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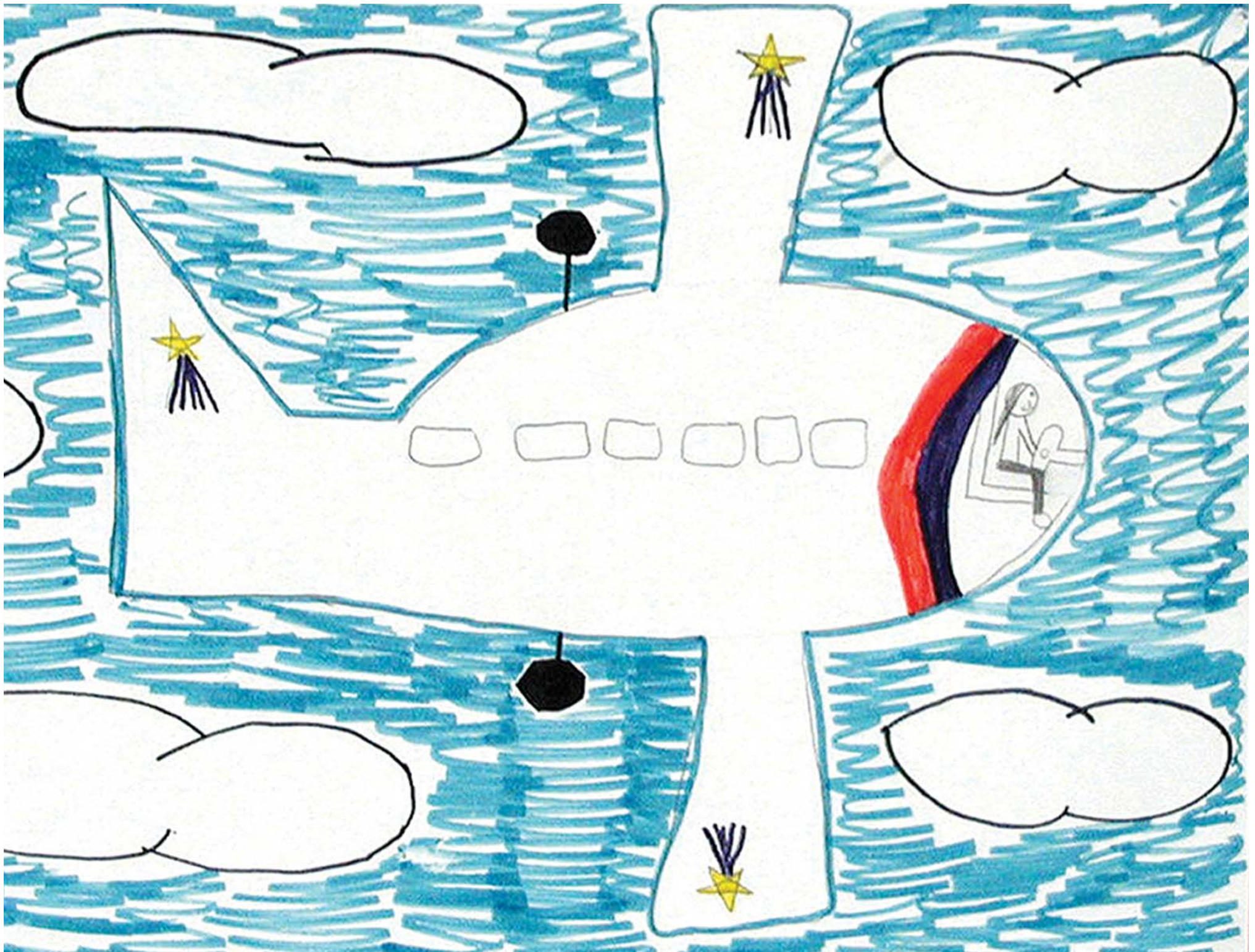
Growing

with our community



Saskatoon Airport Authority 2005 Annual Report







W.A. (Bill) Restall

Patrick Pitka, FCA

12.3%

– more passengers than 2004

Message from the Chair & CEO

Saskatoon and Saskatchewan are flying high and the proof is at John G. Diefenbaker International Airport. New activity records were set in 2005, with more passengers than ever before using our airport.

