

Prairie

Hospitality



To operate a world class
aviation facility
in a
safe, secure, efficient
and
commercially viable
manner
in partnership
with the local community
and
under the direction
of the
Regina Airport Authority
Board of Directors.







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Chair Message



2006 marked my first year as Chair, after many years of involvement with the Regina International Airport and Regina Airport Authority Inc. (RAA) Board. The year witnessed ups and downs for the organization including the ill health, late this fall, of our CEO Rob Slinger. I would also like to recognize the tremendous effort of Management in carrying out business including development of the 2007 business plan during Rob's absence.

The airport experienced another successful year including record breaking passenger and aircraft movements. Our accomplishments are the result of the many exceptionally hardworking and dedicated staff, Board members, companies and individuals. It is with regret that the Board will see the mandatory departure of Jack Ritenburg and Myron Popp. Their contributions, as the remaining original Authority Board Members, will be lasting in addition fellow Board members Duane Beaudry and Campbell Brass will not be returning due to personal circumstances. I wish my colleagues the best of luck in the future and thank them for their time with the airport.

RAA continues to improve the operation of the airport, and 2006 was no exception. As part of our mandate to enhance customer service, we entered into a new agreement that has seen terminal cleanliness commended and new initiatives commenced that will make air travel more convenient and comfortable for travelers.

As Chair I remain committed to actively participate with Management in addressing industry challenges that currently include airport rent, Canada Airports Act discussions, Transport Canada regulatory pressures and environmental matters. These issues continue to add significant financial and resource allocation challenges to our organization.

I would like to thank the Board and RAA staff for their tremendous dedication and support through 2006. It would be my pleasure to continue this journey and its challenges and rewards in 2007.

A handwritten signature in black ink, appearing to read 'L. Schneider'.

Larry Schneider
Board Chair



CEO Message

Regina Airport Authority Inc. had a very rewarding and challenging year in 2006. One of the more significant challenges arose when our CEO Rob Slinger became ill last fall. I am pleased to state that our Management team responded, fully supported by the entire staff, to carry out airport day to day requirements. The facility airport team (organization) continued to function effectively and efficiently with most 2006 business planning objectives completed. Further, given the knowledge and experience of key management team members, we completed the annual business plan; setting the course for 2007.

RAA had a very strong year with respect to operating and financial performance. These achievements were attained without losing sight of safety, security and environmental considerations which continue to be key drivers for the organization.

Strategic planning completed in early 2006 provided for an increased focus in overall business planning. This allows for organizational growth and higher levels of revenue diversification into the future. RAA also committed to several customer service initiatives that started to pay dividends and will continue to be a focal point as we continue to look for excellence in the services provided by the entire airport family.

The aviation industry continues to increase in complexity and with that comes increased challenges and opportunities. RAA is well positioned to meet these demands in 2007 and beyond.

A handwritten signature in black ink, appearing to read "Derrick B. Thue".

Derrick B. Thue
Acting CEO

2006 *Board of Directors*



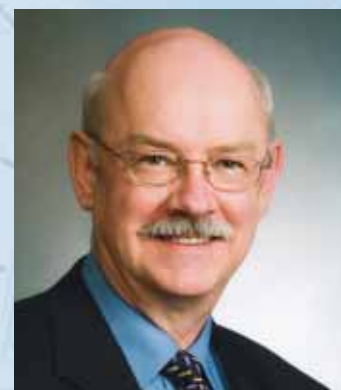
Larry Schneider – Chair
Nominator: City of Regina (2002)
Past Mayor Regina; Former Minister
Western Economic Diversification and
Canada Post; Semi-retired



Patricia Warsaba – Vice Chair
Nominator: Government of Canada (2000)
Audit and Finance Committee; Board
Representative RAA Pension Committee
Lawyer – Robertson Stromberg Pederson LLP



Frank Flegel – Secretary
Nominator: City of Regina (2003)
Chair, Governance and Nominating
Committee
Retired – Media Relations Consultant



Jack Ritenburg
Nominator: Regina Airport Authority (1998)
Chair, Audit and Finance Committee
Engineer – President, Ritenburg & Associates



Brian Martynook
Nominator: City of Moose Jaw (2002)
Chair, Community Consultative
Committee; Governance Committee
Executive Director – Moose Jaw
Chamber of Commerce



Bob Linner
Nominator: Province of Saskatchewan (2006)
Vice Chair, Community Consultative
Committee
Retired – City Manager, City of Regina



Duane Beaudry

*Nominator: City of Regina (2003)
Governance and Nominating Committee;
Board Representative RAA Pension Committee
President - DRAC Systems Corporation*



Campbell Brass

*Nominator: City of Regina (2001)
Audit and Finance Committee
Senior Partner - Brass & Associates
Consulting Services*



Garry Johnson

*Nominator: Government of Canada (2006)
Governance and Nominating Committee
Lawyer, Partner - McCrank Stewart Johnson*



David MacLeod

*Nominator: City of Regina (2002)
Governance and Nominating
Committee
Retired - Professional Engineer*



Myron Popp

*Nominator: R.M. of Sherwood (1998)
Audit and Finance Committee
Retired - Educator*



Catherine Roberts

*Nominator: City of Regina (2005)
Audit and Finance Committee
Accountant and currently studying
Engineering at the University of Regina*



David Walsh

*Nominator: Regina Airport Authority (2006)
Audit and Finance Committee
Principal - Virtus Group LLP, Chartered
Accountants and Business Advisors*

Maintain a Talented and Motivated Team of Professionals

RAA annually recognizes employees that have reached significant years of service milestones. We thank them for their contribution, hard work and commitment to serving our community by way of ensuring that we have a safe, secure and world class facility. This year we recognize the following individuals:

Derrick Thue - 5 Years; George Toro - 10 Years; Joanne Bell - 15 Years; Randy Papegnies - 20 Years; Dale Peterson - 20 Years; Dennis Sandoff - 25 Years. A celebration was held and a good time enjoyed honouring the Service Awards recipients.



The Airport Authority family is made up of 40 individuals that bring forward a very impressive 545 years of airport experience and excellence. Thanks to each and everyone for your commitment and contribution to Regina Airport Authority Inc.

Congratulations also goes to Emile Forest, Manager Airport Facilities, for receiving the Commemorative Medal of the Centennial of Saskatchewan on January 26, 2006. Emile's medal recognizes individuals who have made significant contributions to society and honours their achievements.

To our extended workplace community, we wish to recognize Glen Heisler (Corps. of Commissionaires) for his tremendous support. Glen was a "fixture" at our airport both in terms of providing assistance to the general public and as a leader in the area of security. Although Glen's role at the airport has changed, we would like to acknowledge his efforts and gentlemanly manner.

In support of local flight training and grass roots aviation, RAA provides a \$1,000 annual scholarship to the Flying Club. Last year's award was received by Vic Polsom of Regina.

RAA is also focused on providing educational and learning opportunities to its' staff. During 2006, we successfully held an employee benefit planning and education session. In addition, we introduced a financial planning element to aid staff in future and retirement planning. Lastly, as part of a site-wide customer service initiative, staff participated in customer service training sessions.

In line with 2006 goals, RAA has initiated a Human Resources Strategy Review with results to be concluded during 2007. The review will look at current Human Resources issues and evaluate the way the Authority currently does business, including ensuring proper staffing levels and appropriate skill sets are matched with organizational needs. RAA is also looking at enhancing initiatives that promote wellness and healthy lifestyle choices, both at work and at home.

Further emphasis in 2007 will be placed in the areas of customer service, social responsibility programs and enrichment of corporate culture, as well as formal communication and team building initiatives. Apprenticeship and workforce diversity initiatives will also be explored. By Fall of 2007, an in-scope salary market evaluation will be completed, encompassing a job evaluation framework and associated salary band considerations.



With a total of
545 years
of airport experience,
the Authority
possesses
over five centuries
of knowledge.



YQR offers
175 direct flights per
week to Vancouver,
Calgary, Edmonton,
Saskatoon, Winnipeg,
Toronto, Minneapolis
and to seasonal sun
destinations in Mexico
and the Caribbean.

Marketing and Customer Service

In order to ensure a positive customer experience, RAA has established goals and entered into agreements that will focus on the effective delivery and monitoring of guest services. Effective February 1, 2006, RAA commenced a five year agreement with Marquise Hospitality Services Corporation (MHC). In addition to keeping the terminal and facilities exceptionally clean and offering a friendly, helping hand, MHC also employs a dedicated Customer Service Coordinator. As passenger traffic has increased 20% over the past three years, RAA along with the Customer Service Coordinator will continue to address the challenges that come with growth.

The aviation industry has experienced numerous changes with respect to security in the past five years. To help customers keep abreast of these changes and pack their baggage accordingly, RAA has made every effort to communicate requirements to passengers via the internet, print and local media. A prohibited items mail-back and storage program was also implemented which allows passengers to mail prohibited items to a specified address, or store the item at the airport until their return. As well, RAA continued to be proactive when communicating with the public and stakeholders by issuing quarterly media releases and responding to concerns and issues when necessary.



As the Gateway to Southern Saskatchewan, RAA is also involved in many community service initiatives. Last year we once again supported Souls Harbor Mission House by holding an airport BBQ that raised over \$1,200. RAA Chair, Larry Schneider, presented the cheque during an evening supper served by RAA Staff.

Nearly 2.4 million passengers, meeters and greeters transited the air terminal building in 2006. These departing, arriving or accompanying guests resulted in a wide target audience for advertisers and community groups. RAA generated extra revenues through an agreement with Interspace Airport Advertising, who sell terminal advertising space on the Authority's behalf. As

a means of showcasing the community at the airport, RAA also made available designated areas (at no cost) for community groups to display information as well as greet and inform passengers or visitors.

The attention to customer satisfaction and continuous improvement was commended in the results of a Customer Satisfaction and Benchmarking Survey, conducted in the Fall of 2006. The results indicated that overall, 93% of passengers who used the facility were either satisfied or very satisfied. Specifically, high marks were given to cleanliness, efficiency, public access, safety and security, and courtesy. The survey also suggested areas of improvement which are being reviewed.

