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It's Your Airport



Regina Airport
Authority Inc.



On May 1, 1999, ownership of Regina International Airport was officially transferred to the Regina Airport Authority Inc. (RAA). This milestone represented the transfer of the airport from the Government of Canada to the community. As the mission statement indicates, the RAA operates the airport “in partnership with the local community”. These partnerships are what give the airport its unique atmosphere.

Being a part of the community means getting involved in its activities and initiatives. Representatives of the RAA participate on many committees and task forces in order to provide input and resources, and in turn take away valuable feedback that enables them to better serve the needs of the public.

In 2007, the RAA served on a variety of programs including the Mayor’s Task Force, Tourism Regina Strategy Committee, and Prairie Gateway Investors Committee to name but a few. We also played host to a number of community organizations outside Regina by providing complimentary advertising space to support Saskatchewan projects and associations.

The reciprocal support of the community is important in continuing the success of the Regina International Airport. Working together to ensure a total positive customer experience benefits everyone.

RAA is proud to be affiliated with the following organizations:

- | | |
|--------------------------------------------|------------------------------------------------|
| City of Regina | Regina Regional Economic Development Authority |
| City of Moose Jaw | Rural Municipality of Sherwood |
| Province of Saskatchewan | Saskatchewan Aviation Council |
| Government of Canada | Saskatchewan Chamber of Commerce |
| Moose Jaw and District Chamber of Commerce | Saskatchewan Trade and Export Partnership |
| Regina and District Chamber of Commerce | Southwest REDA and Action Southwest |
| Regina Downtown | Tourism Regina |
| Ipsco Place | Tourism Saskatchewan |

It’s Your Airport captures the qualities and atmosphere of the Regina International Airport. The RAA strives to deliver exceptional customer service and comfort to the community, southern Saskatchewan and everyone who visits the airport. Throughout this annual report we will share stories of how the airport provides this hospitality.

Commissionaire Goes the Extra Mile

When transportation arrangements fell through for an elderly Saskatchewan resident, a member of the Corps of Commissionaires at the airport stepped forward to help. Ike drove the Canora resident home over 230 kms northwest of Regina.

That’s going above and beyond for our customers!

It’s Your Airport



At the time of filing this report, I will have completed my second year as Chair of the Regina Airport Authority Inc. Board. The economic climate in Saskatchewan is flourishing and the air transportation industry thriving; what a great time to fill this capacity on behalf of the community we serve.

RAA is poised to push through the 1 million passenger mark during 2008, building upon 10.5% growth to 962,692 enplaned and deplaned passengers for 2007. With tremendous growth come many challenges in the areas of facilities and ground transportation, while we continue to strive to achieve consistent and focused customer service. In this area, RAA has partnered with the City of Regina in introducing the Ambassador Program to augment the Authority's existing customer service program. As well, Management has established a joint committee with the City Administration to look at the issue of ground transportation and improvement initiatives for 2008 and beyond.

The Authority also re-launched its website which is focused around a new branding theme – "It's Your Airport". We truly believe that the improved navigation, new look and improved informational content of the site is a tremendous benefit to all users.

RAA continues to participate actively in industry associations, including hosting the Canadian Airports Council in Regina this past October.

The year 2007 was a transition year as RAA waited for the recovery of our former CEO, Rob Slinger from a debilitating stroke. I would like to express my gratitude to Ray Boughen (Interim President and Chief Executive Officer) for filling the role for the past year. Thank you – Ray! Mr. Slinger was unable to return as CEO. The Board established a selection committee late in 2007 to conduct a search for a full time CEO.

As a result of this search it is with great pleasure that I welcome to the RAA Jim Hunter who will have assumed his role by the time this report is distributed. With Jim's leadership we are strategically positioned to move forward and meet the challenges for 2008 and beyond.

The Board appreciates the efforts of the staff that have addressed our aspirations; whether they dealt with extra trans-border flights, customer service, parking needs or conducting affairs at southern Saskatchewan's premiere airport! I would like to thank the Board for their willingness to respond quickly and decisively when we needed to deviate from our calendar to address issues that arose throughout the year.




Larry Schneider
Board Chair

Allow me to begin this report with a thank you to the Board of the Regina Airport Authority Inc. (RAA) for the opportunity to serve as their Interim President and Chief Executive Officer. I would be remiss if I didn't also take the time to thank all of the RAA Staff for the fine support they afforded me over the last thirteen months, as my assignment came to an end on February 29, 2008.


In keeping with our corporate objectives to maintain a safe, secure and customer friendly experience, RAA continued efforts to improve over 2007. One older aircraft loading bridge was replaced, additional vehicle parking was added to meet growing demand and continued customer focused initiatives such as the Airport Ambassadors program were added during 2007. We facilitated various musical groups as the City hosted the Western Canadian Country Music Awards and WestJet announced a new daily, non-stop service from Regina to Toronto. Several other initiatives and enhancements are highlighted in the report details.

RAA's 2007 financial performance remained solid. Double digit passenger growth (10.5%) combined with increased airport improvement fee (AIF) collections will allow for infrastructure improvements to be made to meet both current and future airside and groundside requirements. Remarkable passenger growth (32% over the past three years) resulted in RAA initiating a Master Plan update three years earlier than planned to reassess and adjust plans to meet user and community expectations. The Master Plan will be rolled out in the spring of 2008 to allow for public comment and support.

We have invested significant time, energy and focus in attempts to bring other air carriers and increased flight frequencies to Regina International Airport; several of these discussions have continued into 2008. As customer demand and economic fortunes continue to grow, RAA remains confident that additional opportunities will be solidified to better meet business and tourism expectations. We count on the community's continued support as we move forward.

In closing, congratulations to our new President and Chief Executive Officer, James Hunter. Jim brings to the position a very impressive aviation management background having left the Canadian Air Force as a Brigadier-General. He has had an opportunity to spend some time in southern Saskatchewan as he was Wing Commander at 15 Wing Moose Jaw from 1995 - 1998. We know Jim will be welcomed by all.

I've thoroughly enjoyed my time at Regina International Airport – I wish you all the best and look forward to hearing more 2008 success stories.