More than 902,000 passengers passed through the airport last year, surpassing all previous years. There were almost 80,000 more passengers in 2005 than in the previous record year of 1998. Also, 2005 had 100,000 more passengers than in 2004, a 12.3 per cent increase. After several challenging years, the trend is clear: robust growth is returning to air travel, especially in Saskatoon.

The Saskatoon Airport Authority (SAA) is able to handle the growing traffic and is well-positioned for additional growth. That is because the story of our airport is no overnight success. It is a carefully planned and executed strategy – some would say a grand community adventure – that began seven years ago. Since a community-based Board of Directors assumed control of Saskatoon's airport from the federal government, we have been working to ensure our role as a key facilitator of air

transportation services for the community. The foresight of the original board in dealing with the shortcomings of the airport it inherited means we are able to accommodate the growth we are experiencing today. We are ready to serve one of Canada's fastest growing cities and one of the country's hottest economies.

The past year was a time of transition, consolidation and growth. A year of transition, as a new Chair and a Board of Directors with many new faces assumed responsibility. A year of consolidation, as the final piece of the massive terminal redevelopment project was completed with renovation of airline check-in counters and installation of an integrated security system for checked luggage. A year of growth, as more people than ever before experienced Saskatoon's airport.

195

– weekly flights departing our airport



The Saskatoon Airport Authority invested \$500,000 for a new passenger loading bridge and modification of an existing bridge. In five years, the number of bridges has expanded from two to five.

The record-breaking performance of 2005 is noteworthy because as the community's use of our airport increases, airlines respond by improving service to our city with more flights and more seats. It is no surprise that the average number of weekly flights out of our airport reached 195 in 2005, compared to 162 one year earlier. Similarly, the total number of weekly seats serving the city increased to 28,162 in 2005 compared to 26,062 in 2004. The emergence of new services such as Express Air and new airlines such as Pronto Airways are equally encouraging.

Passengers saw improved customer service and security in 2005. Completion of the \$5.2 million final phase of terminal redevelopment significantly expanded space for customer check-in and increased the number of ticket counters from 26 to 32. Installation of new security equipment now means all luggage checked at the airport is handled according to appropriate security protocols. As is SAA's tradition during redevelopment, the construction project was completed on time and under budget.

2005 was also a year in which we responded rapidly to the always evolving nature of the airline industry. Introduction of new Bombardier CRJ jets on several routes prompted an investment of \$500,000 for a new passenger loading bridge and modification of an existing bridge capable of serving these aircraft. In five years, the number of bridges has expanded from two to five. The airport experience is also enhanced by customer amenities which aren't always visible, such as the launch of wireless Internet services.

Looking ahead, a \$4.2 million project to expand the parking lot by 439 stalls and enhance roads around the airport will be undertaken in 2006. In anticipation of further passenger growth, the possibility of expanding the mezzanine hold room is also under consideration.

From the beginning, the board has embraced the concept of an efficient airport as a significant strategic advantage in attracting air service to Saskatoon. With the exception of one adjustment, effective June 1, 2006, in landing fees to conform to the Open Skies Treaty, there have been no aviation fee increases to airlines since the airport came under community control.

From the beginning, the board has embraced the concept of an efficient airport as a significant strategic advantage in attracting air service to Saskatoon.

73.1

– percentage of Saskatoon and area residents who visited the airport in 2005



A \$4.2 million project to expand the parking lot by 439 stalls and enhance roads around the airport will be undertaken in 2006.

A new airport rent agreement with the federal government will limit our 2006 rent to \$100,000, instead of the proposed \$700,000. While this is a significant improvement, your board believes mid-sized airports like Saskatoon should not be charged rent and will continue to advance that argument.

Finally, new research undertaken in 2005 further reflects the important role John G. Diefenbaker International Airport plays in the future of our community. The study shows that during the past year, 73.1 per cent of Saskatoon and area residents visited the airport. That is an increase from 67.9 per cent five years ago. The reality that three of four residents visit our facility every year means we're much more than an airport. We are a growing crossroads for a dynamic community.

Similarly, the Airport Improvement Fee (AIF) of \$5 had remained unchanged since it was introduced; however the fee will increase to \$10 on June 1, 2006. Yet it will still be among the lowest in Canada, with most airports in the \$12 to \$15 range. As in the past, the fee will finance capital construction to ensure we're able to serve a growing community. SAA will need to spend between \$35 and \$40 million on upgrading of airside assets such as runways and taxiways in the coming 10 years, and we anticipate the AIF will provide about \$32 million during that time. The balance will come from other revenue sources so that we can meet our total capital needs.