Work began in 2006 to re-design the RAA website. The facelift for www.yqr.ca is planned to be complete in 2007 along with a branding strategy that will unify the image of Regina Airport Authority Inc. and convey a consistent message to the public.

Airport Operations – Safety, Security and Environmental Sustainability

Safe, secure and environmentally responsible airport operations remain the top priority for Regina Airport Authority Inc. Close coordination and cooperation with many federal agencies and industry partners, including Transport Canada, the Canadian Airport Transport Security Authority (CATSA), Air Carriers and Environment Canada has become RAA's operational reality in order to ensure the airport is able to respond effectively to ever changing demands in these areas.

Utilizing a series of self evaluations, established plans and procedures, risk management assessments and regulatory audit and oversight the Authority is well positioned to state that 2006 was, on balance, another operationally positive year; particularly given the requirement to maintain a significantly larger air terminal building and infrastructure, noteworthy increases in passenger traffic and user activity, ongoing and additional regulatory pressures, as well as the introduction of new and significant technologies.

On the environmental side, as the airport continues to grow, not only physically from an infrastructure perspective but in passenger traffic levels, again so do the corresponding regulations. The CAC Environmental Committee, of which RAA is a member, deals with a variety of these issues including concerns surrounding the Environmental Assessment's (EA) exclusion list, the new Bird and Wildlife Management Plan requirements, the potential impact on climate change by aviation activity and aircraft noise issues surrounding airports.

More than just technology, infrastructure and audits, RAA Operational and Support Staff are the key element to ensuring day-to-day airport operations continue at a high level, and airport user's experiences are positive. In general terms, RAA Operational Staff are responsible for:

- Providing an airport emergency response service, including aircraft firefighting, first aid response capability and comprehensive safety inspections and investigations.
- Maintaining an effective airport security program and ensuring compliance with increasing regulatory oversight, including terminal building security and access control to airport restricted areas.
- Maintaining and repairing all airport infrastructure, across various disciplines, to ensure maximum operational readiness and availability. These systems include runway and taxiway networks, airfield lighting, aircraft loading bridges, building management, and baggage systems and airport fleet vehicles to name a few.
- The delivery of a comprehensive snow removal and ice control program during winter months, and the provision of a year round bird and wildlife control program to minimize this type of hazard to aviation.
- Developing and implementing an environmental management program, thereby ensuring compliance with regulatory standards and environment safe limits and retaining airport "good neighbor status" with the adjacent community.
- Airport zoning land use reviews (on and off airport) to ensure both short and long term airport operational integrity is protected.
- Operational coordination with air carriers / airport users to maximize use of airport facilities; including aircraft parking, gate allocation and other common-use infrastructure.
- Monitoring and addressing issues surrounding the adequacy of ground transportation services, and the operation of parking lots and related groundside facilities.

- Emergency planning and preparedness, in order to ensure the airport responds effectively to all existing and emergent threats that could impact the safety or health of passengers, airport guests and employees.
- All airport signage / way-finding programs, and terminal building systems and services (i.e. baggage carts).
- The implementation, maintenance and management of information technology systems at the airport; including computer access control, flight information display and closed circuit television (CCTV) monitoring systems and networks.
- Short and long term airport capital planning and development, including the implementation of major construction projects at Regina International Airport.
- Providing input and advocacy to applicable Federal government agencies, working alongside our industry counterpart within the Canadian Airports Council, in order to positively influence a move towards more performance based and right-sized regulations.

Accordingly, in 2006, the following specific activities / projects / initiatives were successfully accomplished:

- Implementation of 100% hold or checked baggage security screening (HBS).
- Further improvements to the HBS system by the addition of a fragile / oversized baggage conveyor component to streamline airline passenger check-in operations.
- Full deployment of Restricted Area Identification Cards (RAIC) and associated biometrics and access controls.
- Working with industry partners, the coordination of August 2006 passenger carry-on ban on liquids, gels and aerosols.
- Continued proactive aircraft noise management / mitigation initiatives and the completion of the annual noise management committee meeting.
- Responses to numerous Transport Canada audits (including the US Transportation Security Authority), and in most cases the immediate correction of deficiencies when identified.
- A comprehensive tabletop security exercise with our security partners, the Royal Canadian Mounted Police and the Regina Police Service.
- Commencement of a groundside infrastructure study, recommendations from which RAA will look to re-align roadways, parking lots and pedestrian corridors and provide additional capacity to accommodate growth.
- Re-tendering of the five year building security services contract.
- Procurement of nine common use self serve (CUSS) check in kiosks to be deployed in the terminal building in 2007.
- Completion of Senior Firefighting Captain staffing process.
- Participation in discussions with stakeholders and the City of Regina on the development of lands in the SW sector.

Airport Operations – Safety, Security and Environmental Sustainability

- Coordination of numerous VIP operations, special events and commercial filming in the terminal building.
- Respondent to the five year review of CATSA operations.
- Zero third party liability claims were filed against the Authority in 2006.
- All airport firefighters were fully recertified during live fire exercises in September 2006.
- Normal glycol usage reported for 2006, and limits were not exceeded.
- Environmental spills on apron and parking lots were identified and promptly remediated by the user or RAA staff.
- A glycol monitoring station was installed by the RCMP Hangar – to become operational in 2007.

Fire Fighting Emergency Response Services (ERS) Team experienced an active year in 2006 as illustrated below:

Type of Response	Number of Incidents	
	2005	2006
Aircraft Incidents*	11	08
Aircraft Standbys – Moving	08	07
Aircraft Standbys – Ground	00	04
Aircraft Fuel Spills	04	00
Aircraft Refueling W/Passengers	00	00
Structural Fires	01	00
Fire Alarms	04	04
Investigation (smoke, fumes)	03	09
Environmental Response	13	06
Vehicle	09	03
Medical	41	54
Wildlife	18	48
Mutual Aid	00	00
Miscellaneous/Other	26	25
Health/Safety	02	01
Security	24	04
TOTAL	164	173

*Includes 1 fatality

We conduct regular emergency response drills to ensure that YQR staff, tenants and first responders are trained to act quickly in an emergency situation.



Airport Operations – Safety, Security and Environmental Sustainability

For 2007, primary airport operational priorities include:

- Development and implementation of an airport Safety Management System (SMS).
- Conclusion of Restricted Area Identification Card (RAIC) Phase II, including the introduction of person-traps and security access improvements.
- The coordination of a major mass casualty emergency response exercise (including a security element) to meet Federal compliance requirements.
- The upgrade / replacement of priority snow removal equipment based on a complete fleet analysis and related business cases.
- The monitoring of progress related to SW Sector development in the City of Regina, to ensure airport operational considerations are considered and protected.
- A review of energy conservation initiatives; including reducing electrical lighting consumption during quiet times and shutting down unused equipment (escalators) when not in use.

During 2006, RAA completed 2.4 million in capital projects that included the addition of a fifth bridge, resurfaced taxi-way A, and various infrastructure upgrades. Several projects carried over to 2007 and will be completed with 2007 initiatives.

5.2 million in capital investment and upgrades has been earmarked for 2007 that will see additional parking lots, pavement and apron upgrades and several operational customer service information and signage upgrades.

RAA's Airport Operations focus on safety, security and the environment will not waiver; however, increased regulatory pressures continue to place extreme demands on current resources and staff focus. Realistically, in an industry that is already one of the most highly regulated in the country, we are seeing an unprecedented increase in regulatory and prescriptive oversight. This methodology cannot be sustained in the long term. A moratorium on new regulations and a rationalization of the existing rules is warranted, and a move towards more performance based or intelligent regulations is necessary. Additionally, fees recovered from passengers, like the air travelers security surcharge (ATSC), must be appropriately re-directed (or reduced) as more are currently collected than allocated to aviation security initiatives. Currently, none of the ATSC is allocated to airports.

In the interim, RAA Operations remain committed – continuing to maintain a delicate balance between challenging regulations and critical operations – while providing the safest and most secure environment possible for our users and guests.

Airport Improvement Fee (AIF)

The infrastructure that Regina Airport Authority Inc. inherited from the Crown requires significant renewal and reinvestment. Maintenance of site pavement surfaces combined with fleet renewal initiatives will drive capital costs over the next five years. RAA, with its recently announced \$15 airport improvement fee (AIF) on all commercial flights, is well positioned to handle these financial challenges, with over \$26 million as identified below for renewal over the next five year period. The remaining AIF reserve fund deficit will also be retired as illustrated.

Total Actual and Projected AIF Revenues (1991-2011)	\$ 57,055,000
Total Actual and Projected Grants (1999)	\$ 3,000,000
Total Actual and Projected Capital Expenditures (1999-2011)	(\$ 53,115,000)
AIF Reserve Fund Deficit – Dec. 31/2006	(\$ 5,253,000)
AIF FUND BALANCE – DECEMBER 31/2011	\$ 1,687,000

Capital Project Renewal and Re-investment

Projects under consideration from 2007 through 2011 include:

Airside paved areas	\$7,590,000
Airside utilities, runway lights and other	2,115,000
Air Terminal Building and other buildings	5,540,000
Groundside paved areas and parking lots	3,570,000
Groundside utilities, landscaping and other	4,834,000
General equipment and miscellaneous	803,000
Mobile fleet	2,121,000
Special projects, master plans, studies	1,500,000
TOTAL PROJECTS	\$26,183,000

Environmental Policy

Regina Airport Authority is committed to operating Regina International Airport in an environmentally responsible manner.

Regina Airport Authority will:

- Commit to comply with, or exceed, all applicable environmental legislation and regulations, and other environmental commitments.
- Commit to reduce or prevent pollution resulting from airport operations wherever possible and practical.
- Identify and manage the Airport's significant environmental aspects through implementation of a formal environmental management system compliant with the ISO 14001 Standard.
- Ensure that employees, tenants, contractors, suppliers and users each understand their individual environmental roles and responsibilities.
- Measure the Airport's environmental performance and continuously improve the environmental management system.
- Integrate environmental considerations into all airport planning, operations and development.
- Consider public needs and opinions in the environmental management of the airport.
- Report to the local community on the Airport's environmental performance.

