

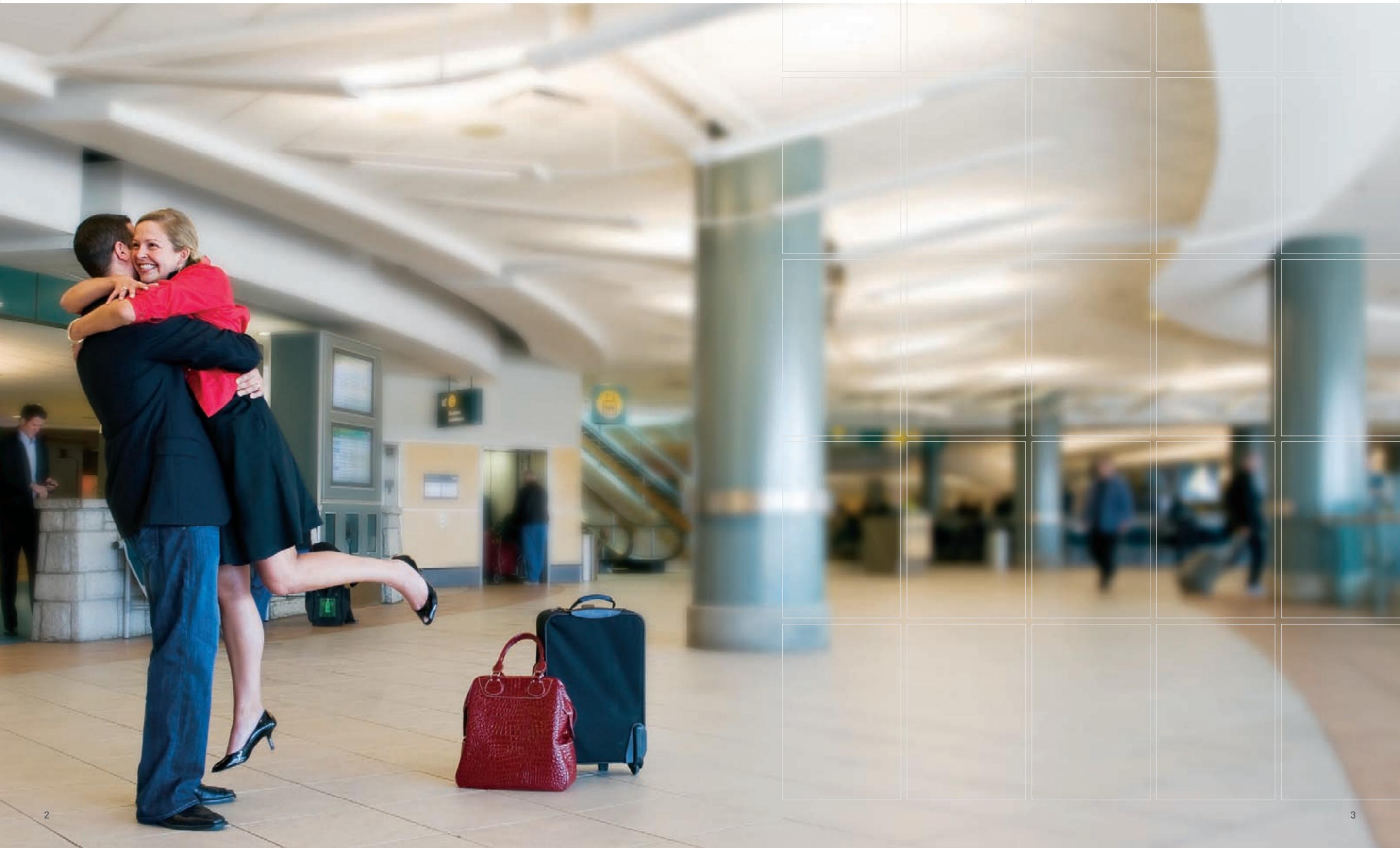


FACES OF YVR

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YVR WELCOMES THE WORLD.



#### **YVR: PEOPLE AND FACILITIES TO WELCOME THE WORLD**

Canada's Pacific West Coast is renowned for its contrasts and connections: the mountains with the sea and sky; rugged landscape with vibrant, modern cities; and ancient traditions with contemporary cultures. At the heart of Canada's West Coast, on Sea Island where the Fraser River meets the Pacific, is Vancouver International Airport (YVR), connecting B.C. with the world.

At the heart of the airport is our people. In 2007, Vancouver Airport Authority took significant steps to enhance customer care and bring a new level of personalized service to each and every person who visits YVR. Our commitment to service is complemented by modern, technologically advanced facilities, a wide range of amenities and an ideal location on the Great Circle Routes to serve as a gateway to the Pacific Rim.

YVR's home in the City of Richmond is 15 kilometres from downtown Vancouver and 115 kilometres from the Resort Municipality of Whistler—key sites for the Vancouver 2010 Olympic and Paralympic Winter Games. Vancouver International Airport is an Official Supplier to Vancouver 2010; the partnership is the first of its kind in Olympic Games history, and the airport is well equipped to welcome the world.

Three runways—two parallel east-west and one cross-wind—are capable of handling the largest aircraft in the world under extreme weather conditions. Connected International and Domestic terminals with 61 gates feature striking architecture and B.C. art, as well as more than 160 shops, services and restaurants. The new International Terminal wing, which opened in June 2007, features an airport first: a 114,000-litre aquarium showcasing B.C.'s indigenous sea life. YVR's South Terminal serves smaller communities across British Columbia.

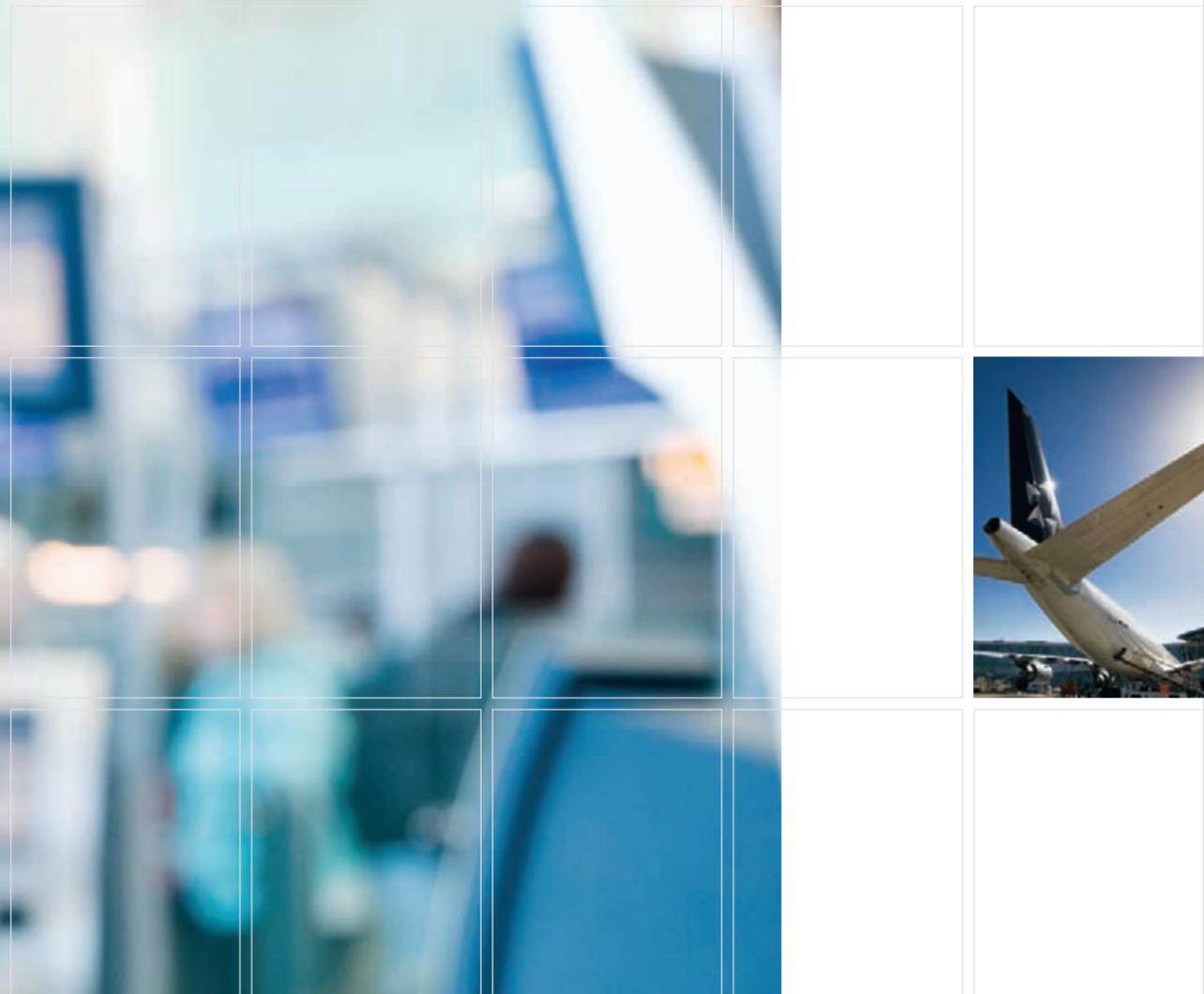
Through chartered and regularly scheduled flights at the main and South terminals, YVR provides direct service to some 130 destinations in Canada, the U.S. and around the world, more than 110 of which are non-stop. The airport is served by 69 airlines, including scheduled carriers, charters, code share and cargo carriers.

Canada's second busiest airport, YVR welcomed 17.5 million passengers, was the gateway for 226,234 tonnes of cargo, and had 274,410 runway take-offs and landings in 2007.

In 2009, YVR will add a new link to its transportation network when service begins on the Canada Line, the new rapid transit line connecting the airport to Richmond and downtown Vancouver.



President and CEO Larry Berg, VANOC CEO John Furlong, Paralympian Todd Nicholson and Olympian Mira Leung sign a banner marking Vancouver Airport Authority's Official Supplier sponsorship of the 2010 Winter Games, the first time in Olympic Games history that an airport has been named an Official Supplier.



## VANCOUVER AIRPORT AUTHORITY: WHO WE ARE

### MISSION

To serve our community by building outstanding airports

### VISION

YVR: A Premier Global Gateway

The Airport Authority: Local Champion, Global Operator

### VALUES

Excellence in safety, security and environmental performance

Commitment to a low-cost, high-value airport

Innovation and creativity

Teamwork and loyalty

Operational excellence, with leading-edge service

Vancouver Airport Authority is a community-based, not-for-profit organization that has managed and developed Vancouver International Airport since 1992 under the provisions of a long-term lease with the Government of Canada. The Airport Authority has no shareholders and reinvests all earnings into airport development and service improvements.

Who we really are is our people. The Airport Authority has 377 employees (as of year-end 2007) and a Board of 14 Directors. Nine Directors, with key ties to the local community, are appointed by eight nominating entities. Up to five additional Directors are appointed by the Board from the community at large. The President and Chief Executive Officer also serves as a Director.



**BOARD OF DIRECTORS**



Graham Clarke

**CHAIR, DIRECTOR AT LARGE**  
 TERM EXPIRY: 2008  
 COMMITTEES: B, C



Larry Berg

**PRESIDENT AND CHIEF EXECUTIVE OFFICER**  
 TERM EXPIRY: N/A



Peter Dhillon

**CITY OF RICHMOND**  
 TERM EXPIRY: 2008  
 COMMITTEES: A, D, E



Rhys Eyton

**INSTITUTE OF CHARTERED ACCOUNTANTS OF BRITISH COLUMBIA**  
 TERM EXPIRY: 2009  
 COMMITTEES: A, C



Mary Jordan

**DIRECTOR AT LARGE**  
 TERM EXPIRY: 2010  
 COMMITTEES: A, D



Carol Alter Kerfoot

**THE LAW SOCIETY OF BRITISH COLUMBIA**  
 TERM EXPIRY: 2009  
 COMMITTEES: B, D, E, F



Philip Owen

**CITY OF VANCOUVER**  
 TERM EXPIRY: 2008  
 COMMITTEES: B, D



Bruna Giacomazzi

**DIRECTOR AT LARGE**  
 TERM EXPIRY: 2010  
 COMMITTEES: A, D



Ruston Goepel

**DIRECTOR AT LARGE**  
 TERM EXPIRY: 2010  
 COMMITTEES: B, C, F



Grayden Hayward

**THE VANCOUVER BOARD OF TRADE**  
 TERM EXPIRY: 2009  
 COMMITTEES: A, D, F



Beth Johnson

**METRO VANCOUVER**  
 TERM EXPIRY: 2008  
 COMMITTEES: A, B, E



Ronald Stern

**GOVERNMENT OF CANADA**  
 TERM EXPIRY: 2008  
 COMMITTEES: B, C, F



John Watson

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF BRITISH COLUMBIA**  
 TERM EXPIRY: 2009  
 COMMITTEES: B, D, E



Peter Webster

**GOVERNMENT OF CANADA**  
 TERM EXPIRY: 2009  
 COMMITTEES: D, E

**BOARD COMMITTEES**

- A) Finance and Audit
- B) Governance
- C) Human Resources and Compensation
- D) Planning and Development
- E) October 14 Incident Task Force
- F) YVRAS Task Force

## THE EXECUTIVE COMMITTEE

Larry Berg  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Bob Cowan  
SENIOR VICE PRESIDENT, ENGINEERING

Tony Gugliotta  
SENIOR VICE PRESIDENT, MARKETING AND COMMERCIAL DEVELOPMENT

Don Ehrenholz<sup>1</sup>  
VICE PRESIDENT, AIRPORT OPERATIONS

Paul Levy<sup>2</sup>  
VICE PRESIDENT, PLANNING,  
2010 OLYMPIC AND PARALYMPIC WINTER GAMES

Michele Mawhinney  
VICE PRESIDENT, HUMAN RESOURCES

Glenn McCoy  
VICE PRESIDENT, FINANCE AND  
CHIEF FINANCIAL OFFICER

Kevin Molloy  
VICE PRESIDENT, SIMPLIFIED PASSENGER TRAVEL AND  
CHIEF INFORMATION OFFICER

Anne Murray  
VICE PRESIDENT, COMMUNITY AND ENVIRONMENTAL AFFAIRS

Michael O'Brien  
CORPORATE SECRETARY AND  
VICE PRESIDENT, STRATEGIC PLANNING AND LEGAL SERVICES

<sup>1</sup> Don Ehrenholz assumed this role in February 2008.