SAA's financial picture remains strong, and the organization once again posted a modest surplus.

It is a pleasure to report a new five-year collective bargaining agreement was signed with airport staff in 2005. The dedication of everyone working at the airport in delivering a memorable experience to our customers is the foundation of our success.

The diligence and commitment of board members – both present and past – is at the core of this organization's strategic success, and very much appreciated. Sincere thanks go to Wayne Brownlee, Henry Dayday and Betty-Anne Latrace-Henderson who retired from the board in 2005. We especially want to thank Robert Stromberg, who also retired in 2005. As founding Chair, he led our organization through its formative years with skill and passion.

Patrick W. Pitka
Chairman of the Board

W. A. (Bill) Restall
Chief Executive Officer



902,000

– passengers using Saskatoon's airport in 2005

822,000

– the previous record for passenger traffic set in 1998

Growing Air Service

32

– ticket counters, up from 26

Passenger traffic records set by John G. Diefenbaker International Airport in 2005 are more than a measure of past performance: They predict future prospects for growth.

The foundation for expanded air service is increasing passenger traffic of the type experienced in Saskatoon during the past year. Record passenger traffic was recorded in nine of 12 months, making 2005 the busiest year in the history of Saskatoon's airport. First, that suggests improvements introduced in air service last year are sustainable. Next, as the community drives increased passenger traffic, airlines will likely respond with increased capacity, both in additional seats and new routes. Introduction of improved air service may lag demand by several months. But, we've taken the first step with more people in the community actually flying, as reflected in higher passenger numbers.

As passenger traffic declined in the years following the 2001 terrorist attacks, there was little foundation for improvements in air service. As Saskatoon's passenger traffic surged to 902,000 last year – surpassing the previous record of 822,000 in 1998, and growing 12.3 per cent over 2004 – the prospects for better air

service improve. Whether it's additional direct flights to Toronto or creation of new services like Pronto Airways and Express Air, Saskatoon is seeing significant improvements in air service.

As that new air service grows even further, following seven years of extensive redevelopment and expansion of the airport, Saskatoon is ready to accommodate the growth, and ready to set new records.

Safe and Secure

850

– bags per hour that can be processed by the Saskatoon airport's new baggage checking system

Renovations completed at John G. Diefenbaker International Airport in 2005 provide customers with a more spacious check-in area and additional ticket counters. Behind the scenes, even bigger changes have taken place.

Improved safety and security for air travellers are at the heart of changes completed in the airport's north wing last year. An integrated security system for checked luggage was added and for Saskatoon passengers that means all bags are now being handled according to appropriate security protocols. Capacity of the new security system is significant, often handling 1,200 bags in the busy five-hour period first thing in the morning. The \$5.2 million project, completed on time and under budget, was cost-shared with the Canadian Air Transport Security Authority (CATSA).

Progress has also been made in improving the flow of pre-boarding security screening, with the addition in 2004 of a third security line. Most Canadian airports of Saskatoon's size have only two screening lines and Saskatoon is one of only two such locations to offer three lines. Congestion at security screening can still arise during charter season, and airport management is continuing to work with CATSA to further streamline the process.

Developments in the realm of trusted traveller technology hold potential to further improve the pace of security screening. Introduction of a national airport pass system that would exempt air crews from pre-board screening is also under consideration and represents an additional option to speed security screening.



Parking Plans



439

- new stalls being added to the parking lot

Construction activity at John G. Diefenbaker International Airport moves outside in 2006 to increase parking capacity and improve surrounding roads.

Even as 439 new stalls are added to the parking lot, the longest walk visitors will face between their parked vehicles and the terminal building will be 200 metres – about the length of a par three golf hole.

The \$4.2 million realignment of roads and parking lot expansion is in response to unprecedented use of the airport. As a record for passenger traffic was set in 2005, there were times during the year when the existing parking lot was filled to capacity and an overflow parking lot, lacking the amenities of the main parking area, was pressed into service.

The expanded parking lot is slated for completion in fall 2006.