Corporate Governance Disclosure

During the September Board meeting, the Authority adopted the principles of National Policy (NP58-201) Securities; replacing TSX Governance Guidelines in keeping with best practices in corporate governance and related disclosure. Realizing that Regina Airport Authority Inc. is not listed on the stock exchange and is a non-profit corporation and that not all standards apply, updated governance practices are being customized to reflect these realities. Policy review and revisions initiated in 2006 will be completed in 2007. The following narrative provides an understanding of current corporate governance practices.

Board of Directors: The Board of Directors mandate identifies that the Board is responsible for stewardship and for ensuring the Airport is managed in the best interests of all stakeholders. Oversight is provided to management in regards to business and affairs, ensuring duties and obligations are discharged in accordance with the provisions of the following:

- Canada Corporations Act
- Letters Patent and Bylaws of the Corporation
- Mandate of the Board of Directors, Committees and Task Forces
- Applicable Legislation and Corporate Policies.

The Board focus is in strategic leadership and not day-to-day management issues. Management is entrusted by the Board to make sound operational decisions. Management is held accountable for the performance and long-term viability of the Corporation while at the same time is responsible for ensuring the achievements and objectives of the Corporation are carried out.

Independence of Directors: Directors, including the Chair, are independent of Management having no direct or indirect material relationships

with Regina Airport Authority Inc. Regularly scheduled Board meetings are held to carry out business of the corporation.

Written position descriptions are in place for the Chair and the Chair of each Board Committee including delineation of roles and responsibilities for each position. There is also a written position description for the CEO delineating roles and responsibilities.

Board Orientation and Continuing Education:

All new Board members are required to attend a Board orientation session conducted by the Board Chair, the Chair of the Governance Committee and Officers of the Corporation. The session provides an overview of corporate policy, roles of the Board, Committees and Directors, site tours, and business familiarization including a briefing of industry issues. Continuing education is achieved through regular Board presentations as part of Board meetings, participation in industry groups and regular seminars as appropriate; particularly in the areas of governance and strategic planning.

Ethical Business Conduct: The Authority has a written code of conduct for directors, officers and employees, and is made available upon written request to the Authority. Annually, director disclosures are reviewed and updated; it is the responsibility of each director to make it known when a conflict arises. The Board is responsible for compliance with the code and is generally monitored through the Governance Committee.

Board Self Assessment: Board members are required to complete and submit to the Governance Committee an annual assessment of the Board's effectiveness from their perspective. Governance then prepares a summary of its findings and disseminates to the entire Board for consideration.

Over 7 years of
communication
with stakeholders
through the
Community
Consultative
Committee.

Board Compensation: The Governance Committee annually reviews Board remuneration providing recommendations to the Board. On a regular basis the aviation industry is surveyed along with other local Boards ensuring that appropriate levels of compensation are paid. The Governance Committee also carries out an annual assessment of the CEO consistent with the CEO evaluation criteria and recommends to the Board the appropriate compensation and performance bonuses.

Committees of the Board: Three established Committees of the Board exist including the Audit and Finance Committee, the Governance and Nominating Committee and the Community Consultative Committee. Each committee is constituted by its own charter and/or mandate.

Audit and Finance Committee: The mandate is to provide an effective overview of RAA's financial reporting process and internal control functions. The committee assists the Board of Directors in fulfilling its functions relating to

corporate accounting and reporting practices, as well as overseeing financial and accounting controls, and reviewing and approving financial statements. The committee is also responsible for identifying the principal risks to the Corporation and overseeing the implementation of appropriate measures to manage such risks, including policies and standards relating to risk management. The committee has direct communication with the external auditors and meets privately on a regular basis with the external auditor and members of management.

2006 Board members serving on the committee include: Jack Ritenburg (Chair), Myron Popp, Catherine Roberts, Patricia Warsaba, Campbell Brass and David Walsh.

Audit Fees: The aggregate fees billed by RAA's external auditors for audit fees for the fiscal years ended December 31, 2006 and December 31, 2005 were \$20,500 and \$17,500 respectively. There were no other fees billed by RAA's external auditors for non-audit related services for the above periods. 2006 fees include the cost for the provision of audit related services regarding the subsidiary Jenny Aviation Developments Inc. and the requests for consolidated financial statements for all operations.

Governance and Nominating Committee: The mandate of the Governance and Nominating Committee is to ensure that RAA conducts its affairs in compliance with applicable statutory requirements, the Letters Patent, the Bylaws, and the policies and principles approved by the Board of Directors. The committee is also responsible for: assessing the effectiveness of the Board, its committees and individual directors; assessing the effectiveness of the CEO; reviewing Director and CEO compensation; recommending nominees for Directors to the nominators; implementing

Corporate Governance Disclosure

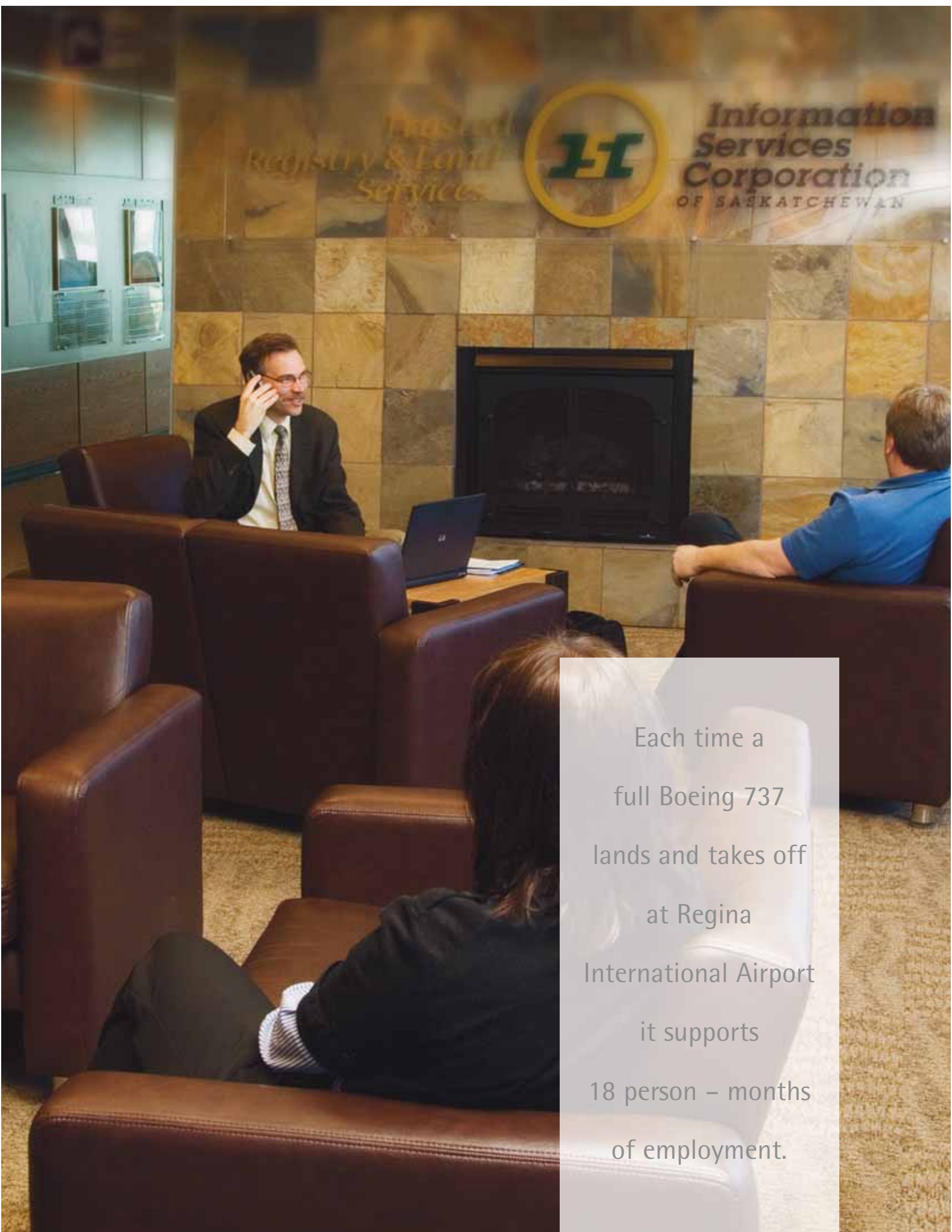
appropriate orientation program for Directors, and providing continuing education opportunities for Directors. The committee also approves the CEO's corporate objectives and performance evaluation criteria. The Board members sitting on the committee for 2006 include: Frank Flegel (Chair), David MacLeod, Brian Martynook, Garry Johnson and Duane Beaudry.

Community Consultative Committee: The Board of Directors has established a Community Consultative Committee as required by its ground lease with the Federal government. The purpose of the committee is to provide for dialogue and dissemination of information on matters relating to the Airport, including airport planning, airport operations and municipal concerns. The committee is comprised of members who are representative of the community, including consumers (the traveling public), organized labour, the aviation industry and the provincial and municipal government. Board members on the committee for 2006 were: Brian Martynook (Chair) and Bob Linner (Vice Chair). Participating Management members were Rob Slinger, Steve Burchi, Derrick Thue, Janice Lemay and Michelle McConwell. Members were represented by the Air Force Association of Canada – 600 Wing, Albert Park Community Association, Association of Regina Realtors, Aviation Medicine, Canadian Owners and Pilots Association – Flight #4, City of Weyburn, 15 Wing Moose Jaw, Hospitals Association, Hotels Association of Saskatchewan, Lakeview Community Association, National Manufacturing Canada, Regina Exhibition Association, Regina Police Service and the Saskatchewan Abilities Council. The committee is currently looking at ways of expanding membership drawing from other agencies within the Southern part of the province.

Taskforces: There were no active Taskforces in 2006.

A record breaking
871 thousand
passengers
travelled through
our airport
in 2006,
up from
826 thousand
the year before.





Each time a
full Boeing 737
lands and takes off
at Regina
International Airport
it supports
18 person – months
of employment.

Audit and Finance Committee Report

The committee met eight times during the year; four times to review and recommend approval of the quarterly financial statements to the Board; once to review and recommend to the Board approval of the 2007 budget and related business plan; and three special meetings to deal with business development considerations. Expenditures made by Officers and the Board were also considered along with remuneration ensuring compliance with Board policy.