<sup>2</sup> Paul Levy assumed this role in February 2008.

## BEING ACCOUNTABLE

The Airport Authority is committed to being open and accountable to you, our stakeholders, and providing comprehensive information about our sustainability initiatives and goals.

This **ANNUAL REPORT** provides a snapshot of who we are, what we do and our results for 2007 in all areas of our business: Governance, Economic, Environmental and Social. Financial statements associated with the operation of YVR are included in this report.

Our **ONLINE SUSTAINABILITY REPORT** provides comprehensive information about our programs and initiatives, also organized around these four key areas.

- The **GOVERNANCE** section includes information on our governance practices, our planning process, and our Directors and Executive. It also includes our 2007 Corporate Governance Report.
- The **ECONOMIC** section provides information on the airport's economic impact, customer satisfaction ratings and Audited Consolidated Financial Statements for the Airport Authority and our subsidiaries, YVR Airport Services Ltd. and YVR Project Management.
- The **ENVIRONMENTAL** section contains data on our environmental management programs, including aeronautical noise, air quality, contaminated sites, environmental impact assessments, hazardous materials, natural habitat, resource efficiency, recycling and water quality.
- The **SOCIAL** section includes information on our people and people practices, including health and safety, our community investment program, and our stakeholder and community engagement initiatives and results.

### ONLINE SUSTAINABILITY REPORT

 [yvr.ca](http://yvr.ca) → [Airport Authority](#) → [Who We Are](#) → [Annual Report](#)



#### **MESSAGE FROM THE CHAIR**

This year's Annual Report holds a special importance for me and for the Airport Authority, as 2007 marks 20 years since a handful of people were first approached to work on a concept that would take airports out of the hands of the federal government and put them into the hands of the communities they serve.

Five years and hundreds of volunteer hours later, in 1992, Vancouver Airport Authority assumed the management and operation of YVR—from decisions in Ottawa to decisions in B.C.; from a government facility to a gateway.

Sometimes an anniversary, like the Airport Authority's 15th, merits a moment of reflection. Throughout our history, there have been highs and lows, but surely for all who work at the airport, one of the lowest points was when we learned of the death of Robert Dziekanski.

In addition to our natural sympathy for his family and friends, was the troubling sense that our fundamental notion of YVR could be shaken by the many questions that arose. None of us wanted to believe that such a tragedy could happen here, so inconsistent was it with our perception of the airport we had built and operated with such pride.

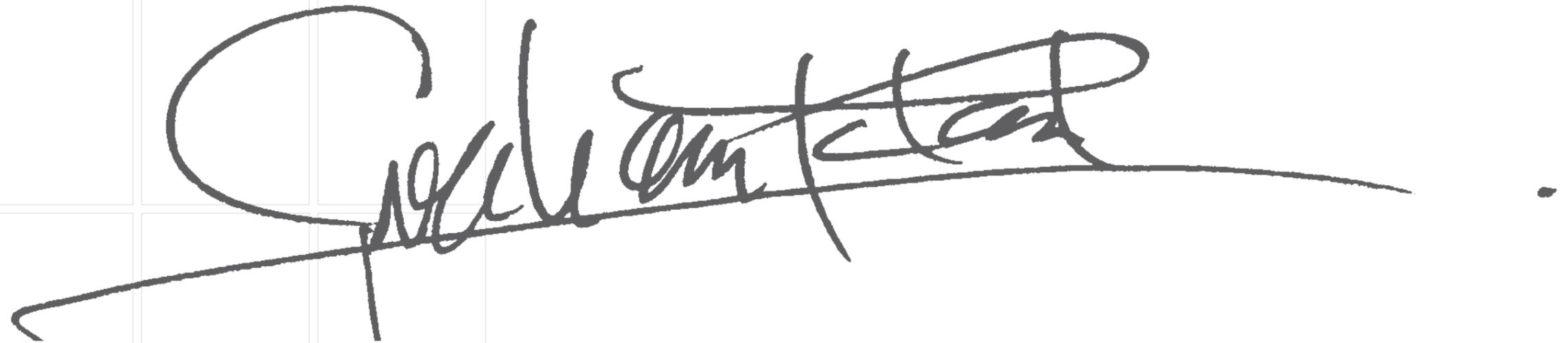
Our response was to seek answers and to make changes, and to share this information publicly in the spirit of transparency and accountability that defines our commitment to the communities we serve. We shared all of the answers we could determine on December 7, 2007, along with significant changes. It was a tragedy we cannot undo but from which we have learned.

Our willingness to learn from our experiences, both good and bad, and to seek continual improvement, lies at the heart of our success. What British Columbians have created at YVR over the past decade and a half also speaks to this province's innovative spirit, entrepreneurial energy and recognition of global competitive realities.

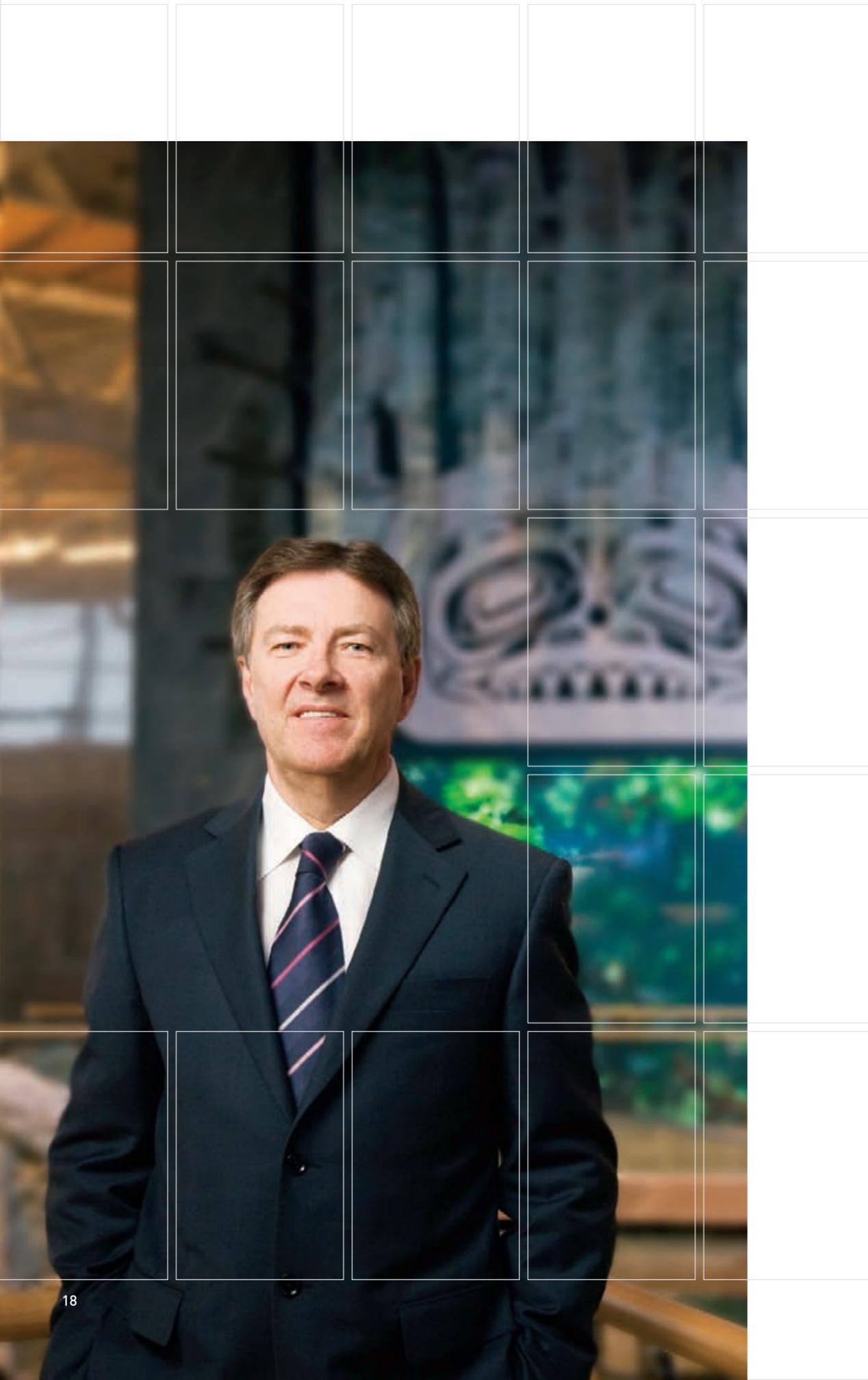
Hundreds of organizations and tens of thousands of individuals have helped YVR realize a uniquely B.C. vision, and have taken it well beyond our own borders. This airport is recognized as one of the best in the world, and British Columbia deserves no less.

In 2010, we will welcome the world's best to Vancouver for the Olympic and Paralympic Winter Games. YVR will give visitors their first taste of British Columbia when they land, and we will be the last place they see before departing for home. We will proudly share British Columbia's natural beauty and the multicultural diversity that so enriches our communities.

We will demonstrate that this B.C. enterprise, like so many other B.C. organizations, can set world standards. Our goal: That the Olympians' and Paralympians' impression of the B.C. experience at YVR will be one of welcome and of excellence. That achieved, we will go on to set even higher goals for the next 15 years, as is the nature of the people of this province, of which I am fortunate enough to be a representative.

A large, stylized handwritten signature in black ink, appearing to read 'Graham Clarke', is written across the page. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

GRAHAM CLARKE  
CHAIR  
VANCOUVER AIRPORT AUTHORITY



**MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER**

2007 was a year when great improvements were made; when we took a hard look at how we serve our customers and pursued a leadership role in providing the best care for every passenger or visitor at our airport.

Our commitment is underscored by the improvements we announced on December 7, 2007: 24-hour customer care centres, new customer care representatives, improved translation services and training; better communication between the border and the public area; safety and security enhancements; and 24-hour in-terminal medical response.

The tragedy that prompted these improvements—the death of Robert Dziekanski at our airport on October 14, 2007—will not be forgotten both in our vigilance to care for individuals and in the changes we implemented to prevent such a thing from ever happening again.

Our airport welcomed 17.5 million passengers in 2007—another record year. Asia Pacific traffic in particular rebounded, after declining in 2006. Financially the Airport Authority also had a strong year. Prudent fiscal management saw us finish 2007 with excess of revenues over expenditures of more than \$89.5 million, despite lowering our international landing fees on January 1. All of these surplus funds were invested in our \$1.4-billion capital program.

2007 will also be remembered as a year of great steps forward, including a refreshed brand with our new logo, and new facilities to better serve our passengers: the spectacular new International Terminal wing; Gate C38, catering to our intra-provincial


travellers; the Link Building, which provides a spacious new connection between the Domestic and International terminals, and additional check-in and office capacity; and significant progress on the Canada Line rapid transit project linking YVR with Richmond and downtown Vancouver.

Both airlines and passengers singled out the Airport Authority for its commitment to delivering a low-cost, high-service airport. The International Air Transport Association honoured the Airport Authority with its 2007 Eagle Award for outstanding performance in customer satisfaction, cost efficiency and continuous improvement. The U.K.-based Skytrax survey of international passengers at more than 170 airports ranked YVR as the top airport in North America and number eight in the world. YVR was the only North American airport to rank in the top 10. And once again, Airports Council International's global airport survey placed YVR among the top five airports in the world in its size category.

We are grateful for these accolades, which remind us that we do a good job of serving the vast majority of passengers and our airline partners. However, we remain mindful of our commitment to care not only for the typical airport guest, but also for those customers with exceptional circumstances or needs.

The speed at which customer care improvements were identified and implemented in late 2007 speaks to the commitment of our employees and each member of the airport community. It gives me a great deal of pride in our people and our airport, which I know is shared by our Board of Directors, without whose support these initiatives could not have been achieved.

The coming year will bring many exciting preparations as we gear up for the Vancouver 2010 Olympic and Paralympic Winter Games as the first ever airport sponsor. I know we have the right people in place to set a new standard in welcoming the world. In February 2008, our Vice President of Airport Operations, Paul Levy, moved into a new role as Vice President, Planning, 2010 Olympic and Paralympic Winter Games. Don Ehrenholz, formerly Director, Engineering Projects, has stepped into the role of Vice President, Airport Operations.

I would like to thank our employees for their hard work and dedication, our business partners and our communities for their feedback and support, and the Board of Directors for their vision and guidance through the year's challenges and successes.



LARRY BERG  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
VANCOUVER AIRPORT AUTHORITY

Customer Information Counters at YVR feature double-handset telephones for three-way conversations between the customer, Customer Care Representative and a translator from the 24-hour Language Line, which provides translation services in more than 170 languages.