Members of the Board

Guided by what's best for the community



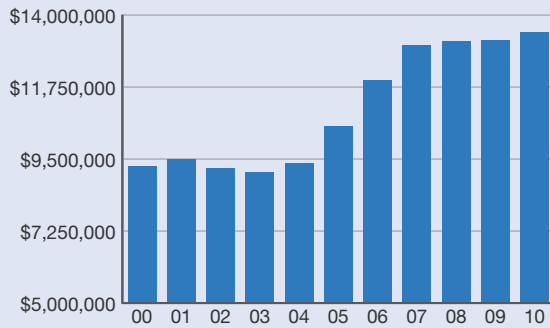
(l-r) Peter MacKinnon Q.C., Nancy Hopkins Q.C., Ron Waldman, Greg Trew, Patrick Pitka FCA, Paul Leier, Daphne Arnason, Fraser Sutherland, Karim Nasser, Janet Keim and Tom Coates
(missing) Gary Merasty

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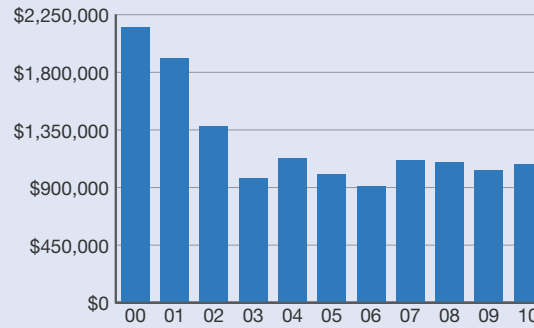
Historical Analysis and Five-Year Forecasts

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.

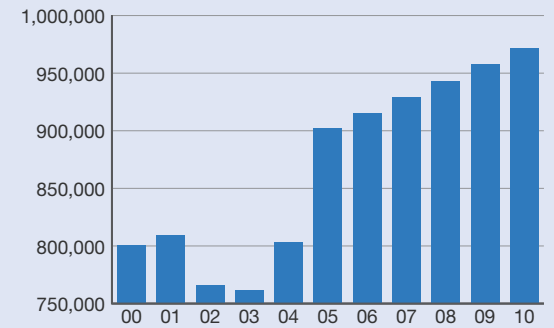
Airport Revenue



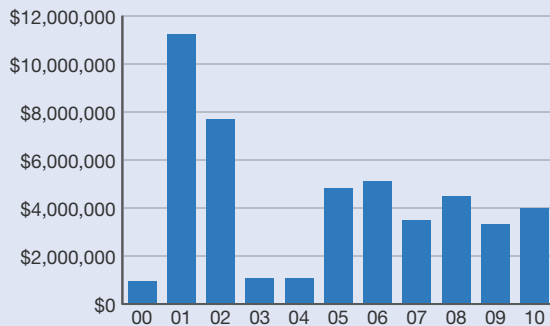
General Fund Operating Surplus



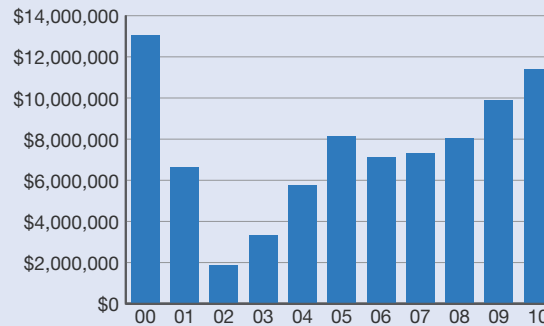
Annual Passenger Traffic



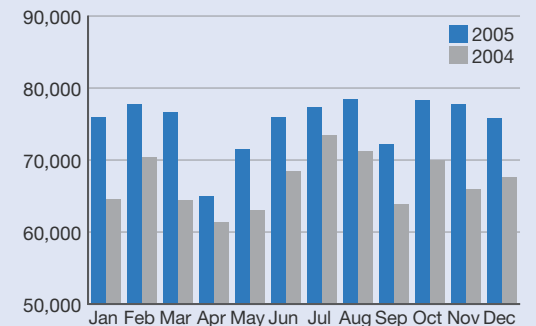
Capital Expenditures



Cash Resources



Monthly Passenger Traffic



The Year 2005 in Perspective

Saskatoon Airport Authority Goals and Key Deliverables

1. Financial Viability

The Saskatoon Airport Authority's key financial objective is to ensure revenues are sufficient to fund long-term capital and ongoing operating expenses while remaining a low cost airport for airline and aviation operators. We are pleased to report that through the continued application of sound business principles we have again complied with and achieved our Business Plan for the year without any rate increases to our aviation partners. The Airport operated within budget, provided cost effective services and continued to improve its competitive position relative to other airports while delivering a comprehensive capital program. The airline and aviation industry clearly demonstrated signs of recovery and growth in 2005 and the Saskatoon Airport Authority chose to support this recovery trend by working with our aviation partners in a proactive and fiscally responsible manner.

