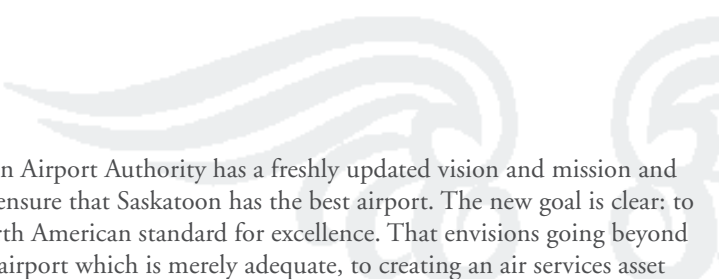


GUIDANCE *PRINCIPLES*





REFRESHING SAA VISION AND MISSION



The Saskatoon Airport Authority has a freshly updated vision and mission and will strive to ensure that Saskatoon has the best airport. The new goal is clear: to achieve a North American standard for excellence. That envisions going beyond operating an airport which is merely adequate, to creating an air services asset which supports the full potential of the community, and all of Saskatchewan, in the world economy.

Since local control of the Airport was achieved, much has been accomplished. As with all vibrant organizations committed to continuous improvement, much remains to be done.

To guide the way from 2006 and to 2011, the Board of Directors has updated the Authority's vision and mission:

Vision

Saskatoon John G. Diefenbaker International Airport will provide the *best airport experience* and *aviation environment in North America*.

Mission

The Saskatoon Airport Authority will operate a *world-class airport* and be a *leader and partner in the development of Saskatoon* and Saskatchewan.

MESSAGE FROM *THE CHAIR & CEO*

“Growth and economic activity, from the perspective of operating a world-class airport, means the future arrives rapidly, often faster than anticipated. Your Airport is ready and positioned to meet the challenge.”

*A*s passenger traffic records continue to be set, the future often arrives ahead of schedule at Saskatoon’s John G. Diefenbaker International Airport. Being always ready to meet that advancing future and to serve a larger community with an expanding economy is the singular focus of the Saskatoon Airport Authority (SAA).

Your Board of Directors renewed that focus in 2006 with a variety of initiatives, including a new vision to provide the best airport experience and aviation environment in North America. Similarly, our new mission seeks to operate a world-class airport and be a leader and partner in developing Saskatoon and Saskatchewan.

To make that happen we defined Key Community Accountabilities and Strategic Goals to guide the Airport’s development. As a community-controlled airport since 1999, we take seriously our responsibility to serve – as a strong regional gateway – Saskatoon, central and northern Saskatchewan. The Key Community Accountabilities and Strategic Goals provide the framework to define that responsibility, outlining the commitment, accountability and transparency that are central to our purpose. Details on both the accountabilities and goals are featured in this annual report.

For 2006, the numbers tell a compelling story of the Airport’s success:

- For the second consecutive year, a record was set with 953,000 passengers using the Airport, compared to 902,000 the previous year.
- Financially, SAA once again posted an operating surplus, with \$1.6 million to be re-invested in Airport infrastructure.
- Expansion of the parking lot was largely completed last year, with over 400 new stalls available for peak periods.



Patrick Pitka, FCA

W.A. (Bill) Restall



During 2006 we approved a new 10-year capital plan designed to ensure the Airport's continued success. If we are to support the community in maintaining its economic success the Airport must be prepared to invest in its own future, both in terms of maintaining current capacity and expanding to meet coming demand. Specifically, those asset improvements will involve expenditures over the next 10 years in excess of \$50 million. This program commences with reconstruction of the main runway and upgrading surrounding taxiways and support services.

The Airport is the first impression visitors have of Saskatoon, and it is important our terminal building be kept contemporary, modern and functional. After several years of major construction, 2006 was a year of fine-tuning, including the addition of soft seating, rest stations and expansive interior greenery to increase the aesthetic appeal of the Airport. Consideration is being given to further enhancements of the terminal to meet user needs.

As we look back at total redevelopment of the terminal in recent years, and as we look forward to significant investment in runways and related airside assets in the coming years, it is a noteworthy that all this capital improvement was accomplished without borrowing money or incurring debt. A strong financial position continues to be a hallmark of SAA.

The Key Community Accountabilities and Strategic Goals provide the framework to define that responsibility, outlining the commitment, accountability and transparency that are central to our purpose.

Ensuring Saskatoon's Airport is successful goes beyond the borders of our facility to include external forces such as government regulation. SAA is active in working with all levels of government, always aware that increasing regulation tends to increase inconvenience and financial burdens for air travellers. Airport rent remains one of the most pressing issues. While the federal government has made some concessions regarding rent, we believe the current charge is excessive and amounts to a hidden tax on the travelling public. In light of the fact that our local authority is responsible for all operating and capital costs of the Airport, we see the current level of rent as excessive. We continue to work toward a permanent solution.