## CUSTOMER CARE AND THE YVR EXPERIENCE

Vancouver Airport Authority is taking extra steps to ensure that each and every passenger who visits our airport has the best possible experience. Among the improvements we announced in 2007:

- 24-hour customer care in the International Arrivals area and inside the Canada Border Services Agency (CBSA) Customs Hall
- Additional customer care training and tools
- Easily identifiable, terminal-wide access to translation services
- 24-hour in-terminal medical response
- Messaging service from the CBSA Customs Hall to the public greeting area
- Larger, brighter signs with pictograms and multiple languages
- Hourly walk-throughs of the CBSA Customs Hall and 24-hour public safety patrols

In 2008, we'll complete the majority of work on a redesign of the international passenger service and public greeting areas to provide a unified, full-service international welcome centre that will be staffed 24 hours a day, seven days a week.

### YVR FASTRACK

The Airport Authority knows that passengers want to get through YVR quickly and easily, and we're working to make airport processes simpler. Programs like offsite and onsite self-service check-in, cruise ship on-board check-in, U.S. Direct, automated border clearance with NEXUS, and expedited pre-board screening lanes put passengers on the FasTrack.

### FASTRACK CHECK-IN

Travellers departing YVR have numerous options for FasTrack check-in, starting right from their home or office. Our website—[www.yvr.ca](http://www.yvr.ca)—offers links to online check-in for most major airlines serving YVR, several of which now offer electronic boarding passes that can be sent to your cell phone or personal digital assistant.

Forty-five offsite check-in kiosks at 39 locations in Vancouver, Richmond and Whistler allow passengers to check in for flights and print boarding passes before they arrive at YVR. The Airport Authority is looking to the future of offsite check-in, when passengers will have the ability to check baggage offsite and have it meet them at their destination. We'll soon be conducting a pilot project to test this process for future wide-spread use.

Utilizing technology like off-airport check-in brings a new level of convenience to our customers. It also helps us to effectively manage events that could result in large influxes of passengers at specific times, such as the 2010 Olympic and Paralympic Winter Games, and other sporting and special events.

Cruise ship passengers also enjoy the FasTrack experience with on-board check-in and U.S. Direct, which allows arriving passengers to be expedited through YVR's Cruise Arrivals Transfer Facility directly to the port, bypassing the main CBSA Customs Hall.

### FASTRACK BORDER

The NEXUS Air program was piloted at YVR and allows pre-screened passengers to avoid customs and immigration line-ups by using self-service kiosks. A NEXUS card can be used for automated border clearance into the United States. The program also allows for automated clearance into Canada from anywhere in the world, and access to priority pre-board screening lanes at YVR.

In 2007, the federal government announced the expansion of the program to additional Canadian airports and its combination with NEXUS Land and Marine into a single NEXUS trusted traveller program. As a result, membership in the program increased from 9,000 members in 2006 to 172,000 in 2007—approximately 80,000 of them in the Pacific Northwest.

 [yvr.ca](http://www.yvr.ca) → [Flight Information](#) → [YVR FasTrack](#)

### SHOPS AND SERVICES

YVR offers more than 160 shops, services and restaurants, including 14 duty free shops from YVR's new duty free partner Aldeasa, a travel retail expert. Aldeasa's stores, the majority of which can be found in the new International Terminal wing, cover some 4,000 square metres and offer selections to rival any upscale shopping centre, at up to 40 per cent savings for YVR travellers.

In 2007, the Airport Authority added 17 new restaurants and shops, and a Plaza Premium departures lounge in the Domestic Terminal, available to all passengers regardless of airline or class of service.

 [yvr.ca](http://www.yvr.ca) → [Airport Guide](#)





## GOVERNANCE

Airport Authority governance rules and practices are reviewed at least annually with the assistance of outside expert advice. Comprehensive governance procedures are contained in the Board of Directors' Governance Rules and Practices Manual, which is available on our website.

Our by-laws require that we report annually in writing on the Directors' compliance with conflict of interest guidelines. The Airport Authority confirms that all Directors have complied in full with the Rules Concerning Conflicts of Interest.

### BOARD OF DIRECTORS' GOVERNANCE RULES AND PRACTICES MANUAL

 [yvr.ca](http://yvr.ca) → [Who We are](#) → [Board of Directors](#) → [Governance Rules and Practices](#) → [The Board of Directors Manual](#)

### BOARD OF DIRECTORS INFORMATION AND BIOGRAPHIES

 [yvr.ca](http://yvr.ca) → [Who We Are](#) → [Board of Directors](#)

The soundness of the Airport Authority's financial governance and business planning is reflected in our consistently high credit ratings, which are among the best in the world. The Airport Authority aims to maintain a credit rating of AA minus or better and, in 2007, again achieved that goal.

## SUBSIDIARIES

### YVR AIRPORT SERVICES LTD.

YVR Airport Services Ltd. (YVRAS), a subsidiary of Vancouver Airport Authority, markets the expertise, operating philosophies and leading-edge systems developed at YVR. It is one of the world's foremost airport operators and, in 2007, was selected by the B.C. Ministry of Economic Development and Canadian Manufacturers and Exporters as the B.C. Export Company of the Year in the Professional and Services Category.

YVRAS' portfolio consists of 18 airports in seven countries, including Canada, Chile, Cyprus, Dominican Republic, Jamaica, The Bahamas, and Turks and Caicos Islands. The YVRAS network of airports welcomed more than 27 million passengers in 2007.

### YVR AIRPORT SERVICES LTD. WEBSITE

 [yvras.com](http://yvras.com)

### YVR PROJECT MANAGEMENT

YVR Project Management (YVRPM) is a wholly owned subsidiary of Vancouver Airport Authority established in 2005 to oversee major expansion projects at YVR.

In 2007, YVRPM delivered the new International Terminal wing—a three-year, \$200-million project—ahead of schedule and under budget in challenging market conditions. At the Vancouver Regional Construction Association's Annual Awards of Excellence in Projects dinner, the new wing won a total of five awards—three golds and two silvers.

## YVR AIRPORT SERVICES LTD. EXECUTIVE

George Casey  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Neville Weir  
VICE PRESIDENT, FINANCE  
AND CHIEF FINANCIAL OFFICER

Coleen Rogers  
VICE PRESIDENT, OPERATIONS

Ailish Boyle  
DIRECTOR, HUMAN RESOURCES

## YVR PROJECT MANAGEMENT SENIOR MANAGEMENT

Ray Zibrik  
PRESIDENT

Brian Boomars  
PROJECT MANAGER

Rick Stewart  
MANAGER, PROJECT CONTROLS

Nazim Jamal  
MANAGER, CONTRACTS



Customer Care Representatives have mobile communication devices for access to Airport Operations, the 24-hour Language Line and emergency assistance.

**ECONOMIC**

Vancouver International Airport is an important economic engine for B.C., generating \$1.7-billion in direct Gross Domestic Product (GDP) value added. The total GDP (including indirect and induced) related to the airport is \$3.1-billion, and total output is \$6.8-billion.

To keep this economic engine running and grow YVR's business, the Airport Authority pursues land and cargo development opportunities, and proactively markets the airport to promote the development of new routes and services.

2007 saw added service to Hong Kong by Cathay Pacific Airways, the entry of Air New Zealand with direct non-stop service to Auckland, and Air Canada's new direct non-stop service to Sydney. In addition, the Airport Authority entered into new leases for 5.95 hectares of land and a hangar facility for WestJet

**SERVING OUR CUSTOMERS**

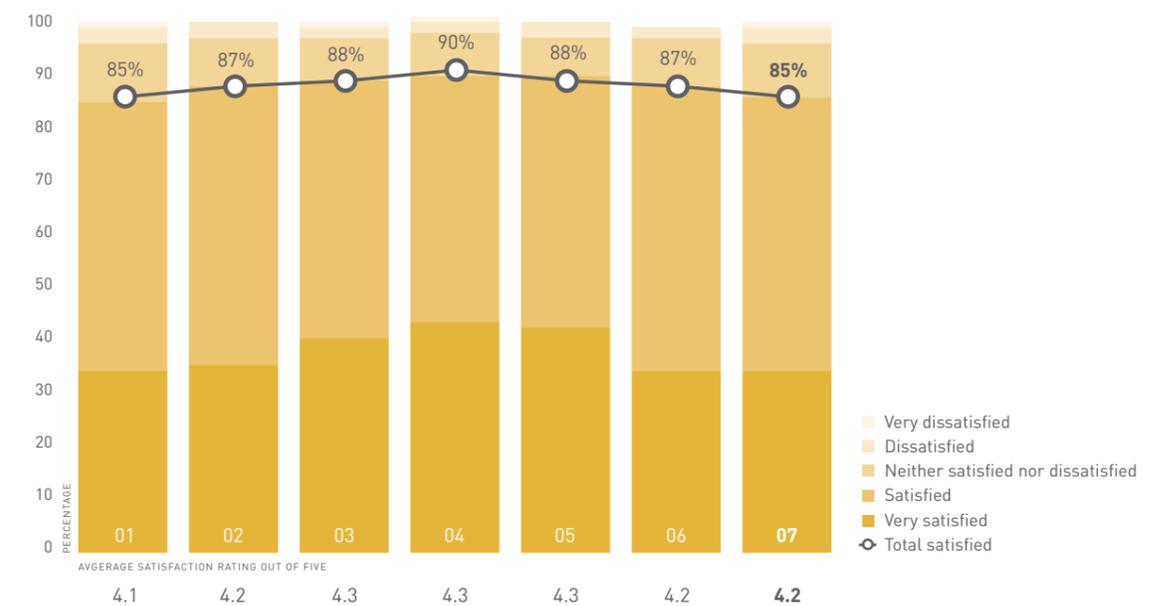
Caring for our customers and providing a unique and enjoyable airport experience are central to our business philosophy and continued economic success. The Airport Authority uses quarterly customer surveys conducted by an independent consulting firm to track customer satisfaction levels at YVR.

In surveys of more than 2,800 passengers in 2007, YVR was awarded an average satisfaction rating of 4.2 out of five, with one being 'very dissatisfied' and five being 'very satisfied.'

On December 7, 2007, following the death of Robert Dziekanski, we announced 33 changes to meet our commitment to care for every customer, including initiatives that are unique among Canadian airports.

We will continue to focus on customer care and maintaining a leadership role in how we serve each and every passenger or guest—no matter what time they arrive, what language they speak, or whether they are a seasoned traveller or novice—and we will report on our progress in the coming year.

**OVERALL CUSTOMER SATISFACTION RATINGS (2001-2007)**



#### 2007 CAPITAL PLAN

The Airport Authority undertook or continued a number of capital projects in 2007, with expenditures totalling \$289.7-million. Among the projects:

##### INTERNATIONAL TERMINAL EXPANSION

Started in 2005 and completed in June 2007, this \$200-million project added four new aircraft gates, a water-themed retail, food and beverage area, dual loading bridges and expanded passenger seating. Long-term growth forecasts indicate that an additional five-gate, Phase II expansion will be required between 2011 and 2014.

##### CANADA LINE

The Airport Authority is a funding partner, with TransLink and the provincial and federal governments, in the Canada Line rapid transit project connecting YVR with Richmond and downtown Vancouver. Work is complete on the YVR portion of the train's guide-way and design of the three Sea Island stations. Construction is proceeding on schedule for completion in the latter half of 2008. The YVR portion of the line will be used for testing prior to the line's official opening in late 2009.

##### LINK BUILDING

The \$117-million Link Building connects the Domestic and International terminals, and provides check-in capacity to support the International Terminal expansion, and a new baggage transfer facility for International to Domestic connecting baggage, which will be completed in 2008.

##### HOLD BAGGAGE SCREENING PROJECTS

The Airport Authority continues to enhance the performance and capacity of Transborder and International Hold Baggage Screening—systems to screen baggage carried in the hold of aircraft—and the interim Domestic Hold Baggage Screening system. Work on these systems will continue into 2008.

##### INTERNATIONAL TERMINAL CAPACITY ENHANCEMENTS

The Airport Authority enhanced the International Terminal to increase the capacity of pre-board screening, the Customs and Immigration Hall, and the international inbound baggage claim area. Construction on three of the four projects was completed in 2007. The last project to increase Customs and Immigration Hall capacity will be finished in early 2008.

##### TAXIWAY VICTOR PROJECT

Taxiway Victor is a new taxiway linking the north and south runways, and is part of our airside pavement capital plan to accommodate terminal expansion and new, larger aircraft, including B777s, A340s and A380s. The southern half of the taxiway was completed in 2006; design work for the remaining portion, along with interim works to facilitate its construction in 2008, was completed in 2007.

##### C-PIER EXPANSION

Work on a five-gate expansion of C-Pier is currently underway. YVR's C-Pier facilities are some of the oldest at the airport and served about six million domestic passengers in 2007.