Ray Boughen
Interim President and
Chief Executive Officer





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
 Lawyer - Robertson Stromberg
 Pederson LLP



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



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



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



James Rybchuk
 Nominator: City of Regina (2007)
 Governance and Nominating
 Committee
 Lawyer, Partner - McDougall
 Gauley LLP
 Adjunct Professor Law - University
 of Regina



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



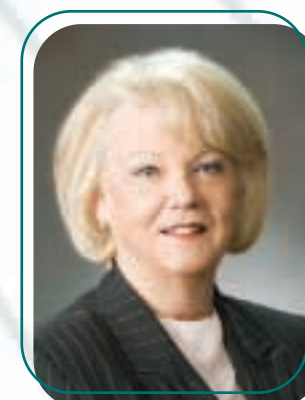
Garry Johnson
 Nominator: Government of
 Canada (2006)
 Governance and Nominating
 Committee
 Lawyer, Partner – McCrank Stewart
 Johnson



Bob Linner
 Nominator: Province of
 Saskatchewan (2006)
 Vice Chair, Community
 Consultative Committee;
 Audit and Finance Committee
 Retired - City Manager, City of
 Regina



Larry Smart
 Nominator: R.M. of Sherwood
 (2007)
 Community Consultative
 Committee
 Retired - Director, Distribution
 Utility Accounting, SaskEnergy
 Incorporated



Vaughn Solomon-Schofield
 Nominator: City of Regina (2007)
 Audit and Finance Committee
 President and CEO Western Limited
 Group of Companies



David Walsh
 Nominator: Regina Airport
 Authority Inc. (2006)
 Chair, Audit and Finance
 Committee
 Principal - Virtus Group LLP,
 Chartered Accountants and
 Business Advisors

"It's Your Airport". This simple but meaningful phrase was one of the results of a 2007 corporate branding strategy. "It's Your Airport" encompasses not only the hospitality and service at the airport but the sense of pride in the community of the successful renovations, facility and operations. The branding process extended to an updated logo as well as fresh colors and a modern image. You will see elements of the new look throughout this annual report.

The updated corporate image is also reflected in the company's re-designed website, www.yqr.ca. Focused on customer service, the site is designed for visitors to find information quickly and easily. The open skies concept of the renovated facility and updated colors of the new brand are reflected in the clean, crisp layout.

RAA continues to employ a hospitality services company to deliver outstanding customer care and ensure the terminal is clean and comfortable for guests. In addition to their team of cleaning and customer care experts, a customer service coordinator and taxi coordinator are available for customer care and ground transportation management.

New to the airport is the "I Love Regina" Ambassador Program. In partnership with the City of Regina, a group of volunteers wearing red "I Love Regina" vests and a welcoming smile aid visitors and provide a friendly atmosphere. The program officially commenced December 5, 2007, and is also extended to the community at large.

RAA is proud to support the community and southern Saskatchewan, and enjoyed taking part in a variety of activities this year. For instance, Regina hosted two national awards shows; the 22nd Annual Gemini Awards for excellence in Canadian English-language television, and the 2007 Canadian Country Music Awards (CCMA). Awards guests were greeted with friendly faces at welcome kiosks as well as live country music for the CCMA's.

In addition to paid advertising space, managed by an external advertising agency, the Authority has temporary display space available for not-for-profit and community organizations. This year the ever popular space showcased organizations such as Regina Multicultural Council, Craik Sustainable Living Project, and the RCMP Heritage Centre. A new display stationed on the second level was opened by the Lieutenant Governor, Gordon Barnhart, on April 2, 2007. The display, developed by #600 (Regina) Wing, Air Force Association of Canada, the Saskatchewan Military Museum, and the Saskatchewan War Memorial Committee, provides space for military aviation memorabilia, a Book of Remembrance and a scale model of the Saskatchewan War Memorial which was dedicated on the Legislative grounds in 2005.

2008 will see a further focus on customer service and branding as the "It's Your Airport" brand is exemplified through-out the airport. The RAA will continue to work with its service partners and the community to launch new initiatives and maintain and strengthen current programs.



It's Your Airport



RAA staff are a pivotal element in making Regina International Airport operate as “Your Airport”. Motivated, professional, knowledgeable staff work hard every day to better serve the customer and the community.

An organizational review was conducted during 2007 to help position RAA as it moves forward in identifying the appropriate organizational structure and related staffing levels. Also completed during the year was a comprehensive compensation salary market review. The results of this review will be used in completing the job evaluation framework and related pay scales during the first half of 2008.

This year we recognize the following individuals for their outstanding years of service:

- | | |
|---------------------------|---------------------------|
| Gerry Schumann – 10 years | Rick Penner – 25 years |
| Steve Burchi – 20 years | Kevin Hembroff – 30 years |
| Terry Klimosko – 20 years | |

RAA recognizes every member of the team for their dedication and support throughout this past year. It is our pleasure to introduce you to the friendly faces of the Authority.

Administration

Left to Right:
Janice Lema, Ray Boughen,
Derrick Thue, Luanne Quick,
Michelle McConwell,
Don Carvalho, Terry Klimosko



Operations

Left to Right:
Steve Burchi, Randy Schick,
Dennis Sandoff,
Dave Skene, Rick Proulx

Maintenance

Left to Right:
Kelly Heichert, Rick Penner,
Eugene Hrehor,
Chris Mickleborough,
Gerry Schumann, Joe Jonat,
Emile Forest, Joanne Bell,
Eldon Blenkin,
Randy Papegnies,
Dale Peterson, Earl Spencer,
Larry Prychak



Fire Hall

Left to Right:
John Ryan, Kevin Joa,
Kevin Hembroff, Ray Silzer,
Jamie Smith,
Dean Davyduke,
Brian Stewart,
Chad Kemery

RAA remains focused on employee development in the areas of education, personal growth, customer service and overall employee wellness. In formulating an updated human resources strategy, RAA plans to build on these principles.

I Love Regina Ambassadors

Ruth is just one of the “I Love Regina” Ambassadors that help make your experience at the Regina International Airport a positive one. From greeting upon arrival, to helping with bags, to answering questions, the Ambassadors are nearby to provide excellent customer care.

Welcome to our City!





Ask any passenger or airport user what they are most mindful of when approaching an airport and they will most likely respond with thoughts relating to safety and security. Also a priority for the Authority, our concern extends not only to passengers, but visitors and airport staff. It is our responsibility, through coordination and communication with other aviation stakeholders, to ensure our facility and associated operations perform at a highly effective and consistent level in these areas.

Programs and plans, new in addition to well tested, are in place to support safety and security; and are complemented by regular internal communications and self inspections. Detailed below are only some of the many initiatives accomplished by the RAA Operations Team in 2007:

- Operation Sunburn, a multi agency full-scale emergency response exercise was held in May. The opportunity to test overall response coordination and communications in a controlled environment with our mutual aid partners within the City of Regina is essential – a critical component of effective emergency planning.
- A Wildlife Management Manual was developed in order to comply with Transport Canada regulatory requirements, and is intended to minimize the occurrence of wildlife incidents which can be extremely hazardous to safe aircraft operations. State of the art bird scare devices were also deployed throughout the airfield and have contributed positively to minimizing airport bird hazards.
- The Restricted Area Identification Card (RAIC) program at the airport continues to evolve with additional Phase II regulatory requirements expected in 2008. A Supply Chain Management program, involving the monitoring and oversight of liquids, gels and aerosols being transported into sterile areas of the airport by non-passengers, was also implemented in 2007.



- Monitoring proposed land uses in the vicinity of the airport (SW Sector) continues to be a priority. Effective communication and liaison with municipal planners ensures that airport operational considerations are considered and protected into the future. Additionally, new geographic information system (GIS) based software to assess impacts of developments in the vicinity of the airport has been added to our planning toolkit.
- Airport pandemic planning and coordination took place with local health, police and border services agencies, with a view towards minimizing potential communicable disease exposures while maintaining airport operations.