The Audit and Finance Committee mandate was reviewed in consideration of the NP 58-201 Securities Commission guidelines that were adopted by the Board in September 2006. Draft policies reflecting the best practices expressed in the guidelines were forwarded to the Governance Committee for consideration and processing at the time of filing this report. Other policies developed during 2006 included a financial leveraging policy and subsidiary investment policy.

Annual review of business risk, borrowing requirements, credit policies, pension funding considerations and investment policies were reviewed for compliance considerations and risk mitigation.

Following a review of a request for proposals process the Audit Committee recommended to the Board extension of the audit services with KPMG for a further five year period.

Aeronautical rate and fee increases were reviewed and recommended to the Board for approval taking effect July 1, 2006. In December 2006, the committee also reviewed management's recommendation to increase the airport improvement fee (AIF) to \$15 / enplaned passenger which takes effect April 1, 2007.

A review of procurement policy and procedures was initiated in 2006 with final policy considerations and recommendation to be completed in 2007. The Committee also provided oversight in the development of a subsidiary including incorporation documents and framework for operating the subsidiary.

The committee reviewed and recommended to the Board additional approvals of three major capital additions not included in the budget approval process which included: the Oversized / Fragile Baggage Conveyor; Common Use Check in Kiosks; and the Fifth Bridge installation.

Several business development initiatives were considered over the course of the year as the Authority moved into revenue diversification strategies consistent with strategic planning initiatives.

As of April 2007, I will have completed my tenure both in the role as Chair of the Audit and Finance Committee and as a Regina Airport Authority Board member. My time with the Authority has been rewarding and I will miss the people and the industry challenges. I wish the Authority all the best for the future in meeting the challenges ahead.

Respectively submitted:



Jack Ritenburg

Chair, Audit and Finance Committee

Governance and Nominating Committee Report

The committee met nine times during 2006 dealing with several matters as highlighted below:

- Governance manual policy review initiated in 2006, taking into consideration NP 58-201 Securities Commission Guidelines adopted by the Board in September 2006; several policy amendments and recommendations to be brought forward for Board consideration during 2007.
- 2005 CEO Evaluation completed and 2006 CEO Evaluation initiated.
- 2007 Board member recruitment for April 2007 initiated.
- Commenced Board remuneration market review; recommendation to Board to be presented for consideration June 2007.
- Board police and background checks amended as a requirement.
- Consideration provided for determination of Provincial Nominee to fill vacant Board seat.
- Educational and training component introduced as part of Board meetings as an ongoing Board requirement.
- Bylaw update completed, changing Board expiry to AGM timeline from calendar year and amending Board terms to three years, to a maximum of three terms (nine years).
- Governance training and strategic planning sessions and coordination provided.

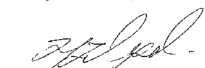
Below you will find our 2006 Board Compliance statement for 2006:

In the opinion of the Governance and Nominating Committee, RAA conducted its affairs in compliance with statutory requirements, by-laws, codes, approved policies and principles during 2006.

- All meetings of the Board and Members of RAA were properly called and conducted generally in accordance with RAA's by-laws and policies;
- The sudden illness of CEO Rob Slinger and the appointment of an interim CEO resulted in a delay of some activities, one of which was the annual review of the performances and practices of the board and its individual members.
- Regular reports were received from standing committees of the board indicating those committees complied with their mandates;
- The Governance and Nominating Committee was advised by management of several items of non-compliance with the head lease. However, at year's end they were in the process of being rectified; and,
- Transport Canada's annual Lease Monitoring Report listed several deviations but at year's end they were being properly rectified.

I would like to acknowledge fellow committee members Duane Beaudry, Garry Johnson, David MacLeod, Brian Martynook and Larry Schneider, as well as management, Rob Slinger (CEO) and Derrick Thue (CFO) for their support in carrying out my duties as Committee Chair. Special acknowledgement also goes out to the Corporate Administrator, Janice Lemay, for accurately recording committee meetings and her general assistance in the committee's work.

Respectively submitted:



F.J. (Frank) Flegel
Chair, Governance and Nominating Committee

Community Consultative Committee Report

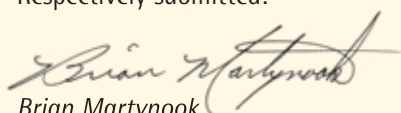
The committee met twice during 2006 addressing several issues as itemized below:

- A presentation regarding the economic impact of the airport to the community was provided.
- Details regarding airport support to Saskatchewan regional airports were discussed.
- Current airport development opportunities were briefed.
- Concerns regarding the proposed reduction in NavCanada Instrument Flight Rules terminal central services were raised by Department of National Defence (DND) and RAA. DND and the RAA agreed to continue to monitor and coordinate efforts to protect the current level of service.
- The Committee was briefed regarding the establishment of a wholly owned subsidiary – Jenny Aviation Developments Inc. – including its purpose in supporting the business development and revenue diversification initiatives of RAA.
- The increase in the Airport Improvement Fee (AIF) to \$15 / enplaned passenger (April 1, 2007) was also highlighted, including a recap of airport capital improvements to date and future requirements that support the need to increase the AIF / capital reserve fund.
- The annual noise management meeting was held as required under the ground lease with Transport Canada with no outstanding issues or concerns noted.

For 2007, the Committee will continue its efforts in expanding airport dialogue into communities outside of Regina in keeping with our mandate.

I would like to thank fellow Committee Members and Management for their support in carrying out my duties as Committee Chair.

Respectively submitted:



Brian Martynook
Chair, Community Consultative Committee

Board of Directors Remuneration

Larry Schneider	\$ 26,075	Campbell Brass	\$ 5,475
Patricia Warsaba	\$ 7,075	Garry Johnson	\$ 6,375
Frank Flegel	\$ 7,400	David MacLeod	\$ 6,400
Jack Ritenburg	\$ 6,500	Myron Popp	\$ 6,400
Brian Martynook	\$ 7,075	Catherine Roberts	\$ 6,100
Bob Linner *	\$ 2,658	David Walsh	\$ 5,775
Duane Beaudry **	\$ 5,475	Total Board Remuneration	\$ 98,783 (2005 - \$ 113,900)

* Bob Linner joined the Board in June 2005 filling the vacant Board seat from Fall 2005.

** Duane Beaudry resigned from the Board effective January 1, 2007 as a result of his move to Florida Fall 2006.

Board Representative for Labour Interests is currently vacant.

Additional Board expenses incurred total \$18,338. A strategic planning and special governance training session for \$8,145 are included in this total.

Retainers: Board Chair \$15,000; Committee Chair \$3,500; Board Member \$2,500 (receive the higher retainer but not both if filling more than one role).

Per Diems: \$300/Board meeting (not applicable to the Chair); per diems do not apply to committee meetings; reasonable expenses reimbursed as per corporate policy.

Officers of the Corporation

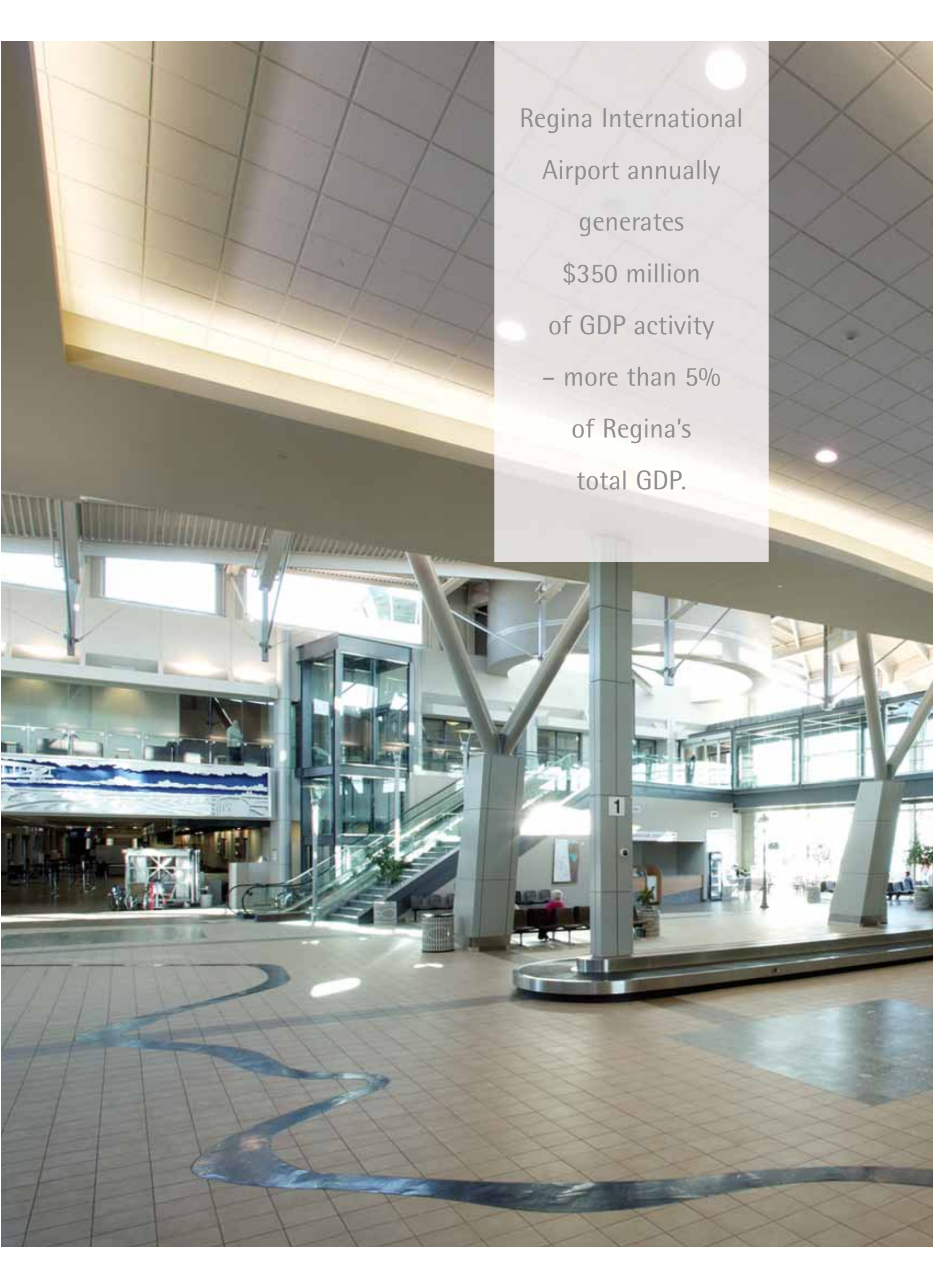
Rob Slinger, CEO Range: (\$100,000 - \$125,000)

* Derrick Thue, VP Administration and CFO
also serves as Treasurer (Board) Range (\$75,000 - \$95,000)

Steve Burchi, VP Operations and Corporate Services Range (\$75,000 - \$95,000)

Total remuneration paid to Officers of the Corporation for 2006 - \$311,778 (2005 - \$261,507)

* Derrick Thue also served as Acting CEO November 2, 2006 - February 5, 2007; CEO on medical leave.
Management salary ranges are currently under review (2007).