##### CONSTRUCTION PROGRAM INFORMATION

 [yvr.ca](http://yvr.ca) → [Airport Authority](#) → [Construction](#)

## FINANCIAL AND OPERATING HIGHLIGHTS (1998-2007)

Year	Revenue (millions)	Operating Expenses (millions)	Ground Lease (millions)	Excess of Revenue over Expenditures (millions)	Net Assets (millions)	Capital Expenditures for the Year (millions)	Passengers (millions)	Aircraft Runway Take-offs and Landings (thousands)	Cargo Handled (thousands of tonnes)
2007	368.3	213.2	65.6	89.5	852.2	289.7	17.5	274	226.2
2006	363.8	190.3	65.7	107.8	762.3	315.9	16.9	271	222.7
2005	329.8	176.7	78.7	74.4	654.6	137.6	16.4	275	223.7
2004	276.9	158.5	73.9	44.5	580.2	123.0	15.7	270	230.0
2003	246.0	154.1	66.3	25.6	535.6	55.0	14.3	250	214.9
2002	248.5	142.7	66.3	39.5	510.0	44.7	14.9	258	234.9
2001	266.9	138.5	67.8	60.6	470.5	97.8	15.5	274	228.7
2000	252.7	131.8	63.9	57.1	409.9	66.6	16.0	295	251.8
1999	234.8	125.2	60.3	49.3	352.8	92.7	15.8	324	269.1
1998	227.4	119.1	43.5	64.8	303.5	72.6	15.5	325	249.3

## FINANCIAL REVIEW

Airports operate in a long-term environment, making investments that will meet demand over a number of years. For example, capital projects such as the terminal buildings that the Airport Authority is investing in today will service passengers for decades to come. As such, the Airport Authority takes a long-term approach to financial management and planning.

The Airport Authority earns revenue from three main sources:

- Aeronautical revenue—the Airport Authority collects landing and terminal fees to recover the operating and capital costs related to airline operations. This revenue amounted to \$129.4-million in 2007, down from \$134.1-million in 2006. The decrease was driven by the Airport Authority's decision to reduce international landing fee rates to the same level as domestic rates.
- Non-aeronautical revenue—this includes revenue from concessions, such as duty free and car rentals, as well as car parking and terminal and land rents. Revenue from these sources increased to \$141.7-million in 2007, up from \$140.2-million in 2006, due mainly to passenger growth and an associated increase in car parking, food and beverage and car rental concession revenue.
- Airport Improvement Fee (AIF)—the revenue earned from aeronautical and non-aeronautical sources is not sufficient to cover both the costs of operating the airport and the required capital projects. To fund these capital projects, the Airport Authority collects an AIF. Total revenue earned from the fee in 2007 was \$97.2-million, up from \$89.5-million in 2006. The increase from 2006 was due to an increase in passengers to 17.5 million passengers in 2007, up from 16.9 million in 2006, as well as an adjustment in revenue submitted from a major carrier.

Non-AIF revenue goes towards covering the costs of operating the airport, which includes salaries, wages and benefits, materials, supplies and services, and payments in lieu of taxes and insurance. In 2007 these costs increased to \$117.2-million from \$110.8-million in 2006. These increases were due mainly to the costs of maintaining the new facilities that came into service during 2007, including the new International Terminal wing and Link Building, as well as wage rate increases under the collective agreement.

The Airport Authority uses a portion of its non-AIF revenue to pay rent to the federal government, which on a cash basis amounted to \$71.8-million in 2007, down from \$76.7-million in 2006.

The total cash needed to pay for capital projects can exceed the amount available after payment of operating costs, ground lease and interest costs. In these situations, debt financing is required. The Airport Authority takes a conservative approach to debt levels and strives to achieve a reasonable balance between debt and sources of revenue. Debt carries an annual interest payment, which in 2007 amounted to \$28.5-million, up from \$22.8-million in 2006, due to debt issued in 2006 and the new debt issues in 2007, which are described below.

As required under generally accepted accounting principles, in the statement of operations, the cost of capital projects is spread over the useful life of the projects, as opposed to being recognized as total cash paid for the projects in the current year. This spreading of cost over the useful life is reflected as amortization on the statement of operations, which is a non-cash charge. Total amortization in 2007 amounted to \$66.5-million.

The Airport Authority realized a \$3.8-million gain on the U.S. dollar liabilities which were incurred with its acquisition of 100 per cent of YVR Airport Services in 2006. The Airport Authority also realized \$2.5-million in dividend revenue arising from bridge financing of the acquisition of 100 per cent of TradePort International, which operates the John C. Munro Hamilton International Airport, under YVR Airport Services. These gains were offset by the loss on fair value of \$7.3-million on the Airport Authority's holdings of asset backed commercial paper, which were subject to a market disruption in August 2007 and a subsequent restructuring.

Total excess of revenue over expenses, which includes amortization, was \$89.5-million in 2007, down from \$107.8-million in 2006. When amortization, a non-cash item, is removed, the Airport Authority generated \$128.5-million of net cash flow, prior to its investment in capital projects as described below.

During 2007, the Airport Authority invested \$289.7-million in capital projects. The capital projects included the airport portion of the Canada Line, the expansion of the International Terminal, construction of the Link Building between the International and Domestic Terminals, and hold baggage screening enhancements.

In order to pay for these capital projects, the following amounts were used:

- Net cash flow (excluding AIF) of \$35.2-million.
- Net AIF in the amount of \$93.3-million.
- Cash available from the previous year in the amount of \$161.5-million, which had been set aside to fund capital projects in 2007.

These amounts in total were just sufficient to pay for the 2007 capital project costs.

During the course of 2007, the Airport Authority borrowed \$200-million through the issuance of eight-year debentures, which are to be repaid on November 13, 2015. The amounts borrowed were used to:

- Repay the \$150-million floating rate notes (FRN), issued in 2006, which were required to be repaid in November, 2007.
- Provide cash to be used to fund capital projects in 2008. The Airport Authority expects a similar situation in 2008, where cash needed for capital projects exceeds operating cash flow plus AIF, with the shortfall being met by use of these and other borrowed funds.

## UNAUDITED NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### VANCOUVER AIRPORT AUTHORITY

December 31, 2007, with comparative figures for 2006 (In thousands of dollars)

	2007	2006
<b>Assets</b>		
<b>CURRENT ASSETS:</b>		
Cash and short-term investments	\$ 50,283	\$ 161,459
Accounts receivable	27,233	23,712
Other receivables	4,067	6,442
Current portion of net investment in lease (note 3)	307	248
Other current assets	6,311	5,111
	<b>88,201</b>	<b>196,972</b>
Deferred financing costs (note 2(b))	–	2,728
Net investment in lease (note 3)	10,160	10,467
Long-term receivables (note 4)	913	1,163
Investment in subsidiaries (note 5)	52,570	47,070
Capital assets (note 6)	1,401,199	1,177,939
Other long-term asset (note 10(b))	2,717	–
Prepaid ground lease (note 17(a))	17,310	11,128
Other long-term investments (note 19(c))	26,425	–
	<b>\$ 1,599,495</b>	<b>\$ 1,447,467</b>
<b>Liabilities and Net Assets</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 70,501	\$ 74,970
Notes payable (note 7)	–	150,000
Deferred ground lease payments (note 9)	2,053	2,053
Current portion of other long-term liabilities (note 10(b))	1,000	–
	<b>73,554</b>	<b>227,023</b>
Deferred revenue	5,010	5,845
Debentures (note 8)	546,441	350,000
Deferred ground lease payments (note 9)	14,370	16,423
Other long-term liabilities (note 10)	23,809	25,639
Deferred capital contributions (note 11)	84,103	60,195
	<b>747,287</b>	<b>685,125</b>
<b>NET ASSETS:</b>		
Invested in capital assets (note 12)	770,655	617,744
Unrestricted net assets	81,553	144,598
	<b>852,208</b>	<b>762,342</b>
	<b>\$ 1,599,495</b>	<b>\$ 1,447,467</b>
Commitments and contingencies (note 17)		
Guarantees (note 20)		
Subsequent event (note 22)		

See accompanying notes to non-consolidated financial statements.

## UNAUDITED NON-CONSOLIDATED STATEMENT OF OPERATIONS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007, with comparative figures for 2006 (In thousands of dollars)

	2007	2006
<b>REVENUE:</b>		
Landing fees	\$ 36,361	\$ 44,097
Terminal fees	93,017	90,032
Concessions	62,878	62,617
Airport improvement fees	97,239	89,451
Car parking	29,952	28,788
Rentals, fees and miscellaneous	36,707	35,316
Grant revenue (notes 11 and 13)	12,182	13,453
	<u>368,336</u>	<u>363,754</u>
<b>EXPENSES:</b>		
Salaries, wages and benefits	34,948	33,128
Materials, supplies and services	65,687	60,566
Payment in lieu of taxes, insurance and other	16,576	17,089
Amortization	66,459	56,589
	<u>183,670</u>	<u>167,372</u>
<b>OTHER EXPENSES:</b>		
Ground lease (note 17(a))	65,619	65,660
Interest and financing charges	28,547	22,807
	<u>94,166</u>	<u>88,467</u>
Excess of revenue over expenses before undernoted items:	90,500	107,915
Dividend revenue (note 5)	2,500	-
Foreign exchange gain (loss) on other long-term liabilities (note 10(a))	3,830	(124)
Loss on fair value of other long-term investments (note 19(c))	(7,345)	-
Excess of revenue over expenses	<u>89,485</u>	<u>107,791</u>

See accompanying notes to non-consolidated financial statements.

## UNAUDITED NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007, with comparative figures for 2006 (In thousands of dollars)

	INVESTED IN CAPITAL ASSETS (NOTE 12)	UNRESTRICTED	2007	2006
Balance, beginning of year	\$ 617,744	\$ 144,598	\$ 762,342	\$ 654,551
Transition adjustment on adoption of financial instrument standards (note 2(b))	3,109	(2,728)	381	-
Excess (deficiency) of revenue over expenses	(60,841)	150,326	89,485	107,791
Net change in invested in capital assets (net)	210,643	(210,643)	-	-
Balance, end of year	<u>\$ 770,655</u>	<u>\$ 81,553</u>	<u>\$ 852,208</u>	<u>\$ 762,342</u>

See accompanying notes to non-consolidated financial statements.

## UNAUDITED NON-CONSOLIDATED STATEMENT OF CASH FLOWS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007, with comparative figures for 2006 (In thousands of dollars)

	2007	2006
Cash provided by (used for):		
<b>OPERATIONS:</b>		
Excess of revenue over expenses	\$ 89,485	\$ 107,791
Items not involving cash:		
Amortization of capital assets	66,459	56,589
Amortization of deferred capital contributions	(5,618)	(5,825)
Amortization of discount on debentures	6	13
Amortization of deferred financing costs	525	257
Amortization of lease inducement asset	283	–
Loss on disposal of capital assets	6	27
Foreign exchange (gain) loss on other long-term liabilities (note 10(a))	(3,830)	124
Loss on fair value of other long-term investments (note 19(c))	7,345	–
Changes in non-cash operating working capital (note 21(a))	(12,997)	16,405
	141,664	175,381
<b>FINANCING:</b>		
Issuance (repayment) of notes payable (note 7)	(150,000)	150,000
Repayment of debentures	–	(150,000)
Issuance of debentures (note 8)	200,000	200,000
Increase in deferred financing fees	(981)	(1,556)
Decrease in deferred revenue	(835)	(835)
Deferred capital contributions	29,526	9,182
Decrease in deferred ground lease (note 9)	(2,053)	(2,053)
	75,657	204,738
<b>INVESTMENTS:</b>		
Decrease in marketable securities	–	59,937
Increase in other long-term investments (note 19(c))	(33,770)	–
Additions of capital assets	(289,733)	(315,865)
Proceeds on disposal of capital assets	8	8
Increase in investment in subsidiaries (note 5)	(5,500)	(11,598)
Decrease in long-term receivables	250	231
Decrease in net investment in lease	248	197
	(328,497)	(267,090)
Increase (decrease) in cash	(111,176)	113,029
Cash, beginning of year	161,459	48,430
Cash, end of year	\$ 50,283	\$ 161,459

Cash is defined as cash and short-term investments.

Supplementary cash flow information (note 21)

See accompanying notes to non-consolidated financial statements.

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 1. OPERATIONS:

The Vancouver Airport Authority (the "Airport Authority") is incorporated under Part II of the Canada Corporations Act as a not-for-profit corporation. The Airport Authority is governed by a Board of Directors, of whom nine members are appointed by the Government of Canada and various government and professional bodies, up to five directors are appointed by the Board from the community at large, and one seat on the Board is held by the President and CEO of the Airport Authority.

The Airport Authority operates the Vancouver International Airport (the "Airport") pursuant to a lease of most of Sea Island, Richmond, British Columbia, from the Government of Canada (the "ground lease").

#### 2. SIGNIFICANT ACCOUNTING POLICIES:

##### (a) PRESENTATION AND BASIS OF ACCOUNTING:

These non-consolidated financial statements have been prepared in accordance with the significant accounting policies described herein pursuant to the Trust Indenture Agreement (the "Trust Indenture") dated December 6, 1996, one Supplemental Indenture dated November 14, 2006, two dated December 7, 2006 and one dated November 14, 2007. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because the Airport Authority's wholly-owned subsidiaries are accounted for using the cost method. The Airport Authority also distributes audited consolidated financial statements prepared for the same period in accordance with Canadian generally accepted accounting principles.

##### (b) FINANCIAL INSTRUMENTS:

On January 1, 2007, the Airport Authority adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, and Section 3861, *Financial Instruments – Disclosure and Presentation*, and Section 3865, *Hedges*. These standards have been retroactively applied, but prospectively presented (through a transitional adjustment to opening net assets) and, as such, comparative amounts for prior periods have not been restated.

Under these standards, financial assets are classified as one of the following: held for trading, available-for-sale, loans and receivables or held-to-maturity. Financial liabilities are classified as held for trading or other liabilities. Financial assets and liabilities held for trading are measured at fair value with gains and losses recognized in the statement of revenue and expenses. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost. Financial assets available-for-sale are measured at fair value with changes in fair value recognized in the statement of changes in net assets until realized. All derivatives, including embedded derivatives are generally classified as held for trading.