Increasing government regulation is also a threat to airports and the travelling public. Airports are subject to a cascade of new regulations from government, and it costs additional dollars to comply with each of them. That growing regulatory cost translates into higher air fares. The Board believes the time has come to confront regulatory creep and is advocating a government review and rationalization of the regulations to which airports must conform. The time has come for Smart Regulation.

Keeping abreast of the latest technological innovations in airport operations is also important, and we are determined to have Saskatoon included in all these advances. NEXUS and Canpass are new approaches to trusted passenger systems which hold the promise of speeding the flow of passengers through airports.

Internally, we also always work to strengthen our management systems. A risk assessment model is being developed to assist in evaluating various aspects of risk faced by the Airport, and how those risks can best be mitigated.



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Just as the robust local economy creates heightened demand for air travel, the healthy economy is raising prospects for additional development on airport land to serve the local aviation sector.

Our co-operative relationship with the airlines means we are constantly encouraging improved air service to Saskatoon. A steadily increasing flow of passengers moving through the Airport, combined with an average occupancy of about 90 per cent for airlines using our Airport, builds a strong argument for expanded air service. Just as the robust local economy creates heightened demand for air travel, the healthy economy is raising prospects for additional development on airport land to serve the local aviation sector.

People committed to the cause of ensuring the Airport is ready for the future are critical to our success. We extend our thanks to Gary Merasty, who moved from the SAA Board to the House of Commons in 2006. He was replaced by Russell Mirasty of La Ronge. We are also grateful to our employees, volunteers and community partners who work so hard in building a successful airport and a positive airport experience for our passengers and guests.

This is a remarkable time for Saskatoon and Saskatchewan. Growth and economic activity, from the perspective of operating a world-class airport, means the future arrives rapidly, often faster than anticipated. Your Airport is ready and positioned to meet the challenge.



Patrick W. Pitka
Chairman of the Board



W. A. (Bill) Restall
Chief Executive Officer

INTRODUCING *KEY COMMUNITY ACCOUNTABILITIES*

"The Authority has made an open and honest two-way flow of information with the community a guiding principle and priority."

From the beginning, forging community partnerships has defined the Saskatoon Airport Authority (SAA). From the day in 1999 when Saskatoon achieved local control of John G. Diefenbaker International Airport, through the ensuing years of steady and significant improvements, community service is what SAA has been all about.

At the core of our community commitment is ensuring the Authority's approach maintains the highest standards of governance. On a daily basis, that means consulting the community on its aspirations for the Airport, being transparent and open with the community in our operations and plans, and regularly reporting to the community both on progress and on those issues where we must improve. We have built many mechanisms – ranging from the Community Consultative Committee, through working groups representing air issues and users, to our website, newsletters, the annual general meeting and this annual report – to ensure the conduit of community contact is free flowing, informative and effective. The Authority has made an open and honest two-way flow of information with the community a guiding principle and priority.

Now it is time to take SAA's commitment to community accountability and transparency to the next level.

The Board of Directors has identified five Key Community Accountabilities representing the pillars on which a successful airport of the future will be built. On an ongoing basis, these are the critical issues on which the Authority will regularly report to the community. They represent a foundation for accountability and transparency.



A Lloyd Pinay sculpture "Message in the Wind II", and diorama which is on loan from Saskatchewan Property Management. This piece was acquired from the Lieutenant Governor Gala event honoring Saskatchewan's Centennial.



Above, left to right: The Airport Authority's entry in Saskatoon's Exhibition parade; children's artwork on display in the main terminal, these displays feature local works; last year the Authority launched "Airstrip" a quarterly electronic newsletter to keep airport stakeholders abreast of new developments and statistics; the airshow has become a summer fixture in Saskatoon drawing enthusiastic crowds every year.

The Key Community Accountabilities adopted as part of the new SAA Strategic Operating Plan are:

✈ **Financial Viability**

SAA, through sound management principles, has key financial objectives to ensure revenues are sufficient to fund long-term capital and ongoing operating expenses.

✈ **Security/Safety**

SAA is dedicated to providing a secure, safe environment for our customers, staff and facilities within all aspects of our business.

✈ **Business Gateway**

SAA will promote the Airport as a community asset, economic facilitator and an integral part of the Saskatoon business community. SAA will continue to work with our aviation partners to pursue opportunities to retain and expand community air service and grow our general aviation community.

✈ **Customer Experience**

SAA is committed to providing an excellent customer experience. We will pursue initiatives aimed at enhancing the airport experience, travel experience and level of service available to customers, clients and visitors to the community.

✈ **Operational Integrity**

SAA is accountable for all its actions and will act honestly and respectfully in our business and staff relations, use of resources, environmental stewardship, treatment of our customers and each other, and in the general conduct of our operations.

Pursuing these Key Community Accountabilities, including regular reporting to our community stakeholders on our performance related to each, ensures an enduring foundation of this organization's success.