2. Airport Image

The image of the Airport as a community asset, operated in a safe, secure and environmentally responsible manner, continued to be the focus in

2005. This was accomplished through full consultation with users and visitors of the Airport and the utilization of various feedback mechanisms intended to seek insight from the community in general. This image of community asset and economic facilitator was promoted further through a number of working groups of the Community Consultative Committee intended to expand our community's participation and involvement at the Airport.

3. Customer/Client Service

During 2005 we continued to pursue initiatives aimed at enhancing the Airport experience and eliminating the hassle factor that has recently been associated with flying. We undertook to work with the Canadian Air Transport Security Authority (CATSA) to expand the pre-boarding security screening facility to reduce the process times and assist in eliminating queues. Further, to meet the security requirements for checked baggage, the Authority and CATSA jointly funded the development of an integrated checked baggage security system. The project also allowed for an expansion in the number of airline ticket counters and queuing area in front of the

counters to reduce congestion. Late in the year we added a 5th passenger loading bridge to allow us to accommodate the growth in the number and type of bridgeable aircraft.

4. Business Partnerships, Promotion and Marketing

In 2005 the aviation sector continued with strong passenger growth and the Authority undertook to work with our aviation and commercial partners to seek opportunities to expand the current air service and related services to meet the growing demand. The community has demonstrated support for air service throughout the past number of years. The 12.3 per cent increase in passenger traffic in 2005 demonstrated that there is customer demand that needs to be met; hence an increase in the level of air service in terms of both seat capacity and the number of flights. We also concentrated on commercial and land development opportunities in 2005 and we continue to mature and establish new partnerships, such as with the City's Hampton land development adjacent to the Airport and an expanded community showcase initiative.

Auditors' Report

To the members of Saskatoon Airport Authority

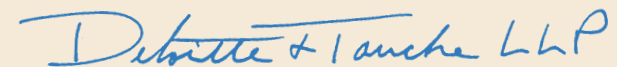
5. Summary of Key Objectives for 2006

- Continue to operate a safe, secure, environmentally responsible and financially viable airport
- Pursue enhanced air service in all sectors
- Deliver a parking lot expansion, entrance roadway redevelopment and improved drainage system while minimizing the inconvenience to the public
- Enhance customer service to provide the best "airport experience" possible
- Pursue new land development opportunities and general aviation growth
- Develop a comprehensive risk and safety management system

We have audited the statement of financial position of the Saskatoon Airport Authority as at December 31, 2005 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, 2005 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.



Chartered Accountants
February 4, 2006

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Statement of Operations and Changes in Fund Balances

year ended December 31, 2005

	General Fund	Capital Fund	2005 Total	2004 Total
REVENUE				
Aircraft landing fees	\$ 1,872,473	\$ -	\$ 1,872,473	\$ 1,781,977
General terminal fees	1,400,501	-	1,400,501	1,316,404
Concessions	1,484,778	-	1,484,778	1,307,403
Car parking	1,454,089	-	1,454,089	1,219,444
Space rental	391,841	-	391,841	372,796
Land rental	396,651	-	396,651	368,092
Loading bridge fees	359,962	-	359,962	290,782
Other revenue	212,593	-	212,593	180,950
Airport improvement fee (Note 7)	-	2,203,463	2,203,463	1,936,599
Investment income	-	218,304	218,304	103,003
Forgiveness of debt (Note 5)	-	533,878	533,878	-
Gain on disposals	-	34,451	34,451	4,301
Amortization of deferred contributions	-	482,592	482,592	482,592
	<u>7,572,888</u>	<u>3,472,688</u>	<u>11,045,576</u>	<u>9,364,343</u>
EXPENDITURES				
Salaries and benefits	1,949,990	-	1,949,990	1,756,094
Operational and professional services	2,588,869	-	2,588,869	2,058,836
General and administrative expenses	1,000,737	157,344	1,158,081	999,208
Property taxes	594,168	-	594,168	598,710
Utilities	436,904	-	436,904	431,041
Depreciation and amortization	-	1,415,168	1,415,168	1,389,793
	<u>6,570,668</u>	<u>1,572,512</u>	<u>8,143,180</u>	<u>7,233,682</u>
EXCESS OF REVENUE OVER EXPENDITURES	1,002,220	1,900,176	2,902,396	2,130,661
FUND BALANCES, BEGINNING OF YEAR	519,267	17,925,174	18,444,441	16,313,780
INTERFUND TRANSFERS (Note 8)	(1,000,000)	1,000,000	-	-
FUND BALANCES, END OF YEAR	<u>\$ 521,487</u>	<u>\$ 20,825,350</u>	<u>\$ 21,346,837</u>	<u>\$ 18,444,441</u>