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued):

##### (b) FINANCIAL INSTRUMENTS (continued):

The new standards permit designation of any financial instrument as held for trading upon initial recognition. This designation requires that the fair value of the financial instrument be reliably measured.

The impact of applying the new standards is described below:

##### Investments

All of the Airport Authority's short and other long-term investments held on January 1, 2007 or acquired subsequently are designated as held for trading investments under the new standards. Purchases and sales of investments are recorded on a trade date basis. Held for trading investments are measured at fair value with realized and unrealized gains and losses included on the statement of operations. Further information with regard to the Airport Authority's holdings of non-bank sponsored Asset Backed Commercial Paper ("ABCP") is set out in note 19(c).

##### Financing costs and the effective interest rate method

The new standards require the Airport Authority to recognize all transaction costs relating to the acquisition of financing in the statement of operations or to be included in the debt balances and recognized as an adjustment to interest expense over the life of the debt. The Airport Authority capitalizes transaction costs. The Airport Authority is also required to use the effective interest rate method to recognize debenture interest expense meaning the expense amount to be recognized varies over the life of the debt based on the principal outstanding. Previously, deferred financing costs were amortized on a straight-line basis and recorded as an interest expense.

As at January 1, 2007, the Airport Authority reclassified deferred financing costs of \$2,728,000 to notes payable and debentures. As a result of reflecting the effective interest method, opening net assets increased by \$381,000, with a corresponding decrease in notes payable of \$1,000 and debentures of \$380,000.

##### Derivatives

Upon adoption of the new standards, the Airport Authority reviewed all its outstanding contracts subsequent to the elected transition date of January 1, 2003 in accordance with Section 3855 to determine if any were derivatives or contained embedded derivatives. As at December 31, 2007, the Airport Authority had no such embedded derivatives.

##### Hedges

Section 3865 addresses the accounting treatment for qualifying hedging relationships and the necessary disclosures and also requires all derivatives to be recorded at fair value. As at December 31, 2007, the Airport Authority had no financial derivative contracts outstanding.

##### (c) ACCOUNTING CHANGES:

Effective January 1, 2007, the Airport Authority adopted CICA Handbook Section 1506, Accounting Changes. Under this section, voluntary changes in accounting policy are allowed only if they result in the financial statements providing reliable and more relevant information and that new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The Airport Authority was not affected by the adoption of this new section.

Effective January 1, 2008, the Airport Authority will be adopting the following new sections of the CICA Handbook that were issued but not yet effective as of December 31, 2007:

- (i) Section 3031, Inventories, provides more guidance on the measurement and disclosure requirements for inventories; the new standard allows the reversals of previous write-downs to the net realizable value when there is a subsequent increase in the value of inventories. This accounting standard will be applied retrospectively and is anticipated to have no material impact on the financial statements of the Airport Authority.
- (iii) Sections 3862 and 3863, Financial Instruments – Disclosures and Presentation, respectively, establish standards for the presentation of financial instruments and non-financial derivatives, and require additional disclosure of the nature and extent of an entity's exposure to risks arising from financial instruments and how the entity manages those risks.

##### (d) CASH AND SHORT-TERM INVESTMENTS:

Cash and short-term investments include securities that, on acquisition are designated as held for trading, have an initial term to maturity of three months or less.

##### (e) INVENTORY:

Inventory, which is included in other current assets, is valued at the lower of cost and replacement value.

##### (f) CAPITAL ASSETS:

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

Buildings and other structures	2.5% to 10%
Runways and other paved surfaces	3.3% to 33%
Machinery and equipment	6.7% to 20%
Furniture and fixtures	6.7% to 20%
Computer equipment and software	10% to 100%

The art collection is recorded at cost with no amortization.

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued):

##### (g) DEFERRED FINANCING COSTS:

Deferred financing costs, offset against the debentures issued, represent the unamortized cost of the issue of the debentures, including the related discount. Amortization is provided using the effective interest method over the term of the related debenture.

##### (h) DEFERRED REVENUE:

Deferred revenue represents premiums received from tenants of preferential locations, prepaid rents and licenses received from tenants and operators in advance, which is deferred and amortized over the terms of the related agreements. The current portion of deferred revenue is included in accounts payable and accrued liabilities.

##### (i) REVENUE RECOGNITION:

The Airport Authority follows the deferral method of accounting for contributions whereby 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. The Airport Authority does not receive any endowment contributions. Grants received to offset specific operating costs are recorded as revenue. Grants towards capital are deferred and brought into income on a basis consistent with the amortization of the related capital assets.

Revenue is recognized as follows:

- Aeronautical charges, which consist of landing and terminal fees, are recognized as revenue when airport facilities are utilized.
- Concession revenue is recognized based on the greater of agreed percentages of reported concessionaire sales and specified minimum rentals over the terms of the respective leases.
- Revenue from Airport Improvement Fees ("AIF"), which is collected from passengers by air carriers, is recognized based on monthly remittances from air carriers.
- Car parking revenue is recognized when airport facilities are utilized.
- Rental revenue is recognized over the terms of the respective leases.

##### (j) GROUND LEASE EXPENSES:

Ground lease expenses are charged to operations on an accrual basis. The ground lease has been accounted for as an operating lease.

##### (k) TAXES:

Income arising from the operation of the Airport Authority is exempt from federal and provincial income taxes.

A payment in lieu of taxes is made for municipal services.

##### (l) EMPLOYEE FUTURE BENEFITS:

The Airport Authority has a contributory defined benefit pension plan which covers employees of the Airport Authority who, immediately prior to joining the Airport Authority, were employees of the Federal Public Service; a defined contribution plan which covers new employees who have joined the Airport Authority since June 1992; and an unfunded defined contribution plan which covers its senior executives.

The Airport Authority accrues its obligations under these plans as the employees render the service necessary to earn the employment benefits.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value.

Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the defined pension plan is 9 years.

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

##### (m) USE OF ESTIMATES:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of accrued revenue, net recoverable value of assets, useful lives for amortization, valuation of ABCP and provisions for contingencies. Actual results could differ from those estimates.

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 3. NET INVESTMENT IN LEASE:

During 2002, the Airport Authority acquired a cargo facility for cash consideration of \$11,254,000 which was then leased back to the vendor under an agreement expiring December 31, 2019. The Airport Authority's net investment in the direct financing lease consists of:

	2007	2006
Minimum lease payments receivable	\$ 20,667	\$ 22,265
Unearned income	(10,200)	(11,550)
	10,467	10,715
Less current portion	307	248
	\$ 10,160	\$ 10,467

At December 31, 2007, the future minimum lease payments receivable under the direct financing lease are as follows:

2008	\$ 1,621
2009	1,646
2010	1,670
2011	1,696
2012	1,721
Thereafter	12,313
	\$ 20,667

#### 4. LONG-TERM RECEIVABLES:

The Airport Authority has long-term repayment schedules over 3 to 4 years with tenants for repayments of leasehold improvements. The Airport Authority receives interest calculated at approximately 8.5% annually.

	2007	2006
Long-term receivables	\$ 1,163	\$ 1,394
Less current portion	250	231
	\$ 913	\$ 1,163

The current portion of long-term receivables is included in accounts receivable.

#### 5. INVESTMENT IN SUBSIDIARIES:

The amount comprises investments in Vancouver Airport Enterprises Limited ("VAEL") which through its subsidiary, YVR Airport Services Ltd. ("YVRAS"), invests in and manages a number of airports across Canada and around the world, and through YVR Project Management Ltd. ("YVRPM"), which provides capital project management services.

Initial investments in VAEL	\$ 9,957
Acquisition of the non-controlling interest in YVRAS in 2006:	
Consideration given in cash	11,598
Subsequent amounts due, recognized as other long-term liabilities (USD \$22,000)	25,515
Investment in subsidiaries at December 31, 2006	47,070
Additional investment	5,500
Investment in subsidiaries at December 31, 2007	\$ 52,570

On March 15, 2006, the Airport Authority, through its subsidiary VAEL, increased its control of YVRAS, from 54.8% to 100.0% by acquiring control of CDC Airport Investments (Canada) Ltd. ("CAIC") (a subsidiary of CDC Group PLC ("CDC"), a UK public company) which owned the remaining common and preferred shares of YVRAS. The purchase price consists of consideration of \$15,809,000 (USD \$13,631,000) and \$21,304,000 (USD \$18,369,000) for the preferred and common shares, respectively, with certain additional amounts for the purchase of common shares that are contingent on future specified changes in investments held by YVRAS. The contingent consideration will be accounted for as additional purchase price as the contingencies are resolved and the amounts payable become fixed and/or determinable.

VAEL, through funds received from the Airport Authority, paid \$11,598,000 (USD \$10,000,000) and \$1 (USD \$1) of the purchase price for the preferred and common shares, respectively, of YVRAS upon closing. The remaining amounts, to be funded by additional equity contributions into VAEL by the Airport Authority, are payable as follows for the respective shares:

	Preferred shares (USD \$)	Common shares (USD \$)
March 15, 2009	\$ 3,631	\$ 13,369
March 15, 2011	-	5,000
	\$ 3,631	\$ 18,369

On January 1, 2007, YVRAS and CDC Airport Investments (Canada) Ltd. ("CAIC") completed a short form amalgamation and continued as YVRAS. The issued and outstanding common and preferred shares of YVRAS were cancelled effective January 1, 2007. CAIC share capital structure continued with a total of 13,631,000 issued and outstanding common shares owned by VAEL. YVRAS became a wholly owned subsidiary of VAEL. Prior to the completion of the 2006 fiscal year, both CAIC and YVRAS had to effect temporary name changes to facilitate the short form amalgamation.

In March 2007, the Airport Authority invested an additional \$5,500,000 in VAEL. These funds, through YVRAS, were used to increase its control of TradePort International Corporation ("TradePort") from 62.33% to 100%. As part of the financing arrangement of this transaction, the Airport Authority received a \$2,500,000 dividend indirectly from YVRAS.

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 6. CAPITAL ASSETS:

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Buildings and other structures	\$ 903,594	\$ 224,596	\$ 678,998	\$ 518,693
Runways and other paved surfaces	341,020	90,371	250,649	241,532
Machinery and equipment	35,163	16,271	18,892	13,911
Furniture and fixtures	21,011	12,824	8,187	5,832
Computer equipment and software	62,070	35,151	26,919	21,212
Art collection	4,823	–	4,823	4,120
Construction-in-progress	412,731	–	412,731	372,639
	\$ 1,780,412	\$ 379,213	\$ 1,401,199	\$ 1,177,939

#### 7. NOTES PAYABLE:

Upon maturity on November 14, 2007, the Airport Authority repaid \$150,000,000 of unsecured floating rate notes ("FRNs"). Total interest paid on the FRNs was \$6,774,000.

#### 8. DEBENTURES:

	2007	2006
Amended Series B 7.425%, due December 7, 2026	\$ 150,000	\$ 150,000
Series D 4.424%, due December 7, 2018	200,000	200,000
Series E 5.020%, due November 14, 2015	200,000	–
	550,000	350,000
Less unamortized deferred financing costs	3,559	–
	\$ 546,441	\$ 350,000

The Series B debentures are issued under the Trust Indenture dated December 6, 1996. The Airport Authority received approval from holders of the Series B debentures to make changes to the Trust Indenture by way of a Supplemental Indenture dated December 7, 2006. These changes include increasing the limitation on guarantees and investments, and updating accounting terminology. To permit these changes, the debenture holders required that the Airport Authority increase the coupon on its Series B debentures by 5 basis points to 7.425%.

The Series D and Series E debentures are issued under Supplemental Indentures dated December 7, 2006 and November 14, 2007, respectively. The Series E debentures were issued November 14, 2007 to refinance the \$150,000,000 FRN maturity (note 7), with the remaining \$50,000,000 being used to finance capital expenditures and to meet general corporate requirements.

The effective interest rates on the Series B, D and E debentures are 7.530%, 4.484% and 5.094%, respectively.

The debentures are direct, unsecured and subordinated obligations of the Airport Authority. Interest is payable semi-annually in arrears in June and December for Series B and D and in May and November for Series E. The debentures are redeemable at the option of the Airport Authority, in whole or in part, at any time. The redemption price is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond plus a premium. The premium is 0.15% for the Series B debentures, 0.125% for the Series D debentures, and 0.20% for the Series E debentures.

While the debentures are outstanding, the Airport Authority is required to maintain an interest coverage ratio of not less than 1.25:1. Any further new issues of debt with a maturity of 12 months or longer are subject to a minimum interest coverage ratio of 1.75:1 on a pro-forma basis. The Trust Indenture also places certain limitations on the Airport Authority in the areas of encumbrances of assets, sales of assets and acquisitions of corporations.

#### 9. DEFERRED GROUND LEASE PAYMENTS:

Between July 2003 and June 2005, the Airport Authority deferred a total of \$20,529,000 of ground lease payments due to Transport Canada under an arrangement whereby Transport Canada provided temporary relief to Canadian airports, which suffered declines in passenger traffic resulting from international events in 2001 through 2003.

Repayments are interest free over a ten-year period, commencing January 1, 2006. As at December 31, 2007, the Airport Authority has repaid a total of \$4,106,000 (2006 – \$2,053,000) of rent deferrals to Transport Canada (note 17(a)).