For 2008, priorities shift to the development of a Safety Management System (SMS) to meet Transport Canada regulatory requirements, and a complete re-write of the Airport's Emergency Response Procedures Manual and the Airside Vehicle Operator's Permit System. Additionally, a review of Security Office and Pass Control Operations is planned in order to deliver a more streamlined and coordinated approach to service delivery in this area.





Our Environmental Responsibility

Global warming and greenhouse gas emissions are becoming common references in our vocabulary. The aviation industry, in an effort to set the record straight with respect to its contributions in these areas, has responded proactively. Dedicated websites like www.enviro.aero have been established and the industry is more conscious than ever of the impact of aviation on the environment. Measuring “ecological footprints” and developing offset programs are becoming more common.

The RAA has long had environmentally supportive policies and procedures in place and continues to re-evaluate and improve upon the existing programs, utilizing the organization's current environmental policy (which follows below) as a cornerstone.

The Regina Airport Authority is committed to operating the Regina International Airport in an environmentally responsible manner. The Regina Airport Authority will:

- Commit to comply with, or exceed, all applicable environmental legislation and regulations.
- 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.

Regular attendance at the Canadian Airports Council Environmental Committee meetings, a maturing environmental management plan complemented by comprehensive flora and fauna inventories, an effective noise management program, glycol mitigation procedures and planning and storm water monitoring are just some of the ways the Authority practices environmental “due diligence”. 2008 will see our current Environmental Management Systems (EMS) reviewed to ensure compliance with evolving regulatory elements in this area.



It's Your Airport



CCMA Entertainment

Regina was host to the 2007 Canadian Country Music Awards September 7-10. The Regina International Airport brought the action to their customers with live music in the Arrivals Hall. Visitors were treated to the musical talents of Kal Hourd, Anthony Kelly and Codie Prevost.

Make yourself at home!

It's Your Airport

Expanding Facilities

Tremendous passenger growth is fueling the need to review the adequacy of our airport infrastructure and support facilities earlier than anticipated. A number of studies, commissioned in 2007 or still underway in 2008, are intended to gauge existing conditions and forecast the impacts of new demand on infrastructure.

Airport Master Plan – intended to establish an orderly development concept for the airport, one which preserves options for the Airport's operation and future development over the next 20 years.

Groundside Infrastructure Study – a review of groundside development options to ensure future demands related to vehicle traffic circulation, pedestrian safety and overall parking can be met, with an overall aim to improve passenger convenience.

Airport Municipal Review – an evaluation of major underground utility systems to assess current condition, rehabilitation requirements and associated future costs.

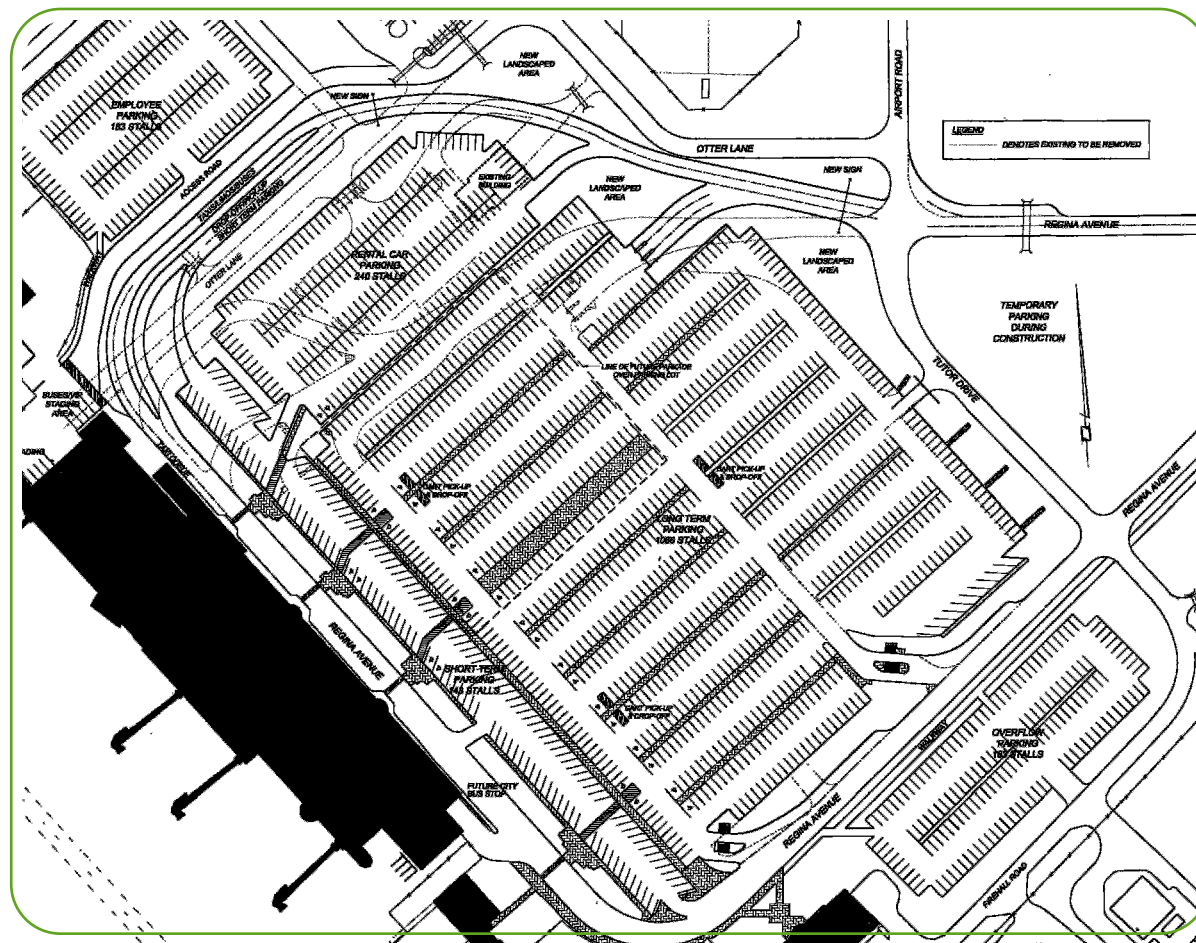


Flowing from these detailed studies will be specific project requirements, to be implemented in a coordinated and cost effective manner as part of an ongoing comprehensive capital program.

In 2007, significant airport fleet upgrades were undertaken to replace aging snow removal equipment, airport website upgrades and enhancements were completed, common use check-in kiosks were deployed in the air terminal building, a passenger loading bridge was replaced, and a multi-year information technology (IT) strategy was finalized.



For 2008, priority enhancements include work on groundside roadways, parking lots, passenger walkways and curbside access improvements which will see capacity increase from 1100 to well over 1800 available parking stalls. Additionally, airside pavement rehabilitation work will include the resurfacing of Taxiways B and B1.