GUIDED BY OUR *STRATEGIC GOALS*

“Airports and aviation are a dynamic sector of not only the economy, but of our community and society. It is a sector regularly buffeted by tremendous change, yet propelled by equally compelling opportunity.”

There has been considerable stress in recent times. Terrorism and tightening security, carrier bankruptcies, mergers and reorganizations, uncertain economic times and increasing fuel prices have all taken a toll on aviation. Opportunities have also emerged. New technology holds the potential to speed passengers through airports while modern aircraft are being deployed by both passenger and cargo carriers. In Saskatchewan, a strong and growing economy has created a landscape where use of the Airport and its services steadily increases.

To understand all the forces at play, identify emerging opportunities and mitigate risk, the SAA has adopted a new Strategic Plan with the following goals:



MAINTAIN A TALENTED, FLEXIBLE AND MOTIVATED TEAM OF PROFESSIONALS

SAA's motivated, skilled and stable employees are key to continued success. Saskatchewan's emerging economy highlights the need to be leaders on workforce issues related to training, developing an entrepreneurial, customer service culture and attracting aboriginal employees.



IMPROVE AIRPORT FACILITIES AND SERVICES, AND ENHANCE CUSTOMER SATISFACTION

As Saskatoon and air traffic grow, so must our Airport grow. From enhanced food and retail amenities to continued investment in airside infrastructure, SAA is committed to keeping abreast of the community's airport and aviation requirements.



DEVELOP SASKATOON AIRPORT INTO A STRONGER REGIONAL GATEWAY

SAA will work to stimulate increased use of the airport. Partnerships with the travel industry, tourism and business stakeholders will build passenger flow. Additional air service will be sought, both through expansion by existing carriers and development of service to new destinations.



OBTAIN CHANGES TO FEDERAL AND PROVINCIAL REGULATORY POLICIES

Streamlining government involvement in the airport through “smart regulation” will be supported by SAA as a means of both improving the airport experience for customers and reducing the fees and costs imposed by government.



INCREASE AWARENESS AND ENHANCE THE IMAGE OF SASKATOON AIRPORT AND SASKATCHEWAN

At every step of the journey, SAA seeks to broaden awareness and build the Airport brand. From increased use of the Saskatoon Shines Reception Centre to nurturing ties with a range of stakeholders and community organizations to increasing the airport’s profile among aboriginal people, marketing the airport is a constant priority.

MEMBERS OF *THE BOARD*

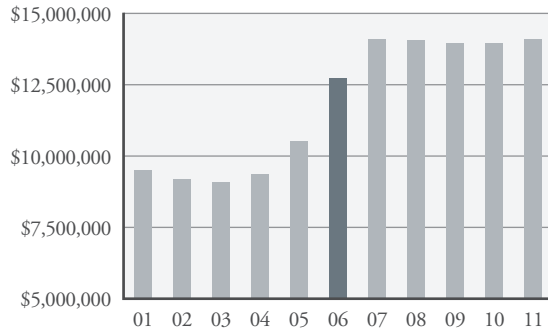
*(l-r) Janet Keim, Nancy Hopkins Q.C., Daphne Arnason FCA, Karim Nasser, Patrick Pitka FCA, Peter MacKinnon Q.C., Ron Waldman, Fraser Sutherland, and Tom Coates
(missing: Paul Leier, Russell Mirasty, Greg Trew)*



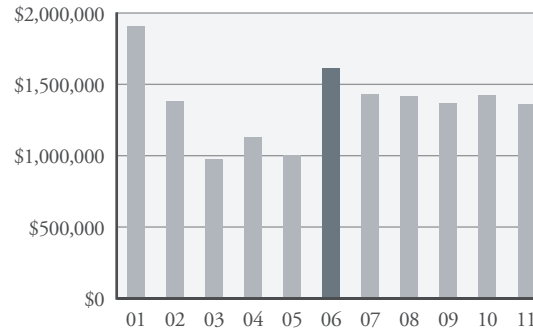
HISTORICAL ANALYSIS & FIVE-YEAR FORECASTS

The following charts offer an analysis of the key performance indicators for the Saskatoon airport and its stakeholders both historically and in anticipation of what the future may hold.

