924	219,715	76,123
Groundside	1,920,612	257,194	1,707,043	180,567
International terminal	5,203	-	-	-
Land	865,000	-	-	-
	<u>21,025,717</u>	<u>2,986,018</u>	<u>19,697,337</u>	<u>2,106,607</u>
Unamortized cost		<u>18,039,699</u>		<u>17,590,730</u>

5. RESTRICTED CONTRIBUTIONS:

	<u>2008</u>	<u>2007</u>
	\$	\$
	<u>800,559</u>	<u>611,154</u>

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
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

6. COMMITMENTS AND CONTRACTUAL OBLIGATIONS:

The Commission is committed under a lease agreement for land with total lease payments of \$795,358, 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:

	\$
2009	39,277
2010	39,277
2011	39,277
2012	39,277
2013	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.

7. COMPARATIVE FIGURES:

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

8. PRIOR PERIOD ADJUSTMENT:

In prior years the Commission recorded strategic plan expenditures as intangible assets in the Statement of Financial Position. The expenditures did not meet the criteria of an intangible asset in accordance with Canadian generally accepted accounting principles and should have been recorded as expenses on the Statement of Financial Activities. Therefore the change has been made with retroactive effect and accordingly the prior period financial statements have been restated as follows:

- 2007 opening net assets have decreased by \$64,984
- 2007 intangible assets have decreased by \$72,871
- 2007 professional fees have increased by \$7,887
- 2008 opening net assets in the operating fund have decreased by \$35,834
- 2008 opening net assets in the capital fund have decreased by \$37,037

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

9.	LONG-TERM DEBT:	<u>2008</u>	<u>2007</u>
		\$	\$
	Royal Bank of Canada mortgage; due February 28, 2013, repayable at \$49,448 per month including principal and interest at a fixed rate of 4.79%, 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	5,680,302	6,159,995
	Royal Bank of Canada; due on demand, interest only payable monthly, bears interest at prime rate, 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	<u>300,000</u>	<u>-</u>
		5,980,302	6,159,995
	Less: principal due within one year	<u>628,438</u>	<u>476,671</u>
		<u><u>5,351,864</u></u>	<u><u>5,683,324</u></u>

Interest on long-term debt not disclosed separately in these financial statements amounts to \$326,499 (2007 - \$348,339).

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

	\$
2009	628,438
2010	344,520
2011	361,390
2012	379,085
2013	397,648

10.	DEFERRED REVENUE:	<u>2008</u>	<u>2007</u>
		\$	\$
	Deferred revenue - Beginning of year	13,640	43,050
	Recognized as revenue during the year	(13,640)	(43,050)
	Additions during the year	<u>24,420</u>	<u>13,640</u>
	Deferred revenue - End of year	<u><u>24,420</u></u>	<u><u>13,640</u></u>

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

COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

11. FINANCIAL INSTRUMENTS:

All significant financial assets, financial liabilities and equity instruments of the Commission are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Credit risk:

Financial instruments that potentially subject the Commission to concentrations of credit risk consist primarily of trade accounts receivable. The maximum credit risk exposure is \$338,966 (2007 - \$287,489).

As at March 31, 2008 five customers accounted for 79% (2007 - four customers accounted for 78%) of accounts receivable in the operating fund, and four customers accounted for 98% (2007 - three customers accounted for 94%) of accounts receivable in the capital fund. The Commission believes that there is no unusual exposure associated with the collection of these receivables. The Commission manages its credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Commission does not generally require collateral or other security from customers on trade accounts receivable. Trade accounts receivable in the amount of \$84,631 (2007 - \$82,669) are past due, of which an allowance for doubtful accounts in the amount of \$3,792 (2007 - \$1,377) has been recorded.

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Commission manages exposure through its normal operating and financing activities.

The Commission is exposed to interest rate risk with respect to long-term debt due on demand, which is expected to be repaid within one year, and which are subject to floating interest rates. The Commission's mortgage with a fixed rate of 4.79% (2007 - prime), matures at the end of five years (2007 - 6 years).

Liquidity risk:

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. The Commission enters into transactions to purchase goods and services; borrow funds from financial institutions; and lease premises for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Commission's future net cash flows for the possibility of a negative net cash flow.

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COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

11. FINANCIAL INSTRUMENTS CONTINUED:

Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Commission does not enter into transactions for which the market price fluctuates and therefore feels that their risk is limited.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission did not enter into any foreign currency transactions during the year, so it is not exposed to foreign currency risk.

Financial asset impairment:

At each year-end date, the Commission is required to evaluate and record any other-than-temporary impairment of its financial assets, other than those classified as held for trading. Accordingly, the Commission has compared the carrying value of each of these financial assets to its fair value as at March 31, 2008. A provision for doubtful accounts was the only provision for impairment that was recorded in the current year, as the fair value of all other financial assets tested exceeded their carrying value.

Fair value:

The carrying amount of cash, accounts receivable, trade accounts and wages and deductions approximates their fair value due to the short-term maturities of these items.

The carrying value of the Commission's long-term debt due on demand approximates its fair value, because interest charges under the terms of the debt are based upon current Canadian bank prime rates.

The fair value of the Commission's long-term mortgage debt is \$5,796,384, estimated using discounted cash flow analysis and interest rates prevailing at year-end. These estimates are significantly affected by assumptions including the amount and timing of estimated future cash flows and discount rates, all of which reflect varying degrees of risk. An increase in the discount rate of 1% would decrease the estimated fair value by \$209,530.

12. PROFESSIONAL FEES:

Professional fees include standard audit and legal fees and all professional expenditures related to the strategic and master plans prepared by the Commission in the fiscal year.