Additional 2008 projects being considered include:

- The introduction of new flight information display monitors throughout the terminal building.
- A study of hold baggage screening (HBS) capacity and throughput improvement options.
- A review of air carrier counter configurations and the development of a multi-year plan to move to flow-through passenger check-in facilities.
- The installation of permanent, bilingual in-terminal and grounds signage reflecting the new RAA brand and image, focusing on the improved customer service element.

Over the next 20 years, approximately \$100 million will be invested in airport facilities by the RAA.

Extra Special Welcome

Who doesn't like being picked up at the airport by a loved one or a friend? One group of friends took it one step further when they hired the Saskatchewan Roughriders Pep Band to greet their friends upon arrival. Special welcomes and community event greeters only add to the already welcoming atmosphere in the Arrivals Hall.

An arrival you'll never forget!

It's Your Airport





RAA is committed to implementing corporate governance practices that are aligned with those required for public companies as a non-share corporation under National Policy 58-201 Corporate Governance Guidelines, which requires disclosure of corporate governance practices.

Board membership is comprised of 11 - 13 members; currently there are 12 serving members appointed by the following governmental bodies and Regina Airport Authority Inc. as represented below:

- City of Regina – 6
- City of Moose Jaw – 1
- RM of Sherwood – 1
- Province of Saskatchewan – 1
- Government of Canada – 2
- Regina Airport Authority Inc. – 2 (1 position is currently vacant.)

In the governance role, the Board sets strategic direction approving the strategic planning document and the annual business plan. The Board provides stewardship overseeing management of RAA's business affairs through determination of policy, and the monitoring of performance and progress in meeting the objectives of the Corporation.

The Board's role is to ensure effective communication of plans and policies including appropriate transparency of processes and disclosures to the community it serves.

Directors are independent of Management. Regular Board meetings are held; written position descriptions including delineation of duties and responsibilities are in place for the Board, Chair

and Committees; and further, a written President and Chief Executive Officer position description including duties and responsibilities is in place.

Board orientation and continuing education processes exist as required. A written code of conduct for Directors, officers and employees is in place and available upon request. The Board is responsible for compliance and is monitored through the Governance and Nominating Committee which is responsible to review and recommend Board compensation. The Governance and Nominating Committee also carries out the annual assessment of the President and Chief Executive Officer consistent with the President and Chief Executive Officer evaluation criteria and recommends to the Board the appropriate compensation.

The Authority utilizes three primary Committees; each committee has its own charter and / or mandate. Copies are available upon request. The three Committees include Audit and Finance, Community Consultative, and Governance and Nominating. Committee Chairs have provided a written summary of their activities within this annual report. A complete listing of the Community Consultative Committee membership will be provided upon request.

The auditor for the RAA is KPMG LLP. Audit fees for 2007 totaled \$24,000 (\$20,500 – 2006) for non - consolidated and consolidated financial statements of Regina Airport Authority Inc. and its subsidiary, Jenny Aviation Developments Inc.

The organization's corporate lawyer is MacPherson Leslie & Tyerman LLP.



It's Your Airport



During 2007, the Committee had five regular meetings:

- quarterly to review and recommend for approval to the Board the quarterly financial statements.
- once to consider and recommend to the Board for approval the 2008 capital, operating and business plan.

The Committee reviewed the 2006 audited financial statements and recommended them to the Board for approval, as contained in the 2006 Annual Report that was presented at the Annual General Meeting held in April 2007. The 2007 audit plan and audit fee were also reviewed and recommended to the Board for approval.

The Committee reviewed the investment policy, insurance policy considerations and overall business risks with Management to the satisfaction of the Board. Additionally, Board and officer expenses were reviewed by the Committee quarterly, ensuring policy compliance.

The Committee also considered policy addressing the airport risk profile for development, and initial dialogue regarding procurement policy updates which is slated for completion May 2008. The Committee also considered the enterprise risk management profile of the airport and members of the Committee attended seminars on the topic.

In addition, the Committee considered and provided oversight on a number of development projects including a recommendation to fast track the Master Plan and site development planning documents for the airport.

The Committee met in-camera with the Auditor, separate from Management, and with Management separate from the Auditor and are pleased to report that no concerns exist.

On the whole, the Committee had an active year and is pleased to report that the mandate of the Committee was fulfilled. Both the Committee and Management executed their responsibilities effectively and in a timely manner. The Committee plans to review its own performance, role and responsibilities during the first half of fiscal 2008.

I wish to thank my fellow Committee members for their dedication and support.



Respectfully submitted,

David Walsh
Chair, Audit and Finance Committee



As required under the Ground Lease with the Crown, RAA must meet at least once annually with the community regarding noise management. The Committee met twice during 2007. The Authority is pleased to report a drop in the number of overall noise complaints; having received less than one per month. As a result, no changes to noise mitigation plans or processes are planned for 2008.

During the year, Canada Border Services Agency (CBSA) made a presentation regarding their process in providing airport security and clearances. Statistical overviews, including examples of interesting investigations, were presented to provide a flavor of what an officer's day might entail. Concerns were also shared with the Committee about restrictive hours in the provision of CBSA services and the consequent impact on attracting additional airline opportunities to the community. The Committee is in full support of the efforts of the Authority to date and encourages them to continue to work for improvements.

Documentation and discussions were shared regarding the emergency exercises conducted during 2007 with supporting emergency services agencies (Regina Fire Department, Regina Police Service, Regina Emergency Medical Service) participation. The Committee was briefed on the Southwest Sector development and the RAA's efforts in minimizing airport operational impacts. Further, the Committee was advised of the increased airport improvement fee and the challenges of completing infrastructure improvements in a highly competitive market.

The Committee was also provided with the initial findings regarding the Airport Master Plan and Site Commercial Development concepts. All Members were encouraged to actively participate in the process.

As part of these regular sessions, an open roundtable discussion took place providing an opportunity for further community feedback, as well as for the RAA to provide details on other initiatives contained in business planning documents. Details were well received with all indications that Management is meeting community needs.

In closing, I would like to thank all Committee members for their continued interest and support in growing our community asset and economic driver – the Regina International Airport.

Respectfully submitted,

Brian Martynook
Chair, Community Consultative Committee



Our committee was quite active during 2007, meeting seven times during the year.

Regarding corporate policy, the Committee completed its review and recommended to the Board several initiatives including:

- Board Remuneration policy statement (new)
- Media Relations policy statement (new)
- Board Travel policy statement (amended)
- Airport Risk Profile for Development policy statement (new)
- Financial Leveraging policy statement (new)
- Investment policy statement (amended)
- Subsidiary policy statement (new)
- Mandate of the Audit and Finance Committee (amended)
- Organization and Procedures of the Board policy statement (amended)
- Guidelines for improved corporate governance and criteria checklists were reviewed and updated reflecting new corporate policy guidelines as reflected in National Policy 58 - 201

As a result of the policy guideline changes, the Committee embarked on reviewing the remaining policy manual statements.