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 10. OTHER LONG-TERM LIABILITIES:

	2007	2006
(a) Due to VAEL (USD \$22,000)	\$ 21,809	\$ 25,639
(b) Lease inducement liability	3,000	-
Other long-term liabilities	24,809	25,639
Less current portion of other long-term liabilities	1,000	-
Other long-term liabilities	\$ 23,809	\$ 25,639

(a) As part of the acquisition of the non-controlling interest in YVRAS in March 2006 by VAEL, the Airport Authority committed USD \$22,000,000 as an additional investment in VAEL to fund the acquisition. VAEL is committed to pay USD \$17,000,000 in 2009 and USD \$5,000,000 in 2011, subject to adjustments. A foreign exchange gain of \$3,830,000 represents the adjustment necessary to translate this US denominated long-term liability to the exchange rate in effect on December 31, 2007.

(b) On March 1, 2007, the Airport Authority agreed to provide a concession operator a \$3,000,000 rent credit, payable at \$1,000,000 per year in each of 2008, 2009, and 2010. This lease inducement is recognized against revenue evenly over the life of the lease term of 8 years and 10 months. As at December 31, 2007, the lease inducement asset of \$2,717,000 is included in other long-term assets on the statement of financial position, \$283,000 has been recognized as an offset to revenue, and a corresponding \$3,000,000 rent credit is accrued as part of other long-term liabilities.

#### 11. DEFERRED CAPITAL CONTRIBUTIONS:

	2007	2006
Canadian Air Transport Security Authority ("CATSA")	\$ 97,554	\$ 68,039
Other	707	696
	98,261	68,735
Accumulated amortization	(14,158)	(8,540)
Ending balance	\$ 84,103	\$ 60,195

The Airport Authority receives funding from CATSA towards certain security infrastructure upgrades. The funds received are deferred and brought into income as grant revenue consistent with the amortization of the related capital assets.

#### 12. INVESTED IN CAPITAL ASSETS:

##### (a) INVESTED IN CAPITAL ASSETS IS DETERMINED AS FOLLOWS:

	2007	2006
Capital assets	\$ 1,401,199	\$ 1,177,939
Amounts financed by:		
Deferred capital contributions	(84,103)	(60,195)
Debentures and FRNs	(546,441)	(500,000)
	\$ 770,655	\$ 617,744

##### (b) DEFICIENCY OF REVENUE OVER EXPENSES:

	2007	2006
Amortization of deferred capital contributions	\$ 5,618	\$ 5,825
Amortization of capital assets	(66,459)	(56,589)
	\$ (60,841)	\$ (50,764)

##### (c) NET CHANGE IN INVESTED IN CAPITAL ASSETS:

	2007	2006
Purchase of capital assets	\$ 289,733	\$ 315,865
Amounts funded by deferred capital contributions	(29,526)	(9,182)
Proceeds from disposal of capital assets	(8)	(8)
Loss on disposal of capital assets	(6)	(27)
Repayment of FRNs	150,000	-
Repayment of debentures	-	150,000
Issuance of debentures	(200,000)	(350,000)
Deferred financing fees	981	-
Amortization of deferred financing fees	(525)	-
Amortization of discount on debentures	(6)	-
	\$ 210,643	\$ 106,648

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 13. OPERATING CONTRIBUTIONS:

During 2002, the Airport Authority entered into a policing contribution agreement with CATSA. CATSA contributes to the costs of policing incurred by the Airport Authority. Contributions are determined annually by CATSA up to a maximum amount not to exceed the actual allowable costs incurred by the Airport Authority in providing these services. This agreement is to be extended annually as required and recorded as grant revenue.

#### 14. BANK OPERATING LINE:

During 2007, the Airport Authority increased its unsecured bank operating line to \$200,000,000 (2006 – \$75,000,000), \$100,000,000 of which is subject to the Landlord's acknowledgement and consent not yet received as at December 31, 2007. Interest is charged at a rate of prime.

#### 15. AIF – USE OF FUNDS:

The AIF is collected on the airline ticket by air carriers under an agreement between several Canadian airport authorities, air carriers and the Air Transport Association of Canada. Under this agreement, consistent with past practice and policy, the AIF may only be used to pay for the capital and related financing costs of airport infrastructure development as jointly agreed with the air carriers. During the year, the Airport Authority recorded \$96,356,000 (2006 – \$88,655,000) main terminal AIF revenue, and main terminal AIF eligible capital expenditures totaled \$260,193,000 (2006 – \$306,547,000). To December 31, 2007, the cumulative AIF revenue totaled \$854,765,000 (2006 – \$758,575,000), and cumulative AIF eligible expenditures totaled \$1,732,882,000 (2006 – \$1,472,689,000).

#### 16. EMPLOYEE FUTURE BENEFITS:

##### (a) FUNDED PENSION PLANS:

###### Defined contribution plans:

The Airport Authority participates in a Registered Retirement Savings Plan ("RRSP") which covers employees who have joined the Airport Authority since June 1992. Employees covered by this plan are required to contribute 6% of their earnings and the Airport Authority contributes equal amounts. Total contributions included in the pension expense for 2007 were \$1,267,000 (2006 – \$1,055,000).

The Airport Authority participates in a defined contribution plan, which covers some of the senior executives who are also in an unfunded supplementary plan discussed in (b) below. Pension expense for the supplementary plan for the year ended December 31, 2007 was \$10,100 (2006 – \$11,600). Some senior executives are also provided a Retirement Compensation Arrangement (RCA). Contributions to the RCA in 2007 totaled \$2,300,000 (2006 – \$628,000).

###### Defined benefit plan:

The Airport Authority's and YVRAS' contributory defined benefit pension plan covers employees of the Airport Authority and YVRAS who, immediately prior to joining the Airport Authority or YVRAS, were employees of the Federal Public Service and were accruing pension benefits under the Public Service Superannuation Act. The pension plan provides benefits based on length of service and the best six years' average earnings.

The Airport Authority measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year, using a measurement date of October 31. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2006. The next valuation will be as of December 31, 2007, the results of which are expected to be available during the year ending December 31, 2008.

Information regarding the Airport Authority's defined benefit pension plans is as follows:

	2007	2006
Accrued benefit obligation:		
Balance, beginning of year	\$ 43,149	\$ 38,970
Current service cost	1,380	1,337
Interest cost	2,303	2,197
Benefits paid	(1,316)	(735)
Actuarial losses	(4,208)	1,380
	41,308	43,149
Fair value of plan assets:		
Balance, beginning of year	37,158	32,638
Actual return on plan assets	1,916	3,629
Employer contributions	982	1,332
Employee contributions	274	294
Benefits paid	(1,316)	(735)
	39,014	37,158
Deficiency of plan assets	(2,294)	(5,991)
Unamortized net actuarial loss	4,354	8,324
Unamortized transitional obligation	(1,108)	(1,477)
Accrued benefit asset	\$ 952	\$ 856

The accrued benefit asset is included in other current assets.

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 16. EMPLOYEE FUTURE BENEFITS (continued):

##### (a) FUNDED PENSION PLANS (continued):

###### Defined benefit plan (continued):

Plan assets (measured as of the measurement date of October 31 each year) comprise:

	2007	2006
Asset category:		
Equity shares	54.2%	59.5%
Debt securities	30.8%	32.2%
Cash and short-term investments	15.0%	8.3%
Total	100.0%	100.0%

The significant assumptions used are as follows (weighted average):

	2007	2006
Accrued benefit obligation as of December 31:		
Discount rate	5.75%	5.25%
Rate of compensation increase	4.00%	4.00%
Benefit costs for years ended December 31:		
Discount rate	5.25%	5.55%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	4.00%	4.00%

The elements of the Airport Authority's and YVRAS' defined benefit plan costs recognized in the year are as follows:

	2007	2006
Current service cost, net of employees' contributions	\$ 1,106	\$ 1,042
Interest cost	2,303	2,197
Actual return on plan assets	(3,283)	(1,002)
Actuarial losses	(4,208)	1,380
Employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	(4,082)	3,617
Adjustments to recognize the long-term nature of employee future benefit costs:		
Difference between expected return and actual return on plan assets for the year	684	(1,313)
Difference between actuarial gain recognized for year and actual actuarial gain on accrued benefit obligation for year	4,654	(835)
Amortization of the transitional obligation	(369)	(369)
Defined benefit costs recognized	\$ 887	\$ 1,100

##### Total cash payments:

Total cash payments for employee future benefits for the year ended December 31, 2007, consisting of cash contributed by the Airport Authority to its funded pension plans (the defined benefit plan, defined contribution plans and RCA) were \$4,559,000 (2006 – \$3,027,000).

##### (b) UNFUNDED PENSION PLANS:

The Airport Authority participates in supplementary plans for its senior executives, along with some of the senior management and YVRAS executives.

Pension expense for 2007 was \$807,000 (2006 – \$827,000). Based on an actuarial report prepared as at December 31, 2006, the accrued benefit obligation as at December 31, 2007 was \$5,505,000 (2006 – \$5,196,000).

#### 17. COMMITMENTS AND CONTINGENCIES:

##### (a) GROUND LEASE:

The ground lease governs both the economic and day-to-day relations between the Airport Authority and the Government of Canada for a term ending June 30, 2052. The lease provides the option to extend the term for a further twenty years.

The ground lease requires that the Airport Authority operate the Airport as a "first class international airport" and that, as the operator, the Airport Authority exercise sound business judgment.

Under the ground lease, Transport Canada is required to assume all costs associated with environmental remediation in the event an order is issued by an appropriate government agency requiring the clean-up of any noxious or hazardous substance when such substance was present prior to the commencement of the ground lease on July 1, 1992. Transport Canada has taken the position that payment is contingent upon the actual issue of a direction from a government agency requiring the clean-up. The Airport Authority is of the view that compliance with the law, the ground lease and the general duty to the environment are the tests. These matters are under active discussion.

On May 9, 2005, the Government of Canada announced the adoption of a new rent policy that resulted in reduced rent for Canadian airport authorities, including the Airport Authority. This reduced rent formula is being phased in over a period of four years, beginning in 2006, during which the rent is fixed. Subsequent to 2009, the rent will be based on percentages of gross revenue on a progressive scale.

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 17. COMMITMENTS AND CONTINGENCIES (continued):

##### (a) GROUND LEASE (continued):

During the four year period, rent expense will be recorded on a straight-line basis. As a result, the ground lease payments made in excess of the ground lease expense during the year have been recorded as a prepaid ground lease expense. The amount of prepaid ground lease to-date is \$17,310,000 (2006 – \$11,128,000).

Projected lease expense and payments (including repayments of deferred ground lease payments –note 9) under the amended ground lease for the three years, are as follows:

		Lease expense		Lease payments
2008	\$	65,619	\$	66,435
2009		65,619		51,598

##### (b) CAPITAL AND OPERATING COMMITMENTS:

In connection with the construction of certain capital projects, the Airport Authority has capital commitments outstanding as at December 31, 2007 of approximately \$52,671,000 (2006 – \$120,353,000). In connection with operating the Airport, the Airport Authority has total operating commitments, as at December 31, 2007, of approximately \$13,400,000 (2006 – \$28,900,000). These commitments extend for periods of up to five years.

##### (c) CANADA LINE RAPID TRANSIT LINE INC. ("CLCO") (FORMERLY RICHMOND AIRPORT VANCOUVER RAPID TRANSIT LINE):

On January 24, 2005, the Airport Authority entered into an agreement with the South Coast British Columbia Transportation Authority ("SCBC") (formerly Greater Vancouver Transportation Authority) and CLCO, which is a wholly owned subsidiary of the SCBC, with respect to the funding and construction of the Canada Line rapid transit project (the "Project"). The Project involves the design, construction, implementation and operation of a rail-based rapid transit line running from central Richmond to the Vancouver Airport (the "YVR Connector") and downtown Vancouver. As part of the funding agreement, the Airport Authority has committed to fund up to \$300,000,000 (in 2003 dollars) towards the YVR Connector and common costs.

The agreement provides for the Airport Authority to develop, design and construct the YVR Connector. The YVR Connector will be owned by the Airport Authority. Upon completion of construction, the Airport Authority will lease the YVR Connector to SCBC, or a private partner, on terms satisfactory to the Airport Authority and SCBC.

The Airport Authority has contributed a total of \$218,700,000 (2006 – \$124,100,000) to CLCO towards the Project costs, which reduced the remaining contribution obligations of the Airport Authority. The amounts have been capitalized as construction-in-progress.

##### (d) LEGAL CLAIMS:

In the normal course of operations, the Airport Authority becomes involved in various claims and legal proceedings.

The Airport Authority has received notice of two claims from a contractor and service provider. Management of the Airport Authority believes that they will successfully defend these claims.

While the final outcome with respect to these and other claims and legal proceedings cannot be predicted with certainty, management believes that their resolution of these proceedings will not have a material adverse effect on the Airport Authority's financial position or the results of its operations.

#### 18. ECONOMIC DEPENDENCE:

The Airport Authority derives approximately \$47,900,000 (2006 – \$49,900,000) in aeronautical fees and rents from one airline and \$20,100,000 (2006 – \$22,600,000) in concession revenue from one concession operator.

#### 19. FINANCIAL INSTRUMENTS:

##### (a) CONCENTRATION OF CREDIT RISK:

The Airport Authority's revenue is dependent on the domestic, transborder and international air transportation industry. Due to this diversification, the concentration of credit risk is considered to be minimal. The Airport Authority believes that the cessation of operations of an airline would not have a material long-term effect on the Airport Authority's revenue or operations.

##### (b) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Airport Authority's financial instruments include cash and short-term investments, accounts receivable, other receivables, long-term receivables and accounts payable and accrued liabilities for which the carrying amounts approximate fair values. The amount due to VAEL (note 10(a)) has been recorded at the exchange amount. The fair value of other long-term investments is discussed below in note 19(c).