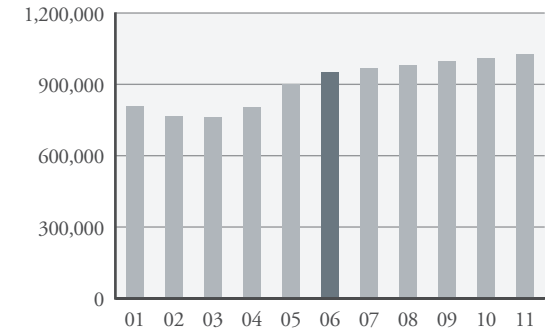
AIRPORT REVENUE



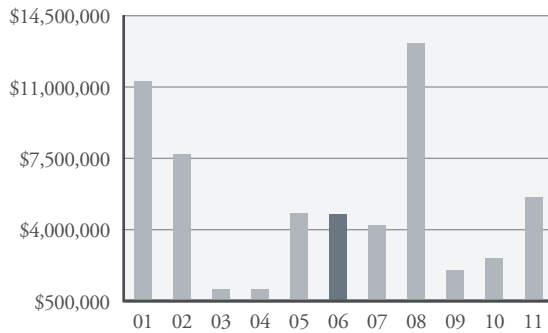
GENERAL FUND OPERATING SURPLUS



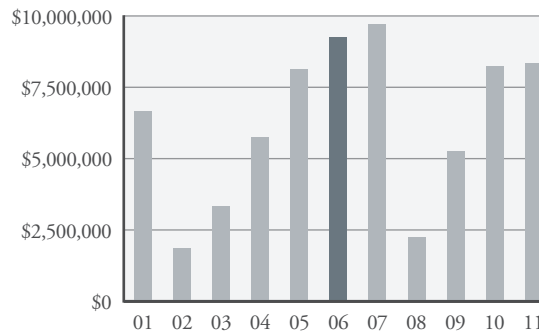
ANNUAL PASSENGER TRAFFIC



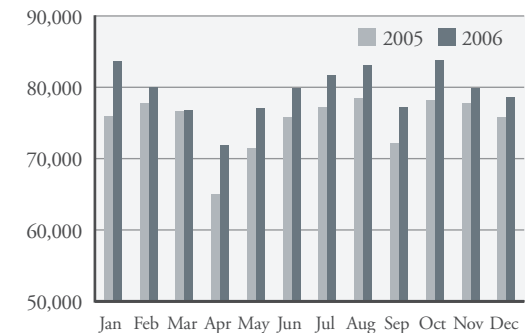
CAPITAL EXPENDITURES



CASH RESOURCES



MONTHLY PASSENGER TRAFFIC



THE YEAR 2006 *IN PERSPECTIVE*

Saskatoon Airport Authority Goals and Key Deliverables

1. FINANCIAL VIABILITY

The Saskatoon Airport Authority's key financial objective is to ensure the revenues are sufficient to fund long-term capital and ongoing operating expenses while remaining a reasonable cost airport for airline and aviation operators. In 2006 we undertook to contain costs and in fact at year end total operating costs were within budget. Our focus on cost efficiencies and effectiveness is clearly evident when we benchmark our costs against other Airports in Canada. Our efforts in revenue generation and diversity of revenue stream were successful in that we exceeded our revenue targets by over \$1/2 million in 2006. We also reviewed and agreed upon a strategic approach to the establishment of future rates and charges and ensured the long term viability of our capital investment plan by implementing an increase in the airport improvement fee in 2006.

2. CORPORATE DIRECTION

During 2006 a comprehensive Board/Management strategic planning exercise was undertaken and refreshed Airport Vision, Mission, and Strategic Objectives were established. This strategic overview was immediately put into action as part of the everyday activities of the Airport and subsequently incorporated into our Airport Business Plan and management deliverables. A comprehensive review of the organizational framework, job functions, succession planning and career training lead to the implementation in late 2006 of a plan to adapt/meet the organizational needs over the next 5 years. In 2006 there was also significant energies expended evaluating and negotiating changes in the proposed Canada Airports Act. Work was undertaken to evaluate and implement changes in our corporate framework to ensure a smooth transition at the enactment of this legislation.

3. CUSTOMER/CLIENT SERVICE

Enhancing the customer experience continues to be one of our primary activities and this was clearly reflected in the refreshed Airport strategic objectives, which lead to a commitment of adding dedicated Authority resources to the delivery of this goal. We continue to "score" high with our clients, users and the community at large but we have challenged ourselves to improve further by seeking constant and dynamic feedback and responding through our customer experience enhancement program. Specifically this year we improved the security processes both at pre board screening and hold bag screening in response to public feedback. We also introduced a year round Airport Ambassador program and we undertook a number of terminal enhancements aimed at better service and an improved terminal atmosphere and comfort. The linkage to the community and community accountability has been enhanced by the involvement in our Airport Working Groups, the growth of our Community Showcase program, and our expanded community communications through our quarterly electronic newsletters.

4. OPERATING REGIME

In 2006 we undertook to capture our existing operating regime into a comprehensive risk management system document and safety management system for the Airport. We have made significant progress to date on this initiative and we are aiming to conclude the work by mid 2007. We continue to lobby Transport Canada to reduce and simplify the regulatory regime and we continue to commit significant resources and time to the implementation of government directed programs. These programs may have value but there needs to be improvements in the rationale for the programs, improved industry consultation, and a simplified and more effective implementation processes.

AUDITORS' REPORT

TO THE MEMBERS OF SASKATOON AIRPORT AUTHORITY

We have audited the statement of financial position of the Saskatoon Airport Authority as at December 31, 2006 and the statements of operations and changes in fund balances 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 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. In accordance with the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the prior year.