Regina International
Airport annually
generates
\$350 million
of GDP activity
– more than 5%
of Regina's
total GDP.

Management Discussion and Analysis

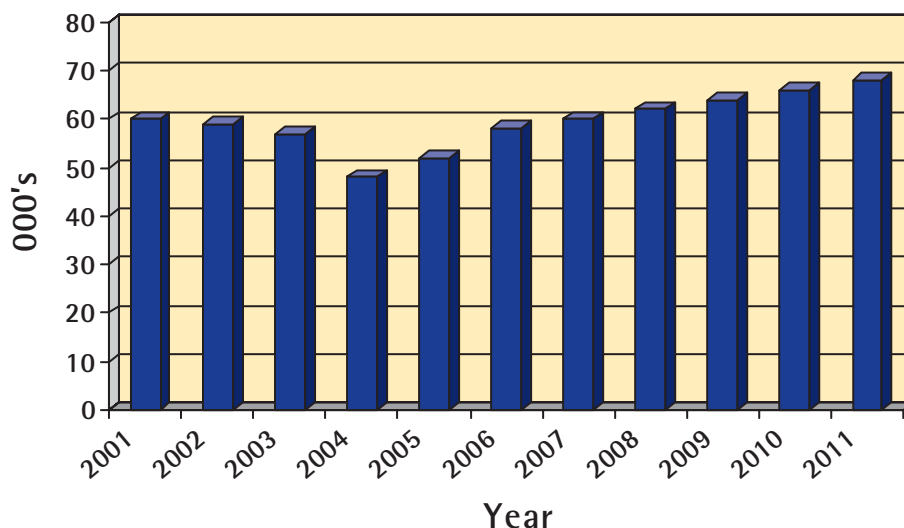
Corporate Profile

Regina Airport Authority (RAA) was incorporated in June 1997 as a corporation without share capital, established under Part II of the Canada Corporations Act. RAA changed its corporate name (Fall 2006) to Regina Airport Authority Inc. to better reflect a focus on commercial and development activities. The Federal government acknowledged RAA as a Canadian Airport Authority in May of 1999 in full accordance with the terms of the National Airports Policy. As such, RAA is authorized to operate the airport on a commercial basis, to set fees for its use and to maintain, develop and improve facilities.

A Ground Lease with the Federal government, executed in February 1999, outlines the responsibilities of RAA for the operation, management and development of the airport. At December 31, 2006, RAA is in year eight of a 60 year lease with Transport Canada with one renewal term for an additional 20 years.

During 2006, Regina International Airport remained among the top three airports in Canada for year to year growth of aircraft movements with a rate of 11%. In 2005 Regina lead the nation with 14% growth.

Aircraft Movements



Aircraft movements are expected to grow at a rate of about 2000 movements per year.

Business Strategy and Vision

Over the past year, the Authority conducted a strategic planning session that reaffirmed the primary thrust of the organization as identified below:

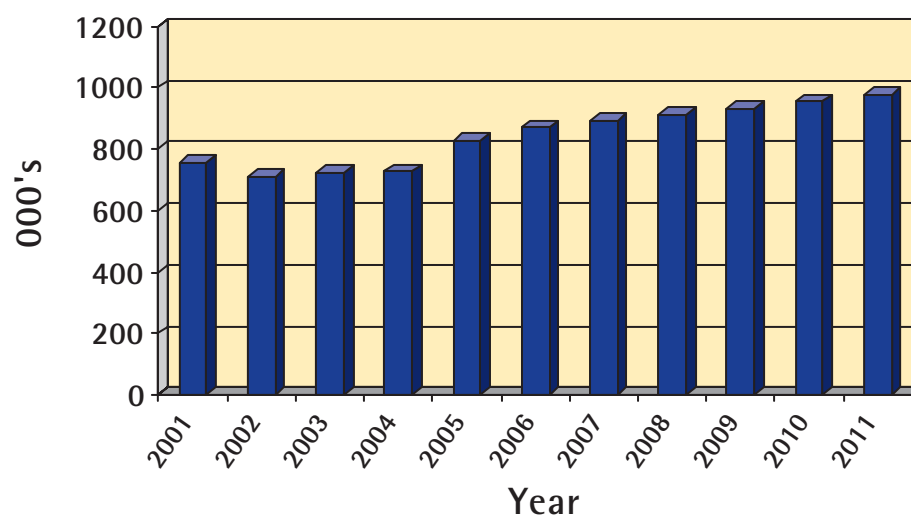
- To operate a safe, secure and environmentally friendly airport.
- To become a more effective regional gateway.
- To remain financially viable and cost competitive.
- To ensure facilities address current and future demands of users.
- To maintain a talented and motivated team of professionals.

The primary goal identified at the planning session was focused on continuous improvement in the above areas. Operational excellence, enhanced customer service, improved community relations and improved air services are among the performance indicators specified.

Other strategic opportunities identified included service expansion, equity in property development new land lease revenue generation and equity in business ventures; essentially revenue diversification and increased commercial development.

A wholly owned subsidiary to Regina Airport Authority Inc., Jenny Aviation Developments Inc., was established in June of 2006 to provide marketing, communications and business development support. The subsidiary has also been established as a potential investment vehicle should the Authority move into equity investments that compliment core airport activities.

Passenger Traffic



Passenger traffic is estimated to grow by 2.3% annually over the next five year period.

Management Discussion and Analysis

The increased traffic positively affected operating revenues, which grew by 15% (\$985,000) over the previous year, the majority of which can be attributed to:

Parking revenue concession, which was up \$271,000;

A new hold bag screening fee and common use space fees totalling \$314,000;

Aircraft bridging and higher utilization rates, which increased \$159,000;

Landing and terminal fees, up \$185,000, which can be attributed to the rates and fees adjustments.

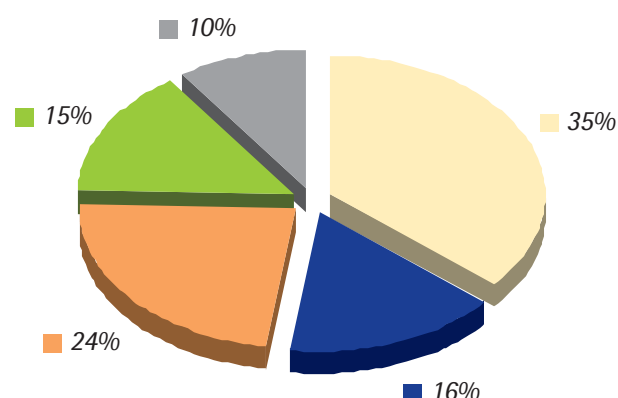
Operating Activity

Passenger traffic counts are a key performance measure that impact financial operating results and influence airport improvement fee revenues (cash resources) used to improve and enhance airport infrastructure.

As outlined in the graph on the previous page, RAA airport traffic grew by 5.4% in 2006 to 871,416 enplaned and deplaned passengers; and over 18.9% in the past two years. In fact, traffic growth surpassed Saskatchewan's GDP annual rate of growth (2.3%) by 2.4 times the rate. Contributing factors to this remarkable rate of growth include increased disposable income, ease of travel and confidence in air travel.

2006 Revenue

Concessions	\$2,688,466
General Terminal Fees	\$1,201,564
Landing Fees	\$1,757,062
Other Airline	\$1,082,950
Rental, Recoverables & Other	\$731,563



Specifically, direct aeronautical charges comprised of landing, terminal and other airline fees generated 55% of all airport operating revenues, while concessionaire and airline space rentals indirectly contributed an additional 39%. 94% of all operating revenues received by the Authority were related to airline activities and associated fees, making the Authority heavily dependent on this revenue stream.

Passenger traffic
growth surpassed
Saskatchewan's
GDP annual rate
of growth
by 2.4 times.





Management Discussion and Analysis

On July 1, 2006, RAA increased aeronautical fees by an average of 6% to cover the effects of inflation and to recover costs associated with the expanded facility.

Operational expenditures increased 15% or \$955,000 over 2005 in the following areas;

Special services, including costs for security, cleaning, maintenance, ground transportation coordination and customer service initiatives, increased \$284,000. This reflects the increased labour costs as well as the additional costs associated with the expanded facility (2006 was its first full year of operation).

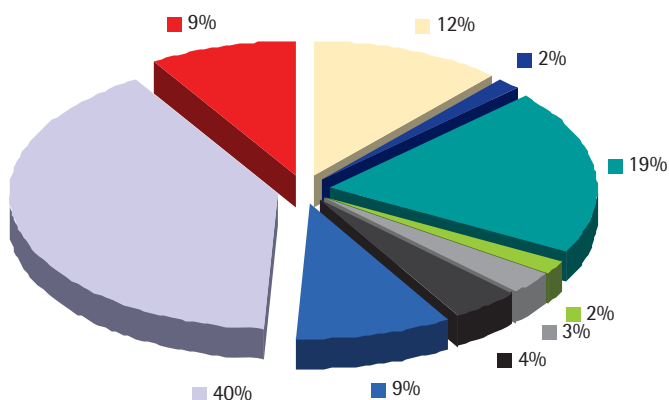
Professional fees increased \$107,000 reflecting strategic planning, governance training, economic impact study costs and the special planning and development initiatives for 2006.