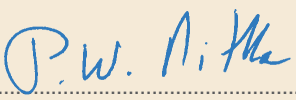
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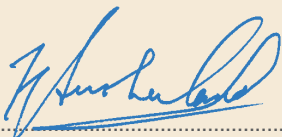
Statement of Financial Position

as at December 31, 2005

	General Fund	Capital Fund	2005 Total	2004 Total
CURRENT ASSETS				
Cash	\$ 452,316	\$ 7,677,038	\$ 8,129,354	\$ 5,738,412
Short-term investments (Note 3)	-	-	-	36,440
Accounts receivable	635,182	146,101	781,283	481,493
Consumable supplies	134,407	-	134,407	150,615
Prepaid expenses	131,550	-	131,550	100,483
	1,353,455	7,823,139	9,176,594	6,507,443
ACCRUED PENSION BENEFIT ASSET (Note 10)				
	49,000	-	49,000	-
CAPITAL ASSETS (Note 4)				
	-	24,394,865	24,394,865	20,931,888
	<u>\$ 1,402,455</u>	<u>\$ 32,218,004</u>	<u>\$ 33,620,459</u>	<u>\$ 27,439,331</u>
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 475,878	\$ 430,751	\$ 906,629	\$ 741,302
Security deposits	212,195	100,467	312,662	202,084
Deferred revenue	40,569	-	40,569	40,675
	728,642	531,218	1,259,860	984,061
LONG-TERM DEBT (Note 5)				
	-	-	-	533,878
OTHER LONG-TERM LIABILITIES				
	152,326	-	152,326	132,923
DEFERRED CONTRIBUTIONS (Note 6)				
	-	10,861,436	10,861,436	7,344,028
	880,968	11,392,654	12,273,622	8,994,890
FUND BALANCES				
	521,487	20,825,350	21,346,837	18,444,441
	<u>\$ 1,402,455</u>	<u>\$ 32,218,004</u>	<u>\$ 33,620,459</u>	<u>\$ 27,439,331</u>