Deloitte & Touche LLP

Chartered Accountants
February 12, 2007

5. SUMMARY OF KEY OBJECTIVES FOR 2007

- Continue to operate a safe, secure, environmentally responsible and financially viable airport,
- Establish and report to the community the airport achievements against our key accountabilities,
- Implement organizational refinements in keeping with the overall Human Resources Plan,
- Develop a comprehensive airside rehabilitation program for 2008-2009,
- Provide the best airport experience possible for our passengers,
- Provide a business environment that will be conducive to business development,
- Conclude the comprehensive risk and safety management system documentation.

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Saskatoon Airport Authority – year ended December 31, 2006

	General Fund	Capital Fund	2006 Total	2005 Total
REVENUE				
Aircraft landing fees	\$ 1,962,584	\$ -	\$ 1,962,584	\$ 1,872,473
General terminal fees	1,419,423	-	1,419,423	1,400,501
Concessions	1,504,067	-	1,504,067	1,484,778
Car parking	1,657,773	-	1,657,773	1,454,089
Space rental	702,628	-	702,628	391,841
Land rental	438,812	-	438,812	396,651
Loading bridge fees	502,620	-	502,620	359,962
Other revenue	203,488	-	203,488	220,063
Airport improvement fee (Note 6)	-	3,385,195	3,385,195	2,046,118
Investment income	-	279,639	279,639	218,304
Forgiveness of debt	-	-	-	533,878
Gain on disposals	-	-	-	34,451
Amortization of deferred contributions	-	682,596	682,596	482,592
	<u>8,391,395</u>	<u>4,347,430</u>	<u>12,738,825</u>	<u>10,895,701</u>
EXPENDITURES				
Salaries and benefits	1,962,965	-	1,962,965	1,949,990
Operational and professional services	2,590,755	-	2,590,755	2,596,339
General and administrative expenses	1,003,945	-	1,003,945	1,000,736
Property taxes	618,200	-	618,200	594,168
Utilities	460,758	-	460,758	436,904
Federal government rent	144,276	-	144,276	-
Depreciation and amortization	-	1,526,000	1,526,000	1,415,168
	<u>6,780,899</u>	<u>1,526,000</u>	<u>8,306,899</u>	<u>7,993,305</u>
EXCESS OF REVENUE OVER EXPENDITURES	1,610,496	2,821,430	4,431,926	2,902,396
FUND BALANCES, BEGINNING OF YEAR	521,487	20,825,350	21,346,837	18,444,441
INTERFUND TRANSFERS (Note 7)	(1,500,000)	1,500,000	-	-
FUND BALANCES, END OF YEAR	<u>\$ 631,983</u>	<u>\$ 25,146,780</u>	<u>\$ 25,778,763</u>	<u>\$ 21,346,837</u>

STATEMENT OF FINANCIAL POSITION

Saskatoon Airport Authority – as at December 31, 2006

	General Fund	Capital Fund	2006 Total	2005 Total
CURRENT ASSETS				
Cash	\$ 252,588	\$ 3,913,487	\$ 4,166,075	\$ 8,129,354
Short-term investments (Note 3)	-	5,093,490	5,093,490	-
Accounts receivable	830,209	82,828	913,037	781,283
Consumable supplies	127,311	-	127,311	134,407
Prepaid expenses	130,271	-	130,271	131,550
	1,340,379	9,089,805	10,430,184	9,176,594
ACCRUED PENSION BENEFIT ASSET (Note 9)				
	188,000	-	188,000	49,000
CAPITAL ASSETS (Note 4)				
	-	27,605,452	27,605,452	24,394,865
	<u>\$ 1,528,379</u>	<u>\$ 36,695,257</u>	<u>\$ 38,223,636</u>	<u>\$ 33,620,459</u>
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 462,963	\$ 1,164,353	\$ 1,627,316	\$ 906,629
Security deposits	223,868	205,284	429,152	312,662
Deferred revenue	33,815	-	33,815	40,569
	720,646	1,369,637	2,090,283	1,259,860
OTHER LONG-TERM LIABILITIES				
	175,750	-	175,750	152,326
DEFERRED CONTRIBUTIONS (Note 5)				
	-	10,178,840	10,178,840	10,861,436
	896,396	11,548,477	12,444,873	12,273,622
FUND BALANCES				
	631,983	25,146,780	25,778,763	21,346,837
	<u>\$ 1,528,379</u>	<u>\$ 36,695,257</u>	<u>\$ 38,223,636</u>	<u>\$ 33,620,459</u>