Ground rent of \$123,000, due under the terms of the new airport rent formula, added significant costs to our operation. Transport Canada's public announcement suggested that RAA would pay \$49,000 for rent in 2006. In fact, RAA will pay more than 250% of that estimate. For the next five years rent will be approximately \$212,000 in 2007, \$250,000 in 2008, \$260,000 in 2009, \$275,000 in 2010 and \$300,000 in 2011.

Salaries and benefits increased \$386,000 in 2006. This cost reflects the increased pension and benefit funding costs of \$110,000, new staffing and filled vacancy costs of \$136,000, and regular annual staffing increases.

2006 Expenses

Administration	\$815,673
Board	\$117,125
Security & Special Services	\$1,375,748
Ground Rent	\$122,765
Insurance	\$208,901
Professional Fees	\$282,954
Property Taxes	\$670,199
Salaries & Benefits	\$2,855,109
Maintenance, Supplies & Other	\$621,231



Generally, other areas trended as expected and are identified in the graphical illustration.

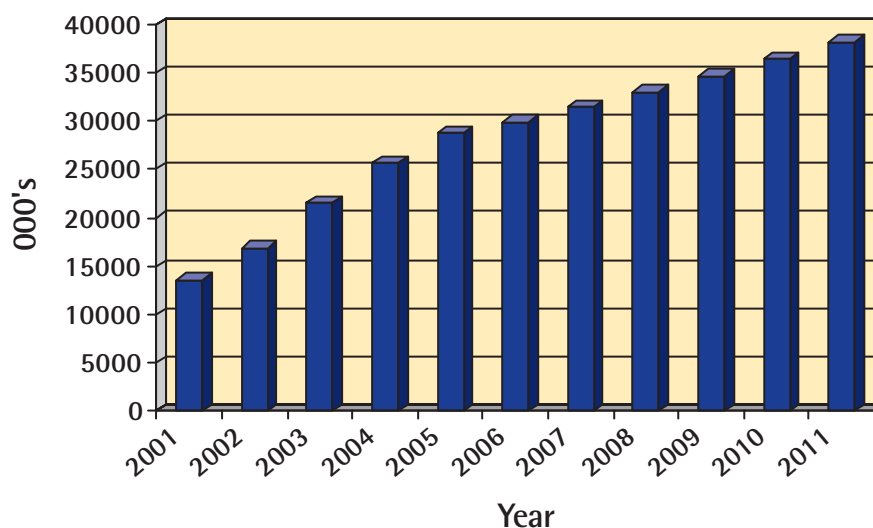
Overall, net operating revenues over expenditures generated a small excess of \$392,000, up slightly from the 2005 result of \$362,000. After taking into account asset write downs, investment income the overall excess revenue generated for airport improvements and operations netted \$2,653,000.

Management Discussion and Analysis

Assets and Liabilities

Assets of the corporation grew by 4% over 2005 to \$29,922,000; capital assets net of amortization account for 92% of total assets. Working capital comprised of cash, receivables and short term investments make up the total.

Net Assets



Net assets are expected to grow at a rate of about 5% a year.

Liabilities are made up of 95% equity and 5% short-term liabilities. The Authority has an outstanding capital lease of \$63,000 and otherwise remains debt free at December 31, 2006.

The airport improvement fee reserve carries a deficit of \$5,253,000; this shortfall has been covered by allocating unrestricted net assets of the corporation, leaving a balance of \$1,072,000 in unrestricted net assets.

Cash Flow

RAA remains in a strong cash flow position. Bank debt of \$1,500,000 was retired during 2006. Additionally, airport improvement fee rates will increase on April 1, 2007, ensuring adequate cash is raised to complete 2007 capital requirements as identified in the long range planning document.

Surveyed
airport visitors
indicated
high satisfaction
with airport
parking and
staff courtesy.

Risks and Uncertainties

Although the airline operating industry appears to have stabilized, RAA remains highly exposed to risks tied to economic and global village events. Nearly 94% of RAA revenue sources are either directly or indirectly impacted by airline decisions. Contingency risk mitigation will be in the forefront as the Authority continues to evolve.

Current challenges include:

- Airline transborder instability (risk of reduced service).
- Domestic airline capacity concerns (number of seats available in the market) exist with airlines unable to fill the demand in the short term.
- Airport rent and windfall status of the Crown.
- Lack of appropriate funding and resources as a result of increasing regulatory requirements.
- Exceptional growth and facility pressures require expedited planning initiatives.
- Human resources recruitment and training concerns.

Contracts over \$75,000 Not Tendered

All contracts for 2006, with a value in excess of \$75,000 (CPI annually adjusted), were tendered and met the compliance requirements as stated in the bylaws of RAA, the Public Accountability Principles for Canadian Airport Authorities and the Ground Lease with the following exceptions:

- Common use self service and ticketing kiosks; contract value \$389,000. RAA partnered with a tender process run through the Calgary Airport Authority (CAA) and developed a support agreement arrangement to participate with the CAA.

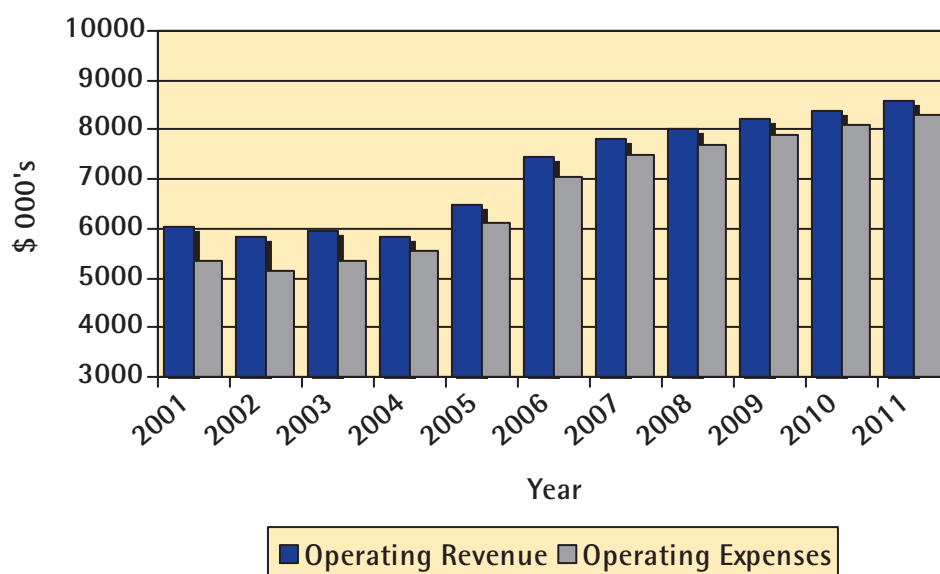
Management Discussion and Analysis

- New loading bridge installation of \$449,000, and oversized / fragile hold baggage screening upgrade of \$432,000. These projects were additional requirements associated with the air terminal building development. The prime contractor (PCL) undertook this work as an amendment to the air terminal project agreement. FMC Technologies received \$178,000 of the \$449,000 for the pre-owned bridge purchase and associated installation work.
- A customer service component was added to the Marquise Hospitality Services Corporation (MHC) cleaning agreement which covered a four year and seven month period; contracted value of \$475,565. This additional component built on the success MHC achieved at the airport.

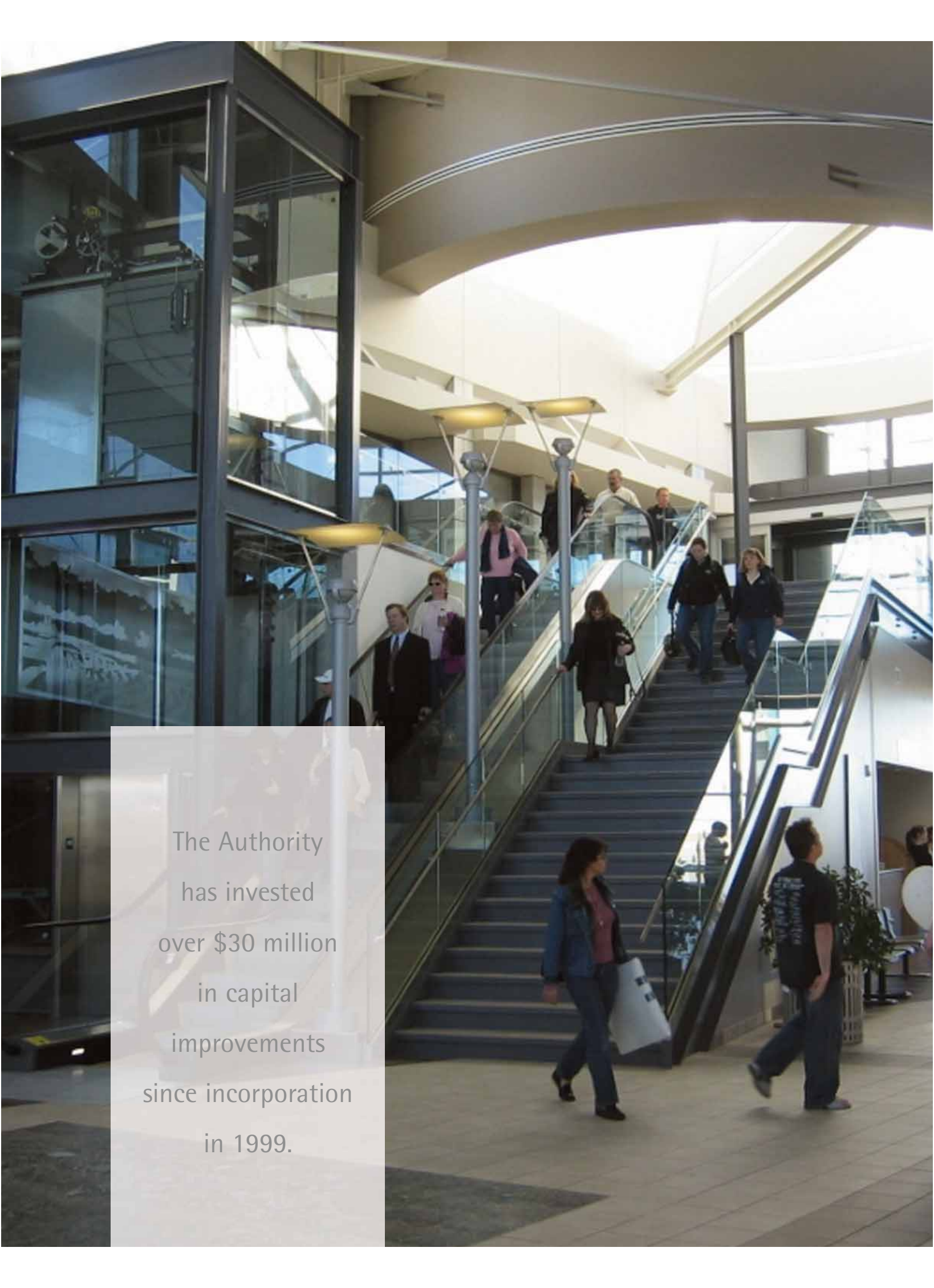
The above exceptions excluded from public tender were considered special circumstances. Management briefed the RAA Board and the final determination and approval for exclusion from the public tender process was received by the Board of Directors for reasons of efficiency and practicability.