The Committee also considered, reviewed and prepared a compliance statement with National Policy 58-201 as follows:

- Annual Review of the Regina Airport Authority Inc. Governance System Pursuant to Policy CEB - Mandate of the Governance and Nominating Committee Year 2007.

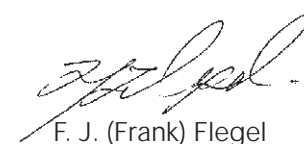
The Regina Airport Authority Inc. conducted its affairs in compliance with statutory requirements, by-laws, codes, approved policies and principles during 2007:

- All meetings of the Board and Members of RAA were properly called and conducted in accordance with the Authorities by-laws and policies.
- The Chief Executive Officer (CEO) position was vacant and a new CEO Task Force Committee was established according to policy CDC – Succession Plan for Recruitment of the Chief Executive Officer.
- Transport Canada's Annual Lease Monitoring Report for the period of October 1, 2006 to September 30, 2007 states that the Regina Airport Authority Inc. is, in general, in compliance with the Ground Lease. Anomalies from last year's report have been rectified and several small anomalies noted in this year's report were immediately corrected.

Other activities completed during the year included the review and recommendation of the third party market review of Board compensation; completion of the process for member recruitment, selection and orientation, and ensuring the provision of appropriate training as deemed necessary for the Board.

I wish to thank the members of the committee: Garry Johnson, David MacLeod, Brian Martynook, James Rybchuk and Larry Schneider for their hard work, commitment and dedication during what has been a very busy year.

Respectfully submitted:



F. J. (Frank) Flegel

Chair, Governance and Nominating Committee



It's Your Airport

2007 Grey Cup Champions

The Saskatchewan Roughriders have some of the most enthusiastic fans in the country. When the Riders won the semi-final match against the BC Lions, thousands of fans descended upon the airport to greet their victors and show their support. The record number of greeters turned the airport into an unofficial “Riderville”. Go Riders!

Now that’s community spirit!

It’s Your Airport



Regina and southern Saskatchewan currently are experiencing double digit economic growth, including the cost of doing business. Regina International Airport, as demonstrated by 32% growth in passenger traffic over the past three years, has not escaped these pressures. Ground transportation in particular, taxi service, and support services have not kept pace with consumer demand resulting in lower levels of customer service. The community perceives these services to be unreliable thereby increasing parking utilization to the point of overcapacity before anticipated, resulting in negative public reaction. RAA has recently formed a joint task force with the City of Regina to determine recommendations and solutions for taxi, shuttle, transit, and ground transportation services at the airport and in the community at large.

RAA has added significant infrastructure to airside activities in recent years and will now bring increased focus to groundside to improve access, curb side, parking and exterior signage solutions. On the airside, RAA will upgrade a major taxiway during 2008.

Exceptional growth has resulted in the need for an earlier than anticipated review to update airport planning through a Master Plan update slated for completion mid-year 2008. It is apparent that significant adjustments to the capital plan, including program cost updates, will be required if the Authority is to meet future challenges in infrastructure renewal and community expectations.

Airport rent paid to the Crown remains a contentious issue to RAA and substantially increases the cost of doing business. With rent paid 300% greater than the announced collection rate, attracting and expanding airline service options for the community are rendered more difficult.

Frequency of service and the number of seats in the market place (primarily domestic) continue to remain at a premium. Current service levels of border and customs services have also negatively impacted our ability to grow trans-border services. It is critical that these challenges be addressed if we are going to sustain growth and meet our community demands. Aircraft fleet levels also remain at a premium as we continue to compete with other Authorities for larger aircraft and additional flights. Further, the possibility of increased consolidation of U.S. carriers such as Northwest and Delta Airlines, combined with the economic turndown in the US, could result in increased instability to our marketplace.

Service providers of janitorial, security, customer service, and food and beverage operators have met extreme challenges related to staffing, retention and training due to the significant adjustments to the minimum wage and the booming Saskatchewan economy over the past year. Customer service expectations and desired level of services are at jeopardy if a solution to this matter is not found.

The airline industry continues to place higher expectations on airport operators which, in turn, are under increased government security scrutiny. Regulated solutions are expected to be funded from the airport operator's general operations revenues placing tremendous pressure on balancing the desired low cost airport model to attract and grow airline opportunities. It is essential for the rent windfall monies received by the Crown to be returned to airport operators to help offset these increased costs.

Further, aging infrastructure related to utility and site services remain a challenge as we move into the future. We believe the Crown should consider reallocating monies received from airport authorities for infrastructure renewal and development.

Note: Contents of this report should be read in conjunction with the financial statements contained within.

Regina Airport Authority Inc. operates and maintains Regina International Airport through a ground lease arrangement with the Crown. RAA will be entering year nine of a 60 year agreement with an option to renew for a further 20 years. The Authority's mandate is to maintain a safe, secure and efficient operation; and to advance economic and community development by promoting airline and related transportation support services. RAA is a not-for-profit private corporation without shareholders; therefore, all excess revenues over expenditures generated are applied to these objectives.

RAA set another passenger record during 2007 with 962,692 enplaned and deplaned passengers utilizing the facility. This is a year over year increase of 10.5%.

PASSENGER STATISTICS: 2006 - 2007 COMPARATIVES

Segment	2007	2006	Variance	Percentage
Domestic	858,966	775,886	83,080	10.71%
Trans-border	56,826	57,549	(723)	(1.26)%
International	31,302	21,943	9,379	42.65%
Intra-Provincial	15,598	16,038	(440)	(2.65)%
Total	962,692	871,416	91,276	10.47%

RAA continues to see significant growth (32% over the past three years) primarily within the domestic and sun destination charter segments. RAA is expecting 4% growth for 2008 which will push the Authority to a new milestone of over 1 million passengers.

AIRCRAFT MOVEMENTS: 2006 - 2007 COMPARATIVES

	2007	2006	Variance	Percentage
Reported Movements	60,919	55,398	5,521	10%

The strength and growth of local economic conditions continue to affect airport activities with a noticeable increase in general aviation related activity.

With exceptional growth in traffic, RAA has been able to offset high costs related to airport operations while avoiding the need for rates and fees increases during 2007 and 2008. The Authority did increase airport improvement fees April 1, 2007, in order to keep pace with the cost of construction in meeting the anticipated capital work programs to maintain and expand infrastructure.

AIRPORT IMPROVEMENT FEE (AIF) FUND STATUS (\$ 000's)

	2007	2008	2009	2010	2011	2012
Opening (Deficit)	(5,253)	(2,345)	(4,120)	(1,745)	1,855	6,855
Net Fees Collected	5,694	6,975	7,325	7,618	7,922	8,240
Eligible Expenditures	*(2,786)	(8,750)	(4,950)	(4,018)	(2,922)	(2,527)
Ending (Deficit) Balance	(2,345)	(4,120)	(1,745)	1,855	6,855	12,568

* Capital Programming is under consideration as a result of the master plan review which remains ongoing at the time of issuance of this report. Significant changes are expected once an evaluation of the report results are conducted.