APPROVED BY THE BOARD

Director 
 Patrick W. Pitka

Director 
 Fraser Sutherland

STATEMENT OF CASH FLOWS

Saskatoon Airport Authority – year ended December 31, 2006

	<i>General Fund</i>	<i>Capital Fund</i>	<i>2006 Total</i>	<i>2005 Total</i>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Excess of revenue over expenditures	\$ 1,610,496	\$ 2,821,430	\$ 4,431,926	\$ 2,902,396
Adjustments for				
Depreciation and amortization	-	1,526,000	1,526,000	1,415,168
Amortization of deferred contributions	-	(682,596)	(682,596)	(482,592)
Forgiveness of debt	-	-	-	(533,878)
Gain on disposals	-	-	-	(34,451)
Changes in non-cash working capital				
Accounts receivable	(195,027)	63,273	(131,754)	(299,790)
Consumable supplies	7,096	-	7,096	16,208
Prepaid expenses	1,279	-	1,279	(31,067)
Accrued pension benefit asset	(139,000)	-	(139,000)	(49,000)
Accounts payable and accrued liabilities	(12,915)	733,602	720,687	165,327
Security deposits	11,673	104,817	116,490	110,578
Deferred revenue	(6,754)	-	(6,754)	(106)
Other long-term liabilities	23,424	-	23,424	19,403
	<u>1,300,272</u>	<u>4,566,526</u>	<u>5,866,798</u>	<u>3,198,196</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Purchase of capital assets	-	(4,736,587)	(4,736,587)	(4,878,631)
Sale of capital assets	-	-	-	8,500
Sale of investments	-	-	-	62,877
	<u>-</u>	<u>(4,736,587)</u>	<u>(4,736,587)</u>	<u>(4,807,254)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Deferred contributions (<i>Note 6</i>)	-	-	-	4,000,000
NET INCREASE (DECREASE) IN CASH	<u>1,300,272</u>	<u>(170,061)</u>	<u>1,130,211</u>	<u>2,390,942</u>
CASH POSITION, BEGINNING OF YEAR	452,316	7,677,038	8,129,354	5,738,412
INTERFUND TRANSFERS (<i>Note 8</i>)	<u>(1,500,000)</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
CASH POSITION, END OF YEAR	<u>\$ 252,588</u>	<u>\$ 9,006,977</u>	<u>\$ 9,259,565</u>	<u>\$ 8,129,354</u>
CASH AND CASH EQUIVALENTS				
Cash	\$ 252,588	\$ 3,913,487	\$ 4,166,075	\$ 8,129,354
Short-term investments	-	5,093,490	5,093,490	-
	<u>\$ 252,588</u>	<u>\$ 9,006,977</u>	<u>\$ 9,259,565</u>	<u>\$ 8,129,354</u>

NOTES TO THE *FINANCIAL STATEMENTS*

Saskatoon Airport Authority – year ended December 31, 2006

1. NATIONAL AIRPORTS POLICY

In July 1994, the Federal Government announced its National Airports Policy whereby the management, operation and maintenance of 26 airports within the national airport system were to be transferred through various ground lease arrangements to locally controlled Canadian Airport Authorities (“CAAs”).

The Saskatoon Airport Authority (the “Authority”) was incorporated without share capital under Part II of the Canada Corporations Act. The Authority has operated the Saskatoon John G. Diefenbaker International Airport since January 1, 1999 under a lease from the Government of Canada. All earnings of the Authority are retained and reinvested in airport operations and development.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Fund Accounting

Saskatoon Airport Authority follows the restricted fund method for contributions.

The General Fund accounts for the Authority’s operating activities. This fund reports unrestricted resources.

The Capital Fund reports the assets, liabilities, revenues and expenditures as allocated by the Board of Directors to the Authority’s capital assets, expansion and renovation projects.

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Short-term Investments

Investments are carried at cost and are written down where there has been a loss that

is other than temporary.

Consumable Supplies

Inventories of consumable supplies are recorded at the lower of cost and estimated replacement cost.

Capital Assets

Capital assets are recorded at cost and, when put in use, depreciation and amortization is provided for on the following basis:

<i>Paved surfaces and land improvements</i>	<i>25 years straight line</i>
<i>Buildings</i>	<i>20 years straight line</i>
<i>Vehicles, machinery and equipment</i>	<i>7 - 10 years straight line</i>
<i>Computer equipment</i>	<i>2 years straight line</i>
<i>Computer software</i>	<i>1 year straight line</i>

Income Taxes

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

Revenue Recognition

Revenues are recorded when the services are performed, the facilities are utilized or the amounts are earned pursuant to the related agreements. The Airport Improvement Fee (“AIF”) revenue is recognized when passengers depart the terminal building.

The Government of Canada agreed to provide financial assistance for use toward capital projects including the modernization of the Air Terminal facility and integration of the outbound baggage security systems. In 1999 and 2005, the Authority received contributions of \$9,651,944 and \$4,000,000 respectively for capital projects (*see Note 5*).

The contributions are accounted for under the deferral method whereby the contributions are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. The annual amount recognized as revenue is based on a 20-year straight-line amortization of the contributions.