Regina Airport Authority Inc. experienced successful financial and operating results in 2006. Combined with increasing aircraft movements and continued passenger growth, 2007 looks very encouraging.

Operating Revenues and Expenses



*Projected operating revenues and expenses are expected to grow at 2.5% (five year average rate of inflation).
A complete set of consolidated financial statements and notes follow for the fiscal year ended December 31, 2006.*



The Authority
has invested
over \$30 million
in capital
improvements
since incorporation
in 1999.



Financial Statements

Regina Airport Authority Inc. 2006

2006

Management Responsibility for Financial Statements

December 31, 2006

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these are set out in Note 2 of the statements.

The Airport Authority's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. These consolidated financial statements include some amounts based upon management's best estimates and judgements. Recognizing that the Airport Authority is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit Committee consisting of four independent directors. The committee meets periodically during the year to review with management and the auditors any significant accounting, internal control, and auditing matters. They also review and finalize the annual consolidated financial statements of the Airport Authority together with the independent auditors' report before the submission of the consolidated financial statements to the Board of Directors for final approval.

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

On behalf of the Airport Authority:



Derrick B. Thue
Vice President Administration and Chief Financial Officer /Acting CEO



KPMG LLP
Chartered Accountants
2000 – 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
Telefax (306) 757-4703
www.kpmg.ca

AUDITORS' REPORT

To the Members of
Regina Airport Authority

We have audited the consolidated balance sheet of Regina Airport Authority as at December 31, 2006 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at December 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.

KPMG LLP

Chartered Accountants

Regina, Canada
February 23, 2007

REGINA AIRPORT AUTHORITY INC.

Consolidated Balance Sheet

December 31, 2006, with comparative figures for 2005

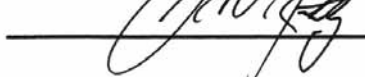
	2006	2005
Assets		
Current assets:		
Cash (note 3)	\$ 875,316	\$ 719,430
Accounts receivable and accrued revenue	1,193,789	711,728
Current portion of loans receivable (note 4)	34,812	34,812
Prepaid materials and supplies	227,485	237,417
	2,331,402	1,703,387
Property, plant and equipment (note 5)	27,414,796	26,869,594
Loans receivable (note 4)	92,813	127,626
Investments (note 6)	83,027	80,348
	\$ 29,922,038	\$ 28,780,955
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,152,093	\$ 1,051,440
Security deposits	83,352	83,852
Demand loan	-	1,500,000
Current portion of obligations under capital lease (note 7)	41,459	40,015
	1,276,904	2,675,307
Obligations under capital lease (note 7)	21,632	64,347
Accrued benefit liability (note 8)	199,000	70,000
Deferred contributions (note 9)	998,208	1,197,849
Net assets:		
Invested in property, plant and equipment (note 10)	26,353,497	24,072,383
Restricted airport improvement fee (note 11)	-	-
Unrestricted	1,072,797	701,069
	27,426,294	24,773,452
Commitments (notes 12)		
	\$ 29,922,038	\$ 28,780,955

See accompanying notes to financial statements.

APPROVED BY THE BOARD



Director



Director

REGINA AIRPORT AUTHORITY INC.

Consolidated Statement of Operations

Year Ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Concessions	\$ 2,688,466	\$ 2,371,590
Contract fees	1,522	-
General terminal fees	1,201,564	1,167,917
Landing fees	1,757,062	1,705,755
Other airline	1,082,950	554,997
Recoverable services and other	38,400	4,994
Rental	691,641	671,594
	7,461,605	6,476,847
Expenses:		
Bad debts	2,636	(4,736)
Board	117,125	126,969
Enhanced security	154,635	178,982
Financial	7,602	5,061
Ground rent	122,765	-
Insurance	208,901	222,285
Land rent	7,500	-
Materials and supplies	276,206	244,720
Office supplies	56,633	51,927
Postage and printing	16,103	12,468
Professional fees	282,954	175,307
Property taxes	670,199	703,091
Public relations	62,194	67,891
Repairs and maintenance	337,525	322,643
Salaries and benefits	2,855,109	2,467,960
Special services	1,221,113	912,517
Telephone	45,935	39,834
Training and travel	58,677	49,348
Utilities	565,893	537,947
	7,069,705	6,114,214
Excess of revenue over expenses before amortization and other revenue (expense)	391,900	362,633
Amortization of property, plant and equipment	(1,786,808)	(1,179,752)
Amortization of deferred contributions	199,641	199,641
Deficiency of revenue over expenses before other revenue (expense)	(1,195,267)	(617,478)
Other revenue (expense)		
Airport improvement fee (note 11)	3,930,416	3,729,183
Interest expense (AIF financing)	(52,186)	(59,175)
Investment income	47,086	77,015
Reorganizational expenses	-	(80,165)
Forgiveness of long-term debt	-	433,350
Gain on disposal of property plant and equipment	12,443	-
Write down of property, plant and equipment (note 5)	(89,650)	(166,783)
Excess of revenue over expenses	\$ 2,652,842	\$ 3,315,947

See accompanying notes to financial statements.

REGINA AIRPORT AUTHORITY INC.

Consolidated Statement of Changes in Net Assets

Year Ended December 31, 2006, with comparative figures for 2005

	Invested in property, plant and equipment (note 10)	Restricted airport improvement fee (note 11)	Unrestricted	2006 Total	2005 Total
Balance, beginning of year	\$ 24,067,383	\$ -	\$ 706,069	\$ 24,773,452	\$ 21,457,505
Excess of revenue over expenses	(1,676,817)	3,878,230	451,429	2,652,842	3,315,947
Net change in invested in property, plant and equipment (note 10)	3,962,931	(2,121,086)	(1,841,845)	-	-
Appropriation (note 11)	-	-1,757,144	1,757,144	-	-
Balance, end of year	\$ 26,353,497	\$ -	\$ 1,072,797	\$ 27,426,294	\$ 24,773,452

See accompanying notes to financial statements.

REGINA AIRPORT AUTHORITY INC.

Consolidated Statement of Cash Flows

Year Ended December 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 2,652,842	\$ 3,315,947
Items not affecting cash:		
Forgiveness of long-term debt	-	(433,350)
Amortization of deferred contributions	(199,641)	(199,641)
Amortization of property, plant and equipment	1,786,808	1,179,752
Write down of property, plant and equipment	89,650	166,783
Increase (decrease) in accrued benefit liability	129,000	-25,000
Gain on disposal of property plant and equipment	(12,443)	-
Net change in non-cash working capital items (note 13)	(371,976)	(1,059,491)
	4,074,240	2,945,000
Investing activities:		
Loan repayment	34,812	5,813
Purchase of property, plant and equipment	(2,421,660)	(7,812,668)
Proceeds on sale of property, plant & equipment	12,443	
Purchase of investments	(166,337)	(166,194)
Proceeds on sale or maturity of investments	163,658	3,183,567
	(2,377,084)	(4,789,482)
Financing activities:		
Proceeds from demand loan	-	2,000,000
Repayments of obligations under capital lease	(41,271)	(37,862)
Repayment of demand loan	(1,500,000)	(500,000)
	(1,541,271)	1,462,138
Increase (decrease) in cash	155,885	(382,344)
Cash, beginning of year	719,430	1,101,774
Cash, end of year	\$ 875,315	\$ 719,430

See accompanying notes to financial statements.

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements

December 31, 2006

1. Purpose of organization:

The Regina Airport Authority (the "Authority") was incorporated June 18, 1997 as a corporation without share capital under Part II of the Canada Corporations Act. The objective of the non-profit Authority is:

To operate a world class aviation facility in a safe, secure, efficient and commercially viable manner in partnership with the local community.

The Authority signed a 60 year Ground Lease with Transport Canada, effective May 1, 1999, and assumed responsibility for the management, operation and development of the Regina International Airport.

The Authority is exempt from federal and provincial income tax, federal large corporation tax and Saskatchewan capital tax.

2. Significant accounting policies:

The financial statements of the Authority have been prepared in accordance with Canadian generally accepted accounting principles. The more significant of these accounting policies are summarized below.

a) Basis of presentation

The consolidated financial statements include the amounts of the Authority's 100% owned subsidiary, Jenny Aviation Developments Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are reflected as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Investments

Investments are recorded at cost. Bonds are recorded net of amortization of premiums or discounts, which are recognized on a straight line basis over the life of the bond. Dividends on equities are recognized as income on their record dates. Gains and losses on the sale of investments are recognized on the date of settlement. A decline in the market value of an investment below the carrying value of the investment is recognized when it is considered to be other than temporary.

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements

December 31, 2006

2. Significant accounting policies (continued):

d) *Property, plant and equipment*

Property, plant and equipment are recorded at cost and are amortized on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Asset	Rate
Office furniture and equipment	3-10 years
Computer equipment and software	3 years
Vehicles and equipment	3-15 years
Leasehold improvements	3-30 years
Work in progress	Not amortized, as not available for use

e) *Employee future benefits*

The Authority maintains a pension plan for its employees which has both a defined benefit and defined contribution component. The Authority accrues its obligations under the pension plan as the employees render their services necessary to earn the pension benefits. For the defined benefit plan, the fair value of pension assets is used for the purpose of calculating the expected return on plan assets. Pension obligations are determined by an independent actuary using the projected benefit method prorated on service and management's best estimate assumptions. The cost of the defined contribution component of the plan is recognized based on the contributions required to be made during each period.

f) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.