The fair value of the debentures at December 31, 2007 is estimated to be \$587,000,000 (2006 – \$541,000,000).

##### (c) OTHER LONG-TERM INVESTMENTS:

As at December 31, 2007, the Airport Authority held investments in non-bank sponsored ABCP with maturity values totaling \$33,770,000, which are included in other long-term investments.

During August 2007, disruptions occurred in the Canadian non-bank sponsored ABCP market that prevented some trusts from meeting their obligations regarding commercial paper maturities. On December 23, 2007, a restructuring plan was announced and is anticipated to be completed by March, 2008. This restructuring plan contemplates converting holdings in the affected trusts into new floating rate notes with a term to maturity matching that of the underlying assets.

## NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

### VANCOUVER AIRPORT AUTHORITY

Year ended December 31, 2007 (tabular amounts in thousands of dollars)

#### 19. FINANCIAL INSTRUMENTS (continued):

##### (c) OTHER LONG-TERM INVESTMENTS (continued):

There is uncertainty related to the outcome of the restructuring plan being considered for these securities and in estimating the amount and timing of cash flows in any restructuring. As a result, management has applied its best judgment to assess market conditions and, following a probability weighted cash flow model, has estimated the fair value of these securities at December 31, 2007. The valuation of each security has been limited by a lack of information about the underlying assets of each of the Trusts as the information has not been made available by them.

As a result of the valuation, the Airport Authority has recognized a loss on fair value of \$7,345,000 against the carrying value of the ABCP. This estimate of the fair value of the ABCP is subject to uncertainty. While management believes that its valuation technique is appropriate in the circumstances, changes in assumptions could affect the value to ABCP in the next fiscal quarters. The resolution of these uncertainties could be such that the ultimate fair value of these investments may vary from management's current best estimate and any such difference could affect the Airport Authority's financial results.

The Airport Authority has sufficient credit facilities to satisfy its financial obligations as they come due and does not expect a material adverse impact on its business as a result of the ABCP liquidity issue.

#### 20. GUARANTEES:

- (a) The Airport Authority has entered into a securities pledge agreement with CDC Airport Investments (Barbados) Ltd. which provides rights, title and interest in the YVRAS common and preferred shares, and related dividends, interest, or repayment of capital in respect thereof, in the event of default on any of the remaining amounts due in 2009 and 2011 relating to the acquisition of the remaining non-controlling interest of YVRAS by VAEL.
- (b) The Airport Authority, through one of its subsidiaries, YVR Airport Services (Cyprus) Limited ("YVRAS Cyprus"), made an investment in Hermes Airports Limited ("Hermes"), which holds the concession to develop and operate two airports in Cyprus (Pafos and Larnaka) over a period of twenty-five years commencing May 13, 2006.
- (c) YVRAS Cyprus has an 11.0% interest in Hermes, which was funded by an equity bridge facility established by Hermes. The security for this facility was provided by each shareholder in Hermes. YVRAS Cyprus share is secured by an irrevocable letter of credit guaranteed by the Airport Authority. The amount of this guarantee is EUR €6,655,000 (CAD \$10,200,000).
- (d) In certain circumstances, the Airport Authority has agreed to provide compensation to the security contractor providing security escorts to construction contractors working at the Airport should the construction contractor default on payments to the security contractor. The Airport Authority would then have the right to recover such compensation from the construction contractor.

#### 21. SUPPLEMENTARY CASH FLOW INFORMATION:

##### (a) CHANGES IN NON-CASH OPERATING WORKING CAPITAL:

	2007	2006
Increase in accounts receivable	\$ (3,521)	\$ (416)
Decrease in other receivables	2,375	4,340
Increase in other current assets	(1,200)	(1,692)
Increase in prepaid ground lease (note 17(a))	(6,182)	(11,128)
Increase (decrease) in accounts payable and accrued liabilities	(4,469)	25,301
	<u>\$ (12,997)</u>	<u>\$ 16,405</u>

##### (b) OTHER SUPPLEMENTARY INFORMATION:

	2007	2006
Supplementary information:		
Interest expense paid	\$ 26,760	\$ 20,888
Interest income received	2,338	2,740
Non-cash transaction:		
Lease inducement provided to a concession operator	3,000	-
Financial costs accounted for under effective interest method (note 2(b))	381	-
Additional investment payable to VAEL (note 5)	-	25,515

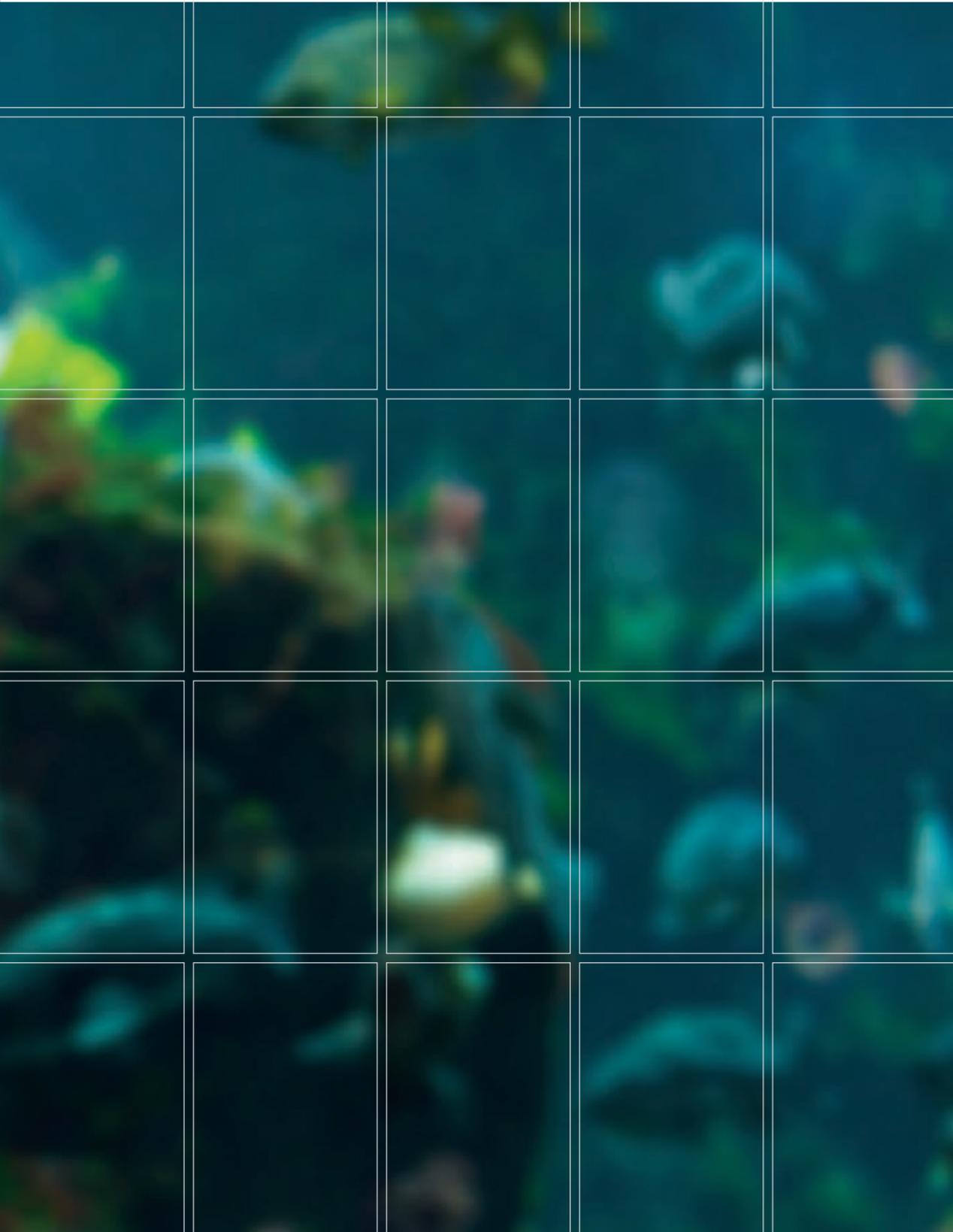
#### 22. SUBSEQUENT EVENT:

The Airport Authority and YVRAS have recently agreed to negotiate the issuance of a substantial common equity interest to a third party for cash. If this activity completes, YVRAS' capital will be substantially changed.

#### 23. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the year ended December 31, 2007.

The new International Terminal wing, completed in June 2007, features a 114,000-litre aquarium showcasing B.C.'s indigenous sea life.





## ENVIRONMENTAL

The Airport Authority's Environmental Management Plan seeks to minimize the impact of airport operations on the environment and surrounding communities. In 2007, the plan was reviewed and updated and work began on a Sustainability Strategy for the airport. The environmental portion of this strategy will replace the Environmental Management Plan; we anticipate having the strategy in place by the end of 2008, establishing new targets in key environmental areas such as reductions in air emissions, energy consumption and waste generation.

### ENVIRONMENTAL REPORTS AND PLANS

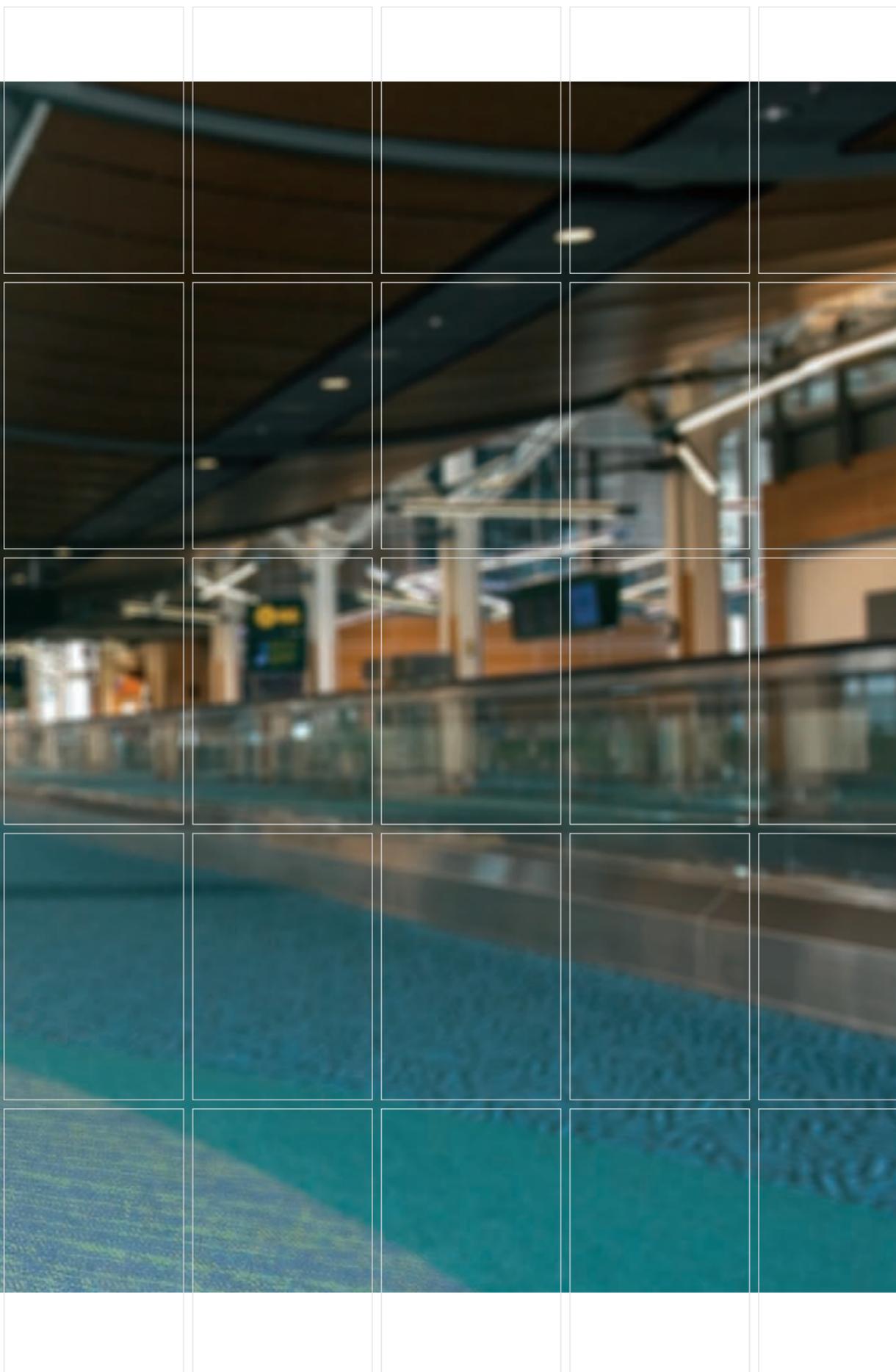
[www.yvr.ca](http://www.yvr.ca) → Airport Authority → Environment → Environmental Reports & Plans

The following table summarizes environmental performance indicators and results for 2007.

### 2007 ENVIRONMENTAL PERFORMANCE INDICATORS SUMMARY TABLE

	Measure	2007 Target	2007 Result	2008 Target
<b>AERONAUTICAL NOISE</b> Objective: Minimize aircraft noise disturbance on the community.	Number of violations of published noise abatement procedures	0	9 suspected violations are under investigation by Transport Canada	0
	Status of planned initiatives from 2004-2008 YVR Noise Management Plan	Completed 100% of Year 4 initiatives	Completed 75% of Year 4 initiatives	Completed 100% of Year 5 initiatives
<b>ENVIRONMENTAL IMPACT ASSESSMENT</b> Objective: Integrate environmental measures into design, construction and operation of all new projects.	Percentage of construction projects reviewed and approved by the Environment Department	100%	100%	100%
<b>HAZARDOUS MATERIALS</b> Objective: Minimize pollution that results from airport-related activities.	Number of fuel spills exceeding 100 litres	0	3	0
<b>RECYCLING</b> Objective: Decrease the amount of solid waste sent for disposal.	Total waste diverted from landfill from Airport Authority facilities, satellite locations and construction projects	Greater than 50% waste diversion	56%	Greater than 50% waste diversion
<b>WATER QUALITY</b> Objective: Minimize pollution that results from airport-related activities.	Water samples exceeding Canadian Glycol Guideline of 100 parts per million of glycol	0	2	0

YVR's Green Coat volunteers act as goodwill ambassadors, helping visitors navigate the airport by providing directions, information and translation services.





## SOCIAL

### SUPPORTING OUR COMMUNITIES

In 2007, we introduced a new, online system for submitting and tracking corporate donations, as well as new guidelines for our community investment donations, sponsorships and gifts-in-kind to focus our giving in three main areas: family and communities, First Nations, and employee-driven. As part of our guidelines, we established a target of approximately one per cent of excess of revenue over expenses for community investment contributions, including in-kind, which we will seek to meet in coming years.

The Airport Authority provided \$518,000 (excluding in-kind contributions), or approximately 0.6% of excess of revenue over expenses, to 85 charities or organizations through the community investment program in 2007.

### OUR PEOPLE

Our business is our people. To support a team of flexible and capable professionals, the Airport Authority strives to create a workplace where employees are fulfilled in their jobs. We support skills development, employee recognition, fitness and balance, and a safety-first work culture.

In 2007, for the second consecutive year, the Airport Authority was named one of B.C.'s top 40 places to work in a survey by Mediacorp Canada Inc. We received this distinction for a number of reasons, including our employee benefits program, wellness initiatives, opportunities for employee participation in decision making, performance recognition programs and flexible working conditions.

Also in 2007, for the second time since the award's introduction in 2004, the Airport Authority received the Healthy Workplace Award from the Psychologically Healthy Workplace Collaborative, an affiliate of the B.C. Psychological Association. The awards recognize organizations' commitment to providing a healthy work environment for employees through programs that address employee recognition, employee growth and development, work-family-life balance, and health and safety.

The Airport Authority's voluntary turn-over rate has increased over the last few years, in part reflecting a tight labour market in Vancouver with numerous career opportunities for those seeking advancement. Our average attendance rate has remained consistently high.

### TURN-OVER RATES (2003-2007)

	2003	2004	2005	2006	2007
Turn-over rate (voluntary resignations)	3.2%	3.3%	4.7%	5.9%	8.0%

### EMPLOYEE ATTENDANCE RATES (2003-2007)

	2003	2004	2005	2006	2007
Attendance (annual average percentage of employees present)	97%	98%	97%	97%	97%

The Airport Authority maintains a target of 35 hours of training per employee on average during normal work hours each year.

### EMPLOYEE TRAINING (2003-2007)

	2003	2004	2005	2006	2007
Total training hours (not including apprenticeship time)	17,745	13,450	16,264	14,758	18,244
Average training hours per full-time equivalent position (not including apprenticeship time)	55	41	45	40	48
Total apprenticeship hours	1,832	2,904	4,032	3,276	3,454
Total training and apprenticeship hours	19,577	16,536	20,296	18,065	21,698
Average training/apprenticeship hours per full-time equivalent position	60	50	57	48	58

One of the ways we measure our health and safety performance is by tracking the number of injuries that occurred that resulted in an employee missing work (lost-time injuries), the total number of days lost due to injury, and the frequency and severity of lost-time injuries. Our target for each of these indicators is zero.

#### HEALTH AND SAFETY KEY PERFORMANCE INDICATORS (2003-2007)

	2003	2004	2005	2006	2007
Lost-time injuries	2	4	2	5	3
Days lost due to injury	13	10	7	56	5
Frequency of lost-time injuries*	0.61	1.11	0.56	1.33	0.79
Severity of lost-time injuries**	3.94	2.78	1.94	14.94	1.32

\*Frequency rate = (Number of time-loss injuries x 200,000) / person-hours worked

\*\*Severity rate = (days lost x 200,000) / person-hours worked

The Airport Authority wants a workforce that reflects the vibrancy and diversity of the communities we serve. We comply with the Employment Equity Act and take measures to ensure fair employment practices across our organization.

We report our workforce demographics to the federal government, showing how each of the designated groups is represented within various occupational classifications. Demographic data are taken from a survey supplied to each employee to complete voluntarily in confidence. As such, numbers are based upon employees' self-identification as a member of a designated group.

Numbers are reported in June of each year for the previous year; therefore, the most recent statistics available are from 2006.

#### AIRPORT AUTHORITY DEMOGRAPHICS VS. LABOUR MARKET DEMOGRAPHICS (2005-2006)

DESIGNATED GROUP	AIRPORT AUTHORITY		METRO VANCOUVER/ NATIONAL LABOUR MARKET*	GAP	
	2005	2006		2005	2006
Women	34.4%	33.2%	28.7%	5.7%	4.5%
Aboriginal Peoples	0.9%	1.1%	1.3%	-0.4%	-0.2%
Persons with Disabilities	1.5%	1.4%	3.9%	-2.4%	-2.5%
Members of Visible Minorities	21.0%	22.3%	22.3%	-1.3%	0%

\* Information on women, Aboriginal Peoples and members of visible minorities in the labour market based on Metro Vancouver data collected through the 2001 census. Information on persons with disabilities in the labour market based on national data collected through the 2001 Participation Limitation Survey (PALS).

## **2007 AWARDS AND ACHIEVEMENTS**

### **AIRPORT OF CHOICE**

- No. 4 airport in the world (in the 15 million to 25 million passengers category), up from a No. 5 ranking in 2006, in Airports Council International's 2007 global airport survey of international passengers.
- International Air Transport Association's 2007 Eagle Award for outstanding performance in customer satisfaction, cost efficiency and continuous improvement.
- Top airport in North America and No. 8 in the world in a survey of international passengers conducted by U.K.-based Skytrax.
- Air Line Pilots Association's top airport for 2007.

### **A GREAT PLACE TO WORK**

- For the second consecutive year, one of B.C.'s top 40 places to work in a survey by Mediacorp Canada Inc.
- Healthy Workplace Award from the Psychologically Healthy Workplace Collaborative, for the second time since the award's introduction.

### **THE NEW FACE OF YVR**

- Top prize in the Corporate Branding Campaigns category of Airports Council International-North America's 2007 Excellence in Marketing & Communications Contest.

### **BEST ANNUAL REPORT**

- Unisource National Annual Report and Corporate Brochure Competition winner for the second consecutive year.
- Inclusion in the 2007 edition of the New York-based "Black Book," a publication featuring the top 100 annual reports from international submissions.
- Applied Arts Magazine award winner in the Annual Report Design category.

### **CONSTRUCTION**

- Three Golds and one Silver from the Vancouver Regional Construction Association's Annual Awards of Excellence in Projects for the new International Terminal wing project, led by YVR Project Management, and one Silver for the Link Building, led by the Airport Authority.
- Award of Merit from the Canadian Institute of Steel Construction for the Link Building project.

### **YVR AIRPORT SERVICES**

- B.C. Ministry of Economic Development and Canadian Manufacturers and Exporters' B.C. Export Company of the Year in the Professional and Services Category.

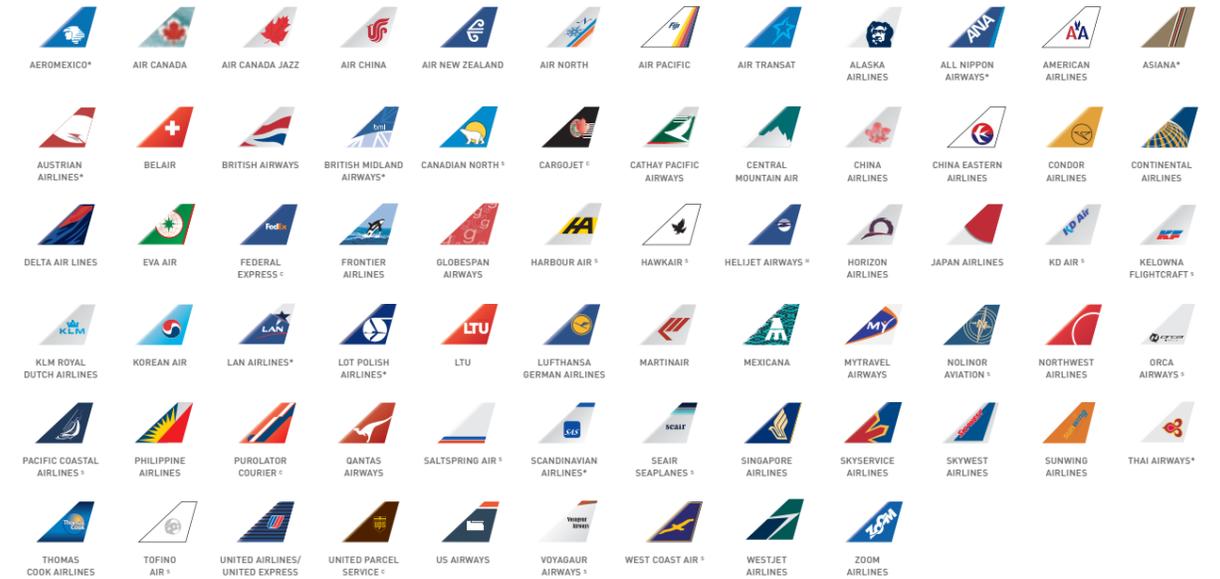


## YVR NON-STOP\* DESTINATIONS

\* Unless otherwise noted

B. C.	CANADA	U. S. A.	MEXICO	LATIN AMERICA
Anahim Lake	Calgary	Anchorage	Cancun	<b>COSTA RICA</b> Liberia <sup>C</sup>
Bella Bella <sup>3</sup>	Edmonton	Atlanta	Huatulco <sup>C</sup>	<b>CUBA</b> Santa Clara <sup>C</sup> Varadero <sup>C</sup>
Bella Coola	Montreal	Chicago	Ixtapa/Zihuatanejo	<b>DOMINICAN REPUBLIC</b> Puerto Plata <sup>C</sup>
Campbell River	Ottawa	Dallas	Manzanillo <sup>C</sup>	Punta Cana <sup>C</sup>
Castlegar	Regina	Denver	Mexico City	Santo Domingo <sup>3 C</sup>
Comox	Saskatoon	Detroit	Puerto Vallarta	<b>JAMAICA</b> Montego Bay <sup>C</sup>
Cranbrook	Toronto	Honolulu	San José del Cabo	<b>OCEANIA</b>
Dawson Creek	Whitehorse	Houston		<b>AUSTRALIA</b> Sydney
Fort Nelson <sup>3</sup>	Winnipeg	Kahului (Maui)	<b>ASIA</b>	<b>FIJI</b> Nadi <sup>1</sup>
Fort St. John	Yellowknife	Kona (Hawaii)	<b>CHINA</b> Beijing	<b>NEW ZEALAND</b> Auckland
Gabriola Island		Kona (Hawaii)	Hong Kong S.A.R.	
Ganges Harbour		Las Vegas	Shanghai	
Gillies Bay		Los Angeles		
Kamloops		Memphis	<b>JAPAN</b> Osaka	
Kelowna		Minneapolis	Tokyo	
Lyall Harbour		New York (JFK)	<b>PHILIPPINES</b> Manila	
Maple Bay		Newark	<b>SINGAPORE</b> <sup>2</sup>	
Masset		Philadelphia	<b>SOUTH KOREA</b> Seoul	
Miner's Bay		Phoenix	<b>TAIWAN</b> Taipei	
Montague Harbour		Portland	<b>EUROPE</b>	
Nanaimo		Sacramento	<b>FRANCE</b> Paris <sup>C</sup>	
Nanaimo Harbour		Salt Lake City	<b>GERMANY</b> Dusseldorf <sup>C</sup>	
Penticton		San Diego	Frankfurt	
Port Hardy		San Francisco	Munich <sup>C</sup>	
Port Washington		Seattle	<b>IRELAND</b> Dublin <sup>C</sup>	
Powell River		Washington (Dulles)	<b>NETHERLANDS</b> Amsterdam	
Prince George			<b>SWITZERLAND</b> Zurich <sup>C</sup>	
Prince Rupert			<b>UNITED KINGDOM</b> Belfast, Northern Ireland <sup>C</sup>	
Qualicum Beach			Cardiff, Wales <sup>4 C</sup>	
Quesnel			Glasgow, Scotland <sup>C</sup>	
Sandspit			London, England (Gatwick) <sup>C</sup>	
Sechelt			London, England (Heathrow)	
Silva Bay			Manchester, England <sup>C</sup>	
Smithers				
Telegraph Harbour				
Terrace				
Tofino				
Trail				
Victoria				
Victoria Harbour				
Whistler				
Williams Lake				

## CARRIERS



C Charter service only  
 1 Via Honolulu  
 2 Via Seoul  
 3 One stop en route  
 4 Via Belfast

\* Code share carrier only  
 C Cargo carrier  
 H Helijet Airways Facilities  
 S Departs South Terminal or Public Seaplane Facility

B.C. AND NORTH AMERICAN ROUTES



INTERNATIONAL ROUTES





BEYOND, EVERY DAY.

## FEEDBACK

YVR is your airport and every British