NOTES TO THE FINANCIAL STATEMENTS

Saskatoon Airport Authority – (continued)

Ground Lease

The Authority entered into a ground lease with Transport Canada effective January 1, 1999. The lease is being accounted for as an operating lease.

Financial Instruments

For certain of the Authority's financial instruments, including cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities, unless otherwise stated, the carrying values approximate fair value due to the immediate or short-term maturity of these items.

3. SHORT-TERM INVESTMENTS

	2006		2005	
	Cost	Fair Value	Cost	Fair Value
Investment cash	\$ 188,667	\$ 188,667	\$ -	\$ -
Bonds	3,955,296	3,974,712	-	-
Equities	949,527	1,028,924	-	-
	<u>\$ 5,093,490</u>	<u>\$ 5,192,303</u>	<u>\$ -</u>	<u>\$ -</u>

4. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value	
			2006	2005
Building	\$ 24,098,008	\$ 4,737,086	\$ 19,360,922	\$ 20,566,863
Paved surfaces and land improvements	7,048,926	758,614	6,290,312	2,682,151
Vehicles, machinery and equipment	3,638,891	1,704,040	1,934,851	1,130,796
Computer equipment	127,307	107,940	19,367	13,984
Computer software	65,649	65,649	-	1,071
	<u>\$ 34,978,781</u>	<u>\$ 7,373,329</u>	<u>\$ 27,605,452</u>	<u>\$ 24,394,865</u>

5. DEFERRED CONTRIBUTIONS

	2006	2005
Balance, beginning of year	\$ 10,861,436	\$ 7,344,028
Plus: Current year additions	-	4,000,000
Less: Current year amortization	(682,596)	(482,592)
	<u>\$ 10,178,840</u>	<u>\$ 10,861,436</u>

During 2005, the Authority received a \$4,000,000 contribution from the Canadian Air Transport Security Authority, a Federal Government Agency, for the integration of the outbound baggage security systems within the terminal building.

6. AIRPORT IMPROVEMENT FEE (AIF)

The Authority entered into an agreement dated May 31, 1999 with the Air Transport Association of Canada and certain of the air carriers serving the Saskatoon International Airport for the collection of an AIF. As of June 1, 2006, the AIF was changed to \$5.00 per local boarded passenger for travel to destinations within Saskatchewan and \$10.00 for travel outside of Saskatchewan. Prior to June 1, 2006, the AIF was \$5.00 for all local boarded passengers. The AIF is collected by the air carriers and the portion of the fee earned and reported by the Authority is net of the 7% handling fee retained by the air carriers. The Board of Directors has internally restricted the Authority's share of the AIF revenues in the Capital Fund to pay for the capital and related financing costs of major airport infrastructure development.

7. INTERFUND TRANSFERS

In 2006, \$1,500,000 (2005 - \$1,000,000) was transferred from the General Fund to the Capital Fund in order to fund the cash outlays for capital asset acquisitions.

8. LEASE COMMITMENT

Effective January 1, 1999 the Saskatoon Airport Authority entered into a 60 year lease of the Saskatoon airport facilities with Transport Canada, with an option to

renew for an additional 20 years. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the airport to the landlord. The Authority began to pay rent on January 1, 2006. The rent is calculated based on a formula reflecting annual gross revenues less Government contributions, with the first \$5 million exempt from the calculation. The formula is applied at a rate of 1% of adjusted gross revenues in excess of \$5 million and 5% of adjusted gross revenues in excess of \$10 million.

9. EMPLOYEE FUTURE BENEFITS

The Authority sponsors and funds a pension plan (the Authority's Plan) on behalf of its employees, which has defined benefit and defined contribution components. The defined benefit component is for employees who were employees of the Authority on the date of transfer including former Transport Canada employees, some of whom transferred their entitlements under the Public Service Superannuation Plan to the Authority's Plan. The cost of the defined benefit component of the pension plan is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary adjustments and retirement ages.

Based on the most recent actuarial determination of pension plan benefits completed as at January 1, 2006 and extrapolated to December 31, the status of the defined benefit component of the pension plan is as follows:

	2006	2005
Fair value of plan assets	\$ 5,432,000	\$ 4,409,000
Accrued pension obligation	5,720,000	5,592,000
Funded status - plan deficit	(288,000)	(1,183,000)
Unamortized transitional obligation	184,000	240,000
Unamortized net actuarial loss	292,000	992,000
Accrued benefit asset	<u>\$ 188,000</u>	<u>\$ 49,000</u>

The Authority is making additional payments to eliminate the plan deficit in accordance with the requirements of the Pension Benefits Standards Act. In addition, the Authority is committed to maintaining sufficient cash resources to fund the balance of any actuarially determined plan deficit.