3. Cash:

The Authority utilizes a tiered interest bearing account for day to day operating and short term investment requirements. Interest is paid on the average monthly balance at the following rates:

Balances of: \$ 0 - \$ 99,000 (no interest); \$100,000 - \$499,999 (prime less 2.50%); \$500,000 - \$999,999 (prime less 2%); \$1,000,000 - 1,499,000 (prime less 1.85%); and balances greater than \$1,500,000 (prime less 1.75%).

The Authority also has available a \$500,000 line of credit bearing interest at the prime-lending rate. The operating line is unsecured and repayable on demand.

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements

December 31, 2006

4. Loans receivable:

	2006	2005
Non-interest bearing loan to a concessionaire receivable in six annual installments of \$29,000, commencing October 1, 2006	\$ 116,000	\$ 145,000
Non-interest bearing loan to a concessionaire receivable In four annual installments of \$5,812, commencing September 1, 2005	11,625	17,438
	127,625	162,438
Less: Current portion of loans receivable	34,812	34,812
	\$ 92,813	\$ 127,626

5. Property, plant and equipment:

	Cost	Accumulated amortization	2006 Net book value	2005 Net book value
Leasehold improvements	\$ 29,535,397	\$ 3,645,007	\$ 25,890,390	\$ 25,342,046
Vehicles and equipment	3,065,661	2,096,481	969,180	1,036,618
Computer equipment and software	348,034	270,365	77,669	1,431
Office furniture and equipment	29,651	29,356	295	409
Work in progress	477,262	-	477,262	489,090
	\$ 33,456,005	\$ 6,041,209	\$ 27,414,796	\$ 26,869,594

During 2006, project developments in progress which did not proceed resulted in writedowns of \$89,650 (2005 - \$166,783 of leasehold improvements were written off due to renovations and expansion).

6. Investments:

The components of the Authority's investments are as follows:

	Carrying amount	2006 Estimated fair value	Carrying amount	2005 Estimated fair value
Banker's acceptance	\$ 82,197	\$ 80,138	\$ -	\$ -
Bonds	-	-	80,213	80,168
Investment savings account	830	830	135	135
	\$ 83,027	\$ 80,968	\$ 80,348	\$ 80,303

The fair value of the banker's acceptance and bonds are considered to approximate quoted market values on recognized stock exchanges, based on the latest market prices. The fair value of the investment savings account approximates the carrying value.

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6. Investments (continued):

The Banker's acceptance note is to mature March 27, 2007. The effective interest rate is 4.15%.

7. Obligations under capital lease:

The Authority entered into a capital leasing arrangement. The lease term is sixty months with a purchase option price of \$1 on the last day of the sixtieth month. Interest is calculated using a nominal rate of 5.99% compounded monthly. Monthly payments are \$3,491 plus applicable federal and provincial taxes with the last payment due June 15, 2008.

Property, plant and equipment acquired under capital lease are included in vehicles and equipment at a cost of \$199,691 and accumulated amortization of \$46,595 as at December 31, 2006 (2005 – \$33,282).

8. Employee future benefits:

The Authority sponsors and funds a pension plan on behalf of its employees, which has defined benefit and defined contribution components. The defined benefit component is for employees who were employed by the Authority on the date of transfer, including former Transport Canada employees, some of whom transferred their vested benefits from the Public Service Superannuation Plan to the Authority's pension plan. Pension plan costs are charged to operations as services are rendered.

The most recent actuarial valuation of the defined benefit component of the pension plan occurred effective January 1, 2005. The results of the actuarial valuation have been extrapolated to December 31, 2006. Information about the defined benefit component of the Authority's pension plan is as follows:

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8. Employee future benefits (continued):

	2006	2005
Accrued benefit obligation:		
Balance, beginning of year	\$ 5,370,000	\$ 3,991,000
Current service cost	230,000	164,000
Interest cost	277,000	250,000
Employee contributions	49,000	50,000
Benefits paid	(388,000)	(149,000)
Actuarial loss (gain)	(409,000)	1,064,000
Balance, end of year	\$ 5,129,000	\$ 5,370,000

	2006	2005
Fair value of plan assets:		
Balance, beginning of year	\$ 3,833,000	\$ 3,268,000
Actual return on plan assets	381,000	395,000
Employer contributions	267,000	269,000
Employee contributions	49,000	50,000
Benefits paid	(388,000)	(149,000)
Balance, end of year	\$ 4,142,000	\$ 3,833,000

	2006	2005
Accrued benefit obligation	\$ 5,129,000	\$ 5,370,000
Fair value of plan assets	4,142,000	3,833,000
Funded status - (deficit)	\$ (987,000)	\$ (1,537,000)

	2006	2005
Funded status – (deficit)	\$ (987,000)	\$ (1,537,000)
Unamortized transitional obligation	159,000	185,000
Unamortized net actuarial loss	629,000	1,282,000
Accrued benefit liability	\$ (199,000)	\$ (70,000)

Plan assets consist of Canadian Market-Based Funds.

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8. Employee future benefits (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligation are as follows:

	2006	2005
Discount rate	5.30%	6.10%
Expected long-term rate of return on plan asset	5.90%	5.90%
Rate of compensation increase	4.10%	4.25%

Accrued benefit liability

The Authority's pension expense is as follows:

	2006	2005
Defined benefit component	\$ 246,265	\$ 268,744
Defined contribution component	50,268	40,789
	\$ 296,533	\$ 309,533

9. Deferred contributions:

Deferred contributions relate to grants provided by Transport Canada for capital projects and represent the unamortized portion of the contributions received. The deferred contributions are recognized as income as the related assets are amortized.

Cumulative amounts received to date are as follows:

	2006	2005
Transport Canada grant	\$ 3,000,000	\$3,000,000
Accumulated amortization	(2,001,792)	(1,802,151)
	\$ 998,208	\$1,197,849

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10. Invested in property, plant and equipment:

(a) Invested in property, plant and equipment is calculated as follows:

	2006	2005
Property, plant and equipment	\$ 27,414,796	\$ 26,869,594
Demand loan	-	(1,500,000)
Deferred contributions	(998,208)	(1,197,849)
Current portion of obligation under capital lease	(41,459)	(40,015)
Obligations under capital lease	(21,632)	(64,347)
	<u>\$ 26,353,497</u>	<u>\$ 24,067,383</u>

(b) Excess of revenue over expenses is calculated as follows:

	2006	2005
Amortization of deferred contributions related to capital assets	\$ 199,641	\$ 199,645
Amortization of capital assets	(1,786,808)	(1,179,752)
Write down of property, plant and equipment	(89,650)	(165,783)
	<u>\$ (1,676,817)</u>	<u>\$ (1,146,894)</u>

(c) Change in net assets invested in property, plant and equipment is calculated as follows:

	2006	2005
Net change in investment in capital assets:		
Purchase of capital assets	\$ 2,421,660	\$ 7,812,668
Forgiveness of long-term debt	-	433,350
Advance of demand loan	-	(2,000,000)
Repayment of demand loan	1,500,000	500,000
Repayment of obligations under capital lease	41,271	37,862
	<u>\$ 3,962,931</u>	<u>\$ 6,783,880</u>

11. Restricted airport improvement fee:

The Authority entered into an agreement dated May 31, 1999 with the Air Transport Association of Canada and major air carriers serving the Regina International Airport ("the AIF Agreement"). The AIF Agreement provides for a consultation process with air carriers on airport development as well as the collection of an airport improvement fee ("AIF") by air carriers. The AIF is to be used for airport infrastructure development. Effective October, 1999, the Authority introduced an AIF in the amount of \$10.00 per local boarded passenger. Earned AIF reported below is net of the handling fee withheld by the airlines.

Amendments to the agreement effective January 1, 2004 reduced the handling fee to 7% from 8% and now allows for tiered AIF fees. As a result of these amendments, the Authority has reduced the AIF charged to \$5 from \$10 on all intra-provincial flights effective for travel after January 1, 2005.

In December 2006, the Authority authorized an AIF fee increase to \$15 per emplaned passenger for all commercial flights. This charge will take effect for all tickets sold after April 1, 2007. There will be no change to the intra-provincial rate which remains at \$5 per emplaned passenger.

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11. Restricted airport improvement fee (continued):

During the current year the Authority transferred \$1,757,144 from the restricted airport improvement fee to unrestricted net assets (2005 - \$7,010,581 transferred in to restricted AIF).

	2006	2005
Balance, beginning of year	\$ -	\$ (2,867,921)
Earned during the year	3,930,416	3,729,183
Eligible interest charges	(52,186)	(59,175)
Eligible property, plant and equipment purchases	(2,121,086)	(7,812,668)
Appropriation (to) from unrestricted net assets	(1,757,144)	7,010,581
Balance, end of year	\$ -	\$ -

12. Commitments:

a) Ground lease

Effective May 1, 1999, the Authority entered into a 60 year lease of the Regina Airport facilities with Transport Canada, with an option to renew for an additional 20 years. Estimates based on rent projections indicate that rent payable will be approximately as follows:

2007	\$ 212,000
2008	233,000
2009	257,000
2010	282,000
2011	310,000

b) Contracted Service Agreements

The Authority is committed under contracted services agreements with the following minimum annual payments over the next five years:

2007	\$1,317,846
2008	1,366,378
2009	1,399,254
2010	1,431,266
2011	902,533

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13. Net change in non-cash working capital:

	2006	2005
Accounts receivable and accrued revenue	\$ (482,061)	\$ 17,193
Prepaid materials and supplies	9,932	(14,051)
Accounts payable and accrued liabilities	100,654	(1,062,633)
Security deposits	(500)	-
	<u>\$ (371,975)</u>	<u>\$ (1,059,491)</u>

14. Fair values:

The fair value of financial assets and liabilities, other than investments (note 6), approximates fair value due to their immediate or short-term nature.

15. Comparative figures

Certain of the prior year's figures have been restated in order to conform to the current year's presentation.