APPROVED BY THE BOARD

Director 
 Patrick W. Pitka

Director 
 Q.C. Fraser Sutherland

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Statement of Cash Flows

year ended December 31, 2005

	General Fund	Capital Fund	2005 Total	2004 Total
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Excess of revenue over expenditures	\$ 1,002,220	\$ 1,900,176	\$ 2,902,396	\$ 2,130,661
Adjustments for				
Depreciation and amortization	-	1,415,168	1,415,168	1,389,793
Amortization of deferred contributions	-	(482,592)	(482,592)	(482,592)
Forgiveness of debt	-	(533,878)	(533,878)	-
Gain on disposals	-	(34,451)	(34,451)	(4,301)
Changes in Non-cash working capital				
Accounts receivable	(199,961)	(99,829)	(299,790)	187,835
Consumable supplies	16,208	-	16,208	(1,470)
Prepaid expenses	(31,067)	-	(31,067)	13,801
Accrued pension benefit asset	(49,000)	-	(49,000)	-
Accounts payable and accrued liabilities	13,275	152,052	165,327	148,758
Security deposits	10,111	100,467	110,578	20,050
Deferred revenue	(106)	-	(106)	20,770
Other long-term liabilities	19,403	-	19,403	25,819
	<u>781,083</u>	<u>2,417,113</u>	<u>3,198,196</u>	<u>3,449,124</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Purchase of capital assets	-	(4,878,631)	(4,878,631)	(1,030,665)
Sale of capital assets	-	8,500	8,500	9,801
Purchase of investments	-	-	-	(36,440)
Sale of investments	-	62,877	62,877	-
	<u>-</u>	<u>(4,807,254)</u>	<u>(4,807,254)</u>	<u>(1,057,304)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Deferred contributions (Note 6)	-	4,000,000	4,000,000	-
NET INCREASE IN CASH	<u>781,083</u>	<u>1,609,859</u>	<u>2,390,942</u>	<u>2,391,820</u>
CASH POSITION, BEGINNING OF YEAR	<u>671,233</u>	<u>5,067,179</u>	<u>5,738,412</u>	<u>3,346,592</u>
INTERFUND TRANSFERS (Note 8)	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
CASH POSITION, END OF YEAR	<u>\$ 452,316</u>	<u>\$ 7,677,038</u>	<u>\$ 8,129,354</u>	<u>\$ 5,738,412</u>

05

Notes to the Financial Statements

year ended December 31, 2005

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 are provided for on the following basis:

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

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 6).

Notes to the Financial Statements (continued)

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.

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, the carrying values approximate fair value due to the immediate or short-term maturity of these items.

3. SHORT-TERM INVESTMENTS

Short-term investments consist of shares of ACE Aviation Holdings Inc. which were received as a result of the Air Canada restructuring process. The shares were sold in 2005.

4. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value	
			2005	2004
Building	\$ 24,116,629	\$ 3,549,766	\$ 20,566,863	\$ 16,932,558
Paved surfaces and land improvements	3,300,781	618,630	2,682,151	2,686,906
Vehicles, machinery and equipment	2,659,370	1,528,574	1,130,796	1,290,217
Computer equipment	155,040	141,056	13,984	21,211
Computer software	81,367	80,296	1,071	996
	<u>\$ 30,313,187</u>	<u>\$ 5,918,322</u>	<u>\$ 24,394,865</u>	<u>\$ 20,931,888</u>

5. LONG-TERM DEBT

	2005	2004
Transport Canada loan	\$ -	\$ 533,878

During 2005, Transport Canada agreed to forgive the balance on the promissory note. The gain resulting from the forgiveness of debt has been included in Capital Fund Revenue.

6. DEFERRED CONTRIBUTIONS

	2005	2004
Balance, beginning of year	\$ 7,344,028	\$ 7,826,620
Plus: Current year additions	4,000,000	-
Less: Current year amortization	(482,592)	(482,592)
	<u>\$ 10,861,436</u>	<u>\$ 7,344,028</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.

7. AIRPORT IMPROVEMENT FEE (AIF)

The Authority collects an AIF of \$5.00 per local boarded passenger to fund the cost of major capital expenditures. These fees are collected by the air carriers under an agreement between the Authority, the Air Transport Association of Canada and the air carriers serving Saskatoon International Airport. The Board of Directors has internally restricted AIF revenues in the Capital Fund to pay for the capital and related financing costs of major airport infrastructure development. The Authority has announced that the AIF for travel to destinations outside of Saskatchewan will increase to \$10 effective June 1, 2006.

8. INTERFUND TRANSFERS

In 2005, \$1,000,000 (2004 - \$1,000,000) was transferred from the General Fund to the Capital Fund in order to fund the cash outlays for capital asset acquisitions.

9. 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 base rent on January 1, 2006. The rent is calculated 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. If the formula had been applied for 2005, the rent would have been approximately \$50,000.

10. 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, 2005 and extrapolated to December 31, the status of the defined benefit component of the pension plan is as follows:

	2005	2004
Fair value of plan assets	\$ 4,409,000	\$ 3,512,000
Accrued pension obligation	5,592,000	4,163,000
Funded status - plan deficit	(1,183,000)	(651,000)
Unamortized transitional obligation	240,000	296,000
Unamortized net actuarial loss	992,000	217,000
Accrued benefit asset (liability)	\$ 49,000	\$ (138,000)

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:

	2005	2004
Discount rate	5.00%	5.90%
Expected rate of return on plan assets	7.00%	6.50%
Rate of compensation increases	3.50%	4.25%