The significant economic assumptions used by the Authority's actuaries in measuring the Authority's accrued benefit obligations are as follows:

	2006	2005
Discount rate	5.20%	5.00%
Expected rate of return on plan assets	7.00%	7.00%
Rate of compensation increases	3.00%	3.50%

The net expense for the Authority's pension benefit plans is as follows:

	2006	2005
Defined benefit pension plan component	\$ 298,928	\$ 335,217
Defined contribution pension plan component	13,961	11,991

Other information about the Authority's defined benefit plan is as follows:

	2006	2005
Employer contributions	\$ 437,927	\$ 384,217
Employees' contribution	53,453	52,883
Benefits paid	57,375	42,025

10. COMPARATIVE FIGURES

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

REQUIRED *DECLARATIONS*

1. COMPLIANCE WITH THE CODE OF CONDUCT

The Saskatoon Airport Authority has established and maintains a comprehensive Code of Conduct for Directors, Members, Officers and Employees. In accordance with the provisions of the lease agreement with the Government of Canada, the Saskatoon Airport Authority confirms that it has complied with this Code of Conduct.

2. COMPENSATION OF DIRECTORS AND OFFICERS

The compensation paid to the Directors of the Saskatoon Airport Authority for the year ending December 31, 2006 was:

Pitka, Pat (Chair)	\$ 17,800
Arnason, Daphne	\$ 9,500
Coates, Tom	\$ 9,800
Hopkins, Nancy	\$ 9,800
Keim, Janet	\$ 9,800
Leier, Paul	\$ 7,900
MacKinnon, Peter	\$ 8,500
Merasty, Gary (<i>Retired in 2006</i>)	\$ 1,750
Mirasty, Russell (<i>Appointed in 2006</i>)	\$ 3,500
Nasser, Karim	\$ 9,800
Sutherland, Fraser	\$ 9,800
Trew, Greg	\$ 9,500
Waldman, Ron	\$ 9,500

The total remuneration paid to the Chief Executive Officer, Chief Financial Officer, Manager Operations and the Manager Facilities of the Saskatoon Airport Authority was \$390,600.

The base salary range for the officers is \$ 60,000 to \$120,000.

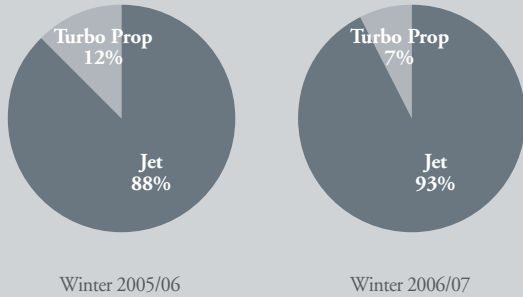
3. COMPETITIVE TENDERING

The Saskatoon Airport Authority is committed to doing business locally and in a competitive fashion. To that end, the Authority seeks competitive bids on all contracts exceeding \$75,000.

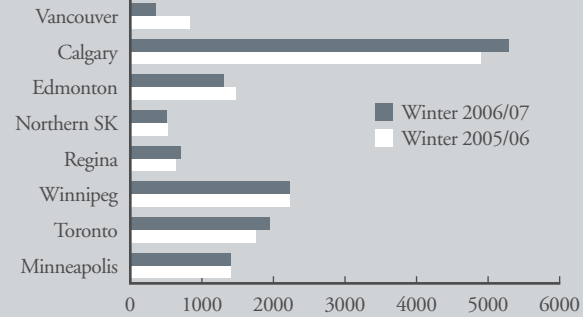


STATISTICAL HIGHLIGHTS

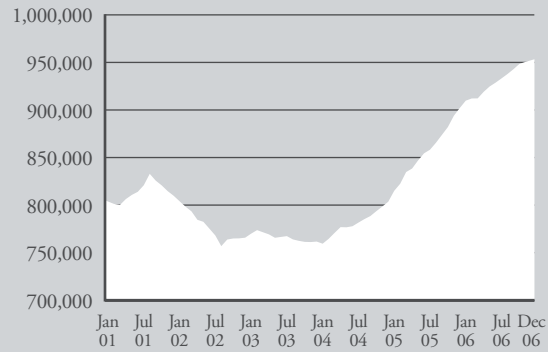
WEEKLY DEPARTING SEATS
By Aircraft Category



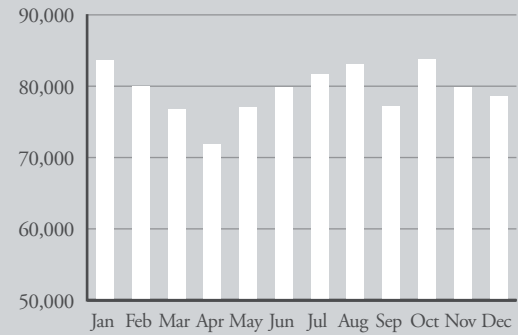
WEEKLY DEPARTING SEATS
By First Stop Destination



ROLLING 12-MONTH
PASSENGER VOLUME



MONTHLY PASSENGER TRAFFIC





Saskatoon Airport Authority

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