During 2007, RAA generated \$636,000 from operations (an increase of \$233,000 over 2006), revenues grew by \$609,000, while expenditures increased by \$376,000 over the same period. RAA cash flow remains positive and the Corporation remains debt free apart from a small capital lease with an outstanding balance of \$22,000.

Concession revenues, primarily related to parking increases, provided an additional \$363,000 to operations over 2006, while aeronautical and rental revenues generated an additional \$232,000.

The tremendous growth in winter charters and domestic traffic, combined with the effects of the 2006 rates and fees increases, resulted in an increase to aeronautical revenues. (Aeronautical fees increased on average 7% effective July 1, 2006.)

Expenditures increased in the areas of special services (\$86,000) for janitorial, security and RAA staffing (\$90,000). Part of the expenditures went towards increased customer service, security coverage requirements and regular staffing increases; including filling one vacant position. Building repair and maintenance costs also increased by \$82,000 in correcting, upgrading and repairing ventilation, sewer lines and water breaks. An additional \$50,000 was expended on new baggage handling system maintenance. The other major source of increased costs was related to ground rent paid to Transport Canada (TC) as illustrated below:

GROUND RENT PAID TO CROWN (\$ 000'S)

	2006	2007	2008	2009	2010	2011	2012
RAA Calculations	123	244	311	335	360	388	423
TC Calculations	49	58	84	111	135	152	155
Variance	74	186	227	224	225	236	268

RAA is expected to pay nearly 300% more rent than what TC anticipated.

The rent formula is a progressive percentage scale based on gross revenue, including AIF collected as follows:

Gross Revenue	% Rent
On first \$5 Million (M)	No rent on revenues under \$5 M
On next \$5 M	1% rent on revenues from \$5 M – \$10 M
On next \$15 M	5% rent on revenues from \$10 M – \$25 M
On next \$75 M	8% rent on revenues from \$25 M – \$100 M
On next \$150 M	10% rent on revenues from \$100 M – \$250 M
Over \$250 M	12% rent on revenues greater than \$250 M

Assets of the corporation grew to \$34,039,758; comprised of \$27,944,439 in property, plant and equipment net of amortization charges. The remaining \$6,095,319 is comprised of cash, investments, working capital, and loan receivables. Current liabilities totaled \$1,206,995, net assets totaled \$31,828,197, with the balance represented by deferred contributions and pension liabilities.

GROWTH OF NET ASSETS (\$ 000's)

	2007	2008	2009	2010	2011	2012
Net Assets	34,039	38,320	42,772	47,402	52,217	57,224

OPERATING REVENUES / EXPENSES (\$ 000'S)

	2007	2008	2009	2010	2011	2012
Revenues	8,068	8,264	8,594	8,938	9,295	9,666
Expenses	7,420	8,230	8,559	8,901	9,257	9,627

* Growth in revenues and expenses will be approximately 4% compounded annually for 2009 and beyond.

Contracts Not Tendered

During 2007, a total of five capital infrastructure projects qualified for the tender process. Amounts greater than \$75,000 (base year 1992 = 100 CPI annually adjusted) require public tender. The purchase and installation of two used loading bridges and the acquisition of specialized runway equipment were sole sourced and excluded from the tender process for reasons of efficiency and practicability. Management briefed the RAA Board and the final determination and approval for exclusion from the public tender process was received.

Projects tendered included the Airport Master Plan update, the loader/blower replacement and the infrastructure works (building modifications) related to bridge installation.



Click to Fly Free

A re-designed website attracted much positive feedback this year when the RAA unveiled the new layout and look. The biggest attraction on the new site was a contest with a prize of two tickets anywhere in Canada that WestJet flies. Congratulations to Doris Nichol of Regina, the winner of the RAA “Click to Fly Free” contest!

Enjoy your flight!

It's Your Airport

Board of Directors Remuneration		Board Meeting Attendance
Campbell Brass	\$ 1,333	1/4
Frank Flegel	\$ 7,317	10/10
Garry Johnson	\$ 6,017	9/10
Bob Linner	\$ 6,167	10/10
David MacLeod	\$ 6,317	10/10
Brian Martynook	\$ 7,317	10/10
Myron Popp	\$ 2,183	4/4
Jack Ritenburg	\$ 2,067	3/4
Catherine Roberts	\$ 6,317	10/10
* James Rybchuk	\$ 4,283	6/6
Larry Schneider	\$22,800	10/10
* Larry Smart	\$ 3,983	5/6
* Vaughn Solomon-Schofield	\$ 4,283	6/6
David Walsh	\$ 6,983	10/10
Patricia Warsaba	\$ 7,317	10/10
Total Remuneration		\$94,484 (2006 - \$98,783)

* New Board Members replaced Campbell Brass, Myron Popp and Jack Ritenburg who left the Board following the Annual General Meeting.

In addition, the Board incurred \$24,743 (2006 - \$18,338) in costs while conducting business including orientation, training and related development.

Effective May 1, 2007, as a result of a Board remuneration review, retainers increased to: Board Chair (unchanged); Vice Chair, Committee Chairs and Task Force Chairs - \$4,500 (2006 - \$3,500); Directors - \$3,500 (2006 - \$2,500). Meeting per diem's remained unchanged at \$300 per meeting (2006 per diem was not applicable to the Board Chair).

Officers of the Corporation

Ray Boughen, Interim President and CEO	Range: (\$100,000 - \$125,000)
Derrick Thue, VP Administration and CFO	Range: (\$75,000 - \$95,000)
Steve Burchi, VP Operations and Corporate Services	Range: (\$75,000 - \$95,000)

Ranges for Corporate Officer remuneration are currently under review.

Total remuneration paid to Officers of the Corporation for 2007 was \$337,027 (2006 - \$311,778).

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 financial 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 Regina Airport Authority Inc. 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 text of this annual report is consistent with the information presented in these consolidated financial statements.

On behalf of the Airport Authority:



Ray Boughen
President and CEO



Derrick B. Thue
Vice President Administration and
Chief Financial Officer



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AUDITORS' REPORT

To the Members of
Regina Airport Authority

We have audited the consolidated balance sheet of Regina Airport Authority as at December 31, 2007 and 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Regina, Canada
February 13, 2008

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

REGINA AIRPORT AUTHORITY INC.

Consolidated Statement of Financial Position
December 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets		
Cash (note 3)	\$ 2,871,051	\$ 875,316
Accounts receivable and accrued revenue	1,475,878	1,193,789
Current portion of loans receivable (note 4)	34,812	34,812
Prepaid materials and supplies	188,325	227,485
	4,570,066	2,331,402
Property, plant and equipment (note 5)	27,944,439	27,414,796
Loans receivable (note 4)	58,001	92,813
Investments (note 6)	1,467,252	83,027
	\$ 34,039,758	\$ 29,922,038
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,088,512	\$ 1,152,093
Security deposits	96,852	83,352
Current portion of obligations under capital lease (note 7)	21,631	41,459
	1,206,995	1,276,904
Obligations under capital lease (note 7)	-	21,632
Accrued benefit liability (note 8)	206,000	199,000
Deferred contributions (note 9)	798,566	998,208
Net assets:		
Invested in property, plant and equipment (note 10)	27,124,242	26,353,497
Restricted airport improvement fee (note 11)	-	-
Unrestricted	4,703,955	1,072,797
	31,828,197	27,426,294
Commitments (note 12)		
	\$ 34,039,758	\$ 29,922,038

See accompanying notes to financial statements.

APPROVED BY THE BOARD

	Director
	Director

REGINA AIRPORT AUTHORITY INC.

Consolidated Statement of Operations
Year Ended December 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Concessions	\$ 3,050,846	\$ 2,688,466
General terminal fees	1,252,919	1,201,564
Landing fees	1,843,629	1,757,062
Other airline	1,176,946	1,082,950
Recoverable services and other	15,909	39,922
Rental	727,909	691,641
	8,068,158	7,461,605
Expenses:		
Bad debts	3,059	2,636
Board	119,226	117,125
Enhanced security	121,872	154,635
Financial	9,132	7,602
Ground rent	243,771	122,765
Insurance	205,211	208,901
Land rent	10,400	7,500
Materials and supplies	247,235	276,206
Office supplies	52,999	56,633
Postage and printing	13,607	16,103
Professional fees	221,816	282,954
Property taxes	694,060	670,199
Public relations	69,527	62,194
Repairs and maintenance	487,243	337,525
Salaries and benefits	2,973,427	2,855,109
Special services	1,324,947	1,221,113
Telephone	50,651	45,935
Training and travel	36,580	58,677
Utilities	535,968	565,893
	7,420,731	7,069,705
Excess of revenue over expenses before amortization and other revenue (expense)	647,427	391,900
Amortization of property, plant and equipment	(2,082,844)	(1,786,808)
Amortization of deferred contributions	199,641	199,641
Deficiency of revenue over expenses before other revenue (expense)	(1,235,776)	(1,195,267)
Other revenue (expense):		
Airport improvement fee (note 11)	5,697,210	3,930,416
Interest expense (AIF financing)	(2,522)	(52,186)
Unrealized loss on investments	(29,193)	-
Investment income	110,202	47,086
Other income	37,565	-
Gain on disposal of property plant and equipment	-	12,443
Write down of property, plant and equipment (note 5)	(173,531)	(89,650)
Excess of revenue over expenses	\$ 4,403,955	\$ 2,652,842

See accompanying notes to financial statements.

REGINA AIRPORT AUTHORITY INC.

Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2007, with comparative figures for 2006

	Invested in property, plant and equipment (note 10)	Restricted airport improvement fee (note 11)	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	\$ 26,353,497	\$ -	\$1,072,797	\$ 27,426,294	\$ 24,773,452
Change in accounting policy (note 2)	-	-	(2,052)	(2,052)	
Excess of revenue over expenses	(2,056,734)	5,694,688	766,001	4,403,955	2,652,842
Net change in invested in property, plant and equipment	2,827,479	(2,786,019)	(41,460)	-	-
Appropriation (note 11)		(2,908,669)	2,908,669	-	-
Balance, end of year	\$ 27,124,242	\$ -	4,703,955	\$ 31,828,197	\$ 27,426,294

See accompanying notes to financial statements.

REGINA AIRPORT AUTHORITY INC.

Consolidated Statement of Cash Flows
Year Ended December 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 4,403,955	\$ 2,652,842
Items not affecting cash:		
Change in accounting policy (note 2)	(2,052)	-
Amortization of deferred contributions	(199,641)	(199,641)
Amortization of property, plant and equipment	2,082,844	1,786,808
Write down of property, plant and equipment	173,531	89,650
Increase in accrued benefit liability	7,000	129,000
Unrealized loss on investments	29,193	-
Gain on disposal of property plant and equipment	-	(12,433)
Net change in non-cash working capital items (note 13)	(293,010)	(371,985)
	6,201,820	4,074,241
Investing activities:		
Concessionaire loan repayment	34,812	34,812
Purchase of property, plant and equipment	(2,786,019)	(2,421,660)
Proceeds on disposal of property, plant & equipment	-	12,443
Purchase of investments	(1,496,418)	(166,337)
Proceeds on sale or maturity of investments	83,000	163,658
	(4,164,625)	(2,377,084)
Financing activities:		
Repayments of obligations under capital lease	(41,460)	(41,271)
Repayment of demand loan	-	(1,500,000)
	(41,460)	(1,541,271)
Increase in cash	1,995,735	155,886
Cash, beginning of year	875,316	719,430
Cash, end of year	\$ 2,871,051	\$ 875,316

See accompanying notes to financial statements.

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements
December 31, 2007

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 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) Change in Accounting Policy for Financial Instruments

Commencing January 1, 2007, the Authority adopted new accounting standards for Financial Instruments. The adoption of these new Financial Instruments standards resulted in changes in the accounting for financial instruments as well as the recognition of certain transition adjustments that have been recorded in opening unrestricted net assets as described below. The comparative consolidated financial statements have not been restated.

(i) Financial assets and financial liabilities

Prior to the adoption of the new standards, the Authority's financial assets were accounted for at cost, net of any adjustment for other-than-temporary impairment. All of the Authority's financial liabilities were accounted for on an accrual basis using historical cost.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. The classification is not changed subsequent to initial recognition. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transactions costs are recognized immediately in operations or are capitalized, depending upon the nature of the transaction and associated investment.

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements
December 31, 2007

2. Significant accounting policies (continued):

Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as trading. These instruments are accounted for at fair value with the change in the fair value recognized in operations. Investments are held-for-trading assets. As a result of the changes, the Authority has recorded a net reduction of \$2,052 to opening unrestricted net assets.

Loans and receivables

Loans and other advances have been designated as loans and receivables and are accounted for at amortized cost using the effective interest rate method. This measurement is consistent with the classification under the prior accounting standards.

Other liabilities

Accounts payable and accrued liabilities, security deposits and deferred contributions are designated as other financial liabilities and are measured at amortized cost using the effective interest rate method. The result of this classification does not result in a change to unrestricted net assets.

c) 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.

d) Investments

Investments are classified as held for trading and are recorded at fair value. The fair value is considered to be current traded values and the unrealized gains (losses) have been recorded on the statement of operations. Gains and (losses) on sale of investments, dividends, and fixed income are recognized as revenue on their record date. Trading fees have been charged against investment income.

e) Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

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

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements
December 31, 2007

2. Significant accounting policies (continued):

f) 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.

g) 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%).

4. Loans receivable:

	2007	2006
Non-interest bearing loan to a concessionaire receivable in six annual installments of \$29,000, commencing October 1, 2006	\$ 87,000	\$116,000
Non-interest bearing loan to a concessionaire receivable in four annual installments of \$5,813, commencing September 1, 2005	5,813	11,625
	92,813	127,625
Less: Current portion of loans receivable	34,812	34,812
	\$ 58,001	\$ 92,813

The fair value of the loans are \$77,877 and \$5,497 respectively based on current interest rates for loans of similar nature.

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements
December 31, 2007

5. Property, plant and equipment:

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Leasehold improvements	\$ 30,939,315	\$ 5,322,910	\$ 25,616,405	\$ 25,890,390
Vehicles and equipment	3,888,737	2,375,454	1,513,283	969,180
Computer equipment and software	404,024	317,718	86,306	77,669
Office furniture and equipment	29,651	29,470	181	295
Work in progress	728,264	-	728,264	477,262
	\$ 35,989,991	\$ 8,045,552	\$ 27,944,439	\$ 27,414,796

During 2007, work in progress that did not proceed resulted in write-downs of \$173,531 (2006 - \$89,650).

6. Investments:

As a result of adoption of new accounting standards for financial instruments (note 2) the basis for the carrying value for investments has changed effective January 1, 2007. The carrying value of the Authority's investments are as follows:

	December 31, 2007	January 1, 2007	December 31, 2006
T – Bills	\$ 204,747	\$ -	\$ -
Banker's acceptance	-	80,145	82,197
Bonds	43,531	-	-
Guaranteed Investment Certificate	732,735	-	-
Common shares	480,099	-	-
Investment savings account	6,140	830	830
	\$ 1,467,252	\$ 80,975	\$ 83,027

The fair value of T-Bills, bankers acceptances, bonds, guaranteed investment certificates and common shares are based on quoted market values. The fair value of the investment savings account approximates cost.

T – Bills mature on July 10, 2008 and have an effective interest rate of 4.12%. Bonds mature on March 8, 2008 with a face value of \$43,939 and an effective interest rate of 4.55%. Guaranteed Investment Certificates mature on February 1, 2008 and carry an effective interest rate of 4.50%.

The Authority also holds 100 shares of a wholly owned subsidiary, Jenny Aviation Developments Inc., which is a related party whose primary purpose is consulting. The fair value of investments is not readily available as the shares are not traded in an active market and these shares are carried at cost.

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements
December 31, 2007

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 \$59,908 as at December 31, 2007 (2006 – \$46,595).

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 as of May 1, 1999, 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 December 31, 2007. Information about the defined benefit component of the Authority's pension plan is as follows:

	2007	2006
Accrued benefit obligation:		
Balance, beginning of year	\$ 5,129,000	\$ 5,370,000
Current service cost	181,000	230,000
Interest cost	277,000	277,000
Employee contributions	42,000	49,000
Benefits paid	(223,000)	(388,000)
Actuarial loss	(823,000)	(409,000)
Balance, end of year	\$ 4,583,000	\$ 5,129,000

	2007	2006
Fair value of plan assets:		
Balance, beginning of year	\$ 4,142,000	\$ 3,833,000
Actual return on plan assets	147,000	381,000
Employer contributions	257,000	267,000
Employee contributions	42,000	49,000
Benefits paid	(223,000)	(388,000)
Balance, end of year	\$ 4,365,000	\$ 4,142,000

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements
December 31, 2007

8. Employee future benefits (continued):

	2007	2006
Accrued benefit obligation	\$ (4,583,000)	\$ (5,129,000)
Fair value of plan assets	4,365,000	4,142,000
Funded status - (deficit)	\$ (218,000)	\$ (987,000)

	2007	2006
Funded status – (deficit)	\$ (218,000)	\$ (987,000)
Unamortized transitional obligation	133,000	159,000
Unamortized net actuarial loss	(121,000)	629,000
Accrued benefit liability	\$ (206,000)	\$ (199,000)

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

	2007	2006
Discount rate	5.50%	5.30%
Expected long-term rate of return on plan assets	5.60%	5.90%
Rate of compensation increase	3.90%	4.10%

The Authority's pension expense is as follows:

	2007	2006
Defined benefit component	\$ 155,012	\$ 246,265
Defined contribution component	54,341	50,268
	\$ 209,353	\$ 296,533

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 revenue as the related assets are amortized.

Cumulative amounts received to date are as follows:

	2007	2006
Transport Canada grant	\$ 3,000,000	\$3,000,000
Accumulated amortization	(2,201,434)	(2,001,792)
	\$ 798,566	\$ 988,208

REGINA AIRPORT AUTHORITY INC.

Notes to the Consolidated Financial Statements
December 31, 2007

10. Invested in property, plant and equipment:

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

	2007	2006
Property, plant and equipment	\$ 27,944,439	\$ 27,414,796
Deferred contributions	(798,566)	(998,208)
Current portion of obligation under capital lease	(21,631)	(41,459)
Obligations under capital lease	-	(21,632)
	\$ 27,124,242	\$ 26,353,497

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

	2007	2006
Amortization of deferred contributions related to property, plant and equipment	\$ 199,641	\$ 199,641
Amortization of property, plant and equipment	(2,082,844)	(1,786,808)
Write down of property, plant and equipment	(173,531)	(89,650)
	\$ (2,056,734)	\$ (1,676,817)

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

	2007	2006
Net change in investment in property, plant and equipment:		
Purchase of property, plant and equipment	\$ 2,786,019	\$ 2,421,660
Repayment of demand loan	-	1,500,000
Repayment of obligations under capital lease	41,460	41,271
	\$ 2,827,479	\$ 3,962,931

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 fights effective for travel after January 1, 2005.

Effective April 1, 2007 the AIF fee increased to \$15 per enplaned passenger for all commercial flights on all tickets sold after April 1, 2007. The intra - provincial rate remains at \$5 per enplaned passenger.

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11. Restricted airport improvement fee (continued):

During the current year the Authority transferred \$2,908,669 (2006 - \$1,757,144) from the restricted airport improvement fee to unrestricted net assets.

	2007	2006
Balance, beginning of year	\$ -	\$ -
Earned during the year	5,697,210	3,930,416
Eligible interest charges	(2,522)	(52,186)
Eligible property, plant and equipment purchases	(2,786,019)	(2,121,086)
Appropriation to unrestricted net assets	(2,908,669)	(1,757,144)
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:

2008	\$ 311,000
2009	335,000
2010	360,000
2011	388,000
2012	423,000

b) Operating leases

The Authority is committed under operating leases with the following minimum annual payments over the next five years:

2008	\$1,407,417
2009	1,403,645
2010	1,438,156
2011	906,924
2012	215,315

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13. Net change in non-cash working capital:

	2007	2006
Accounts receivable and accrued revenue	\$ (282,089)	\$ (482,061)
Prepaid materials and supplies	39,160	9,932
Accounts payable and accrued liabilities	(63,581)	100,644
Security deposits	13,500	(500)
	\$ (293,010)	\$ (371,985)

14. Fair values:

The carrying value of cash, accounts receivable and accrued revenue, accounts payable and accrued liabilities, and security deposits approximate fair value due to the short-term nature of these items. The fair value of investments is disclosed in note 6 and the fair value of loans receivable is disclosed in note 4.

15. Comparative figures:

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