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

	2005	2004
Defined benefit pension plan component	\$ 335,217	\$ 158,528
Defined contribution pension plan component	11,991	11,192

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

	2005	2004
Employer contributions	\$ 384,217	\$ 154,289
Employees' contribution	52,883	50,868
Benefits paid	42,025	41,227

11. 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, 2005 was:

Pitka, Pat (Chair)	\$14,000
Stromberg, Robert (Chair) (retired in 2005)	\$ 7,300
Arnason, Daphne (Appointed in 2005)	\$ 6,200
Brownlee, Wayne (retired in 2005)	\$ 3,000
Coates, Tom	\$ 9,000
Dayday, Henry (retired in 2005)	\$ 4,000
Hopkins, Nancy	\$ 9,000
Keim, Janet (Appointed in 2005)	\$ 6,200
Latrace-Henderson, Betty Anne (retired in 2005)	\$ 4,000
Leier, Paul (Appointed in 2005)	\$ 6,200
MacKinnon, Peter	\$ 8,200
Merasty, Gary	\$ 7,600
Nasser, Karim	\$ 9,000
Sutherland, Fraser	\$ 9,000
Trew, Greg	\$ 9,000
Waldman, Ron (Appointed in 2005)	\$ 6,200

The total remuneration paid to the Chief Executive Officer, the Chief Financial Officer, the Manager Operations and the Manager Facilities of the Saskatoon Airport Authority was \$360,300.

The base salary range for the officers is \$60,000 to \$115,000.

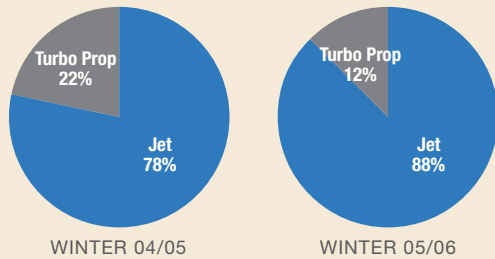
3. COMPETITIVE TENDERING

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. There was however one contract awarded for the provision of an aircraft passenger loading bridge totalling \$535,736 without a public competitive bid. There was only one supplier able to supply a bridge compatible with existing aircraft passenger loading bridges used by the Authority.

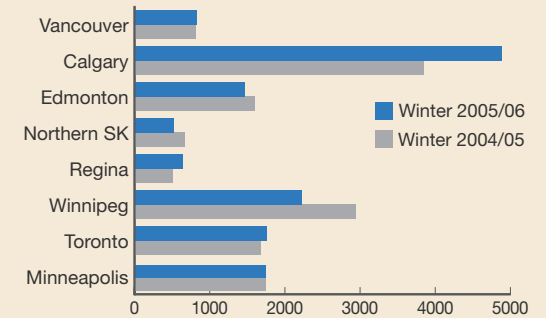
05

Statistical Highlights

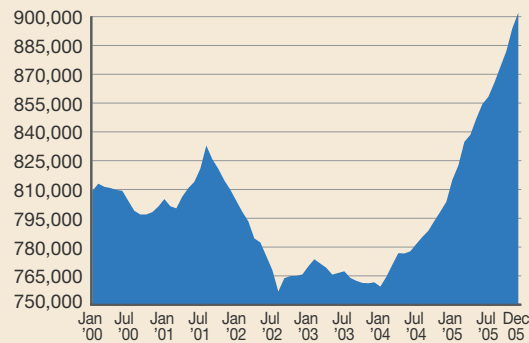
Weekly Departing Seats
By Aircraft Category



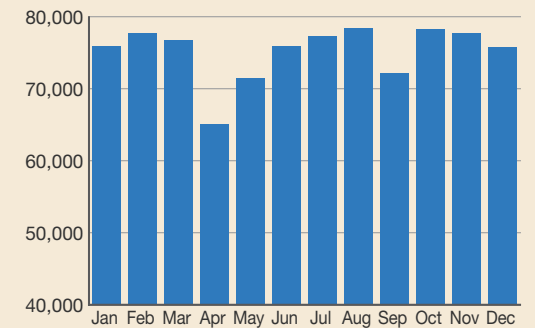
Weekly Departing Seats
By First Stop Destination



Rolling 12-month Passenger Volume



Monthly Passenger Traffic
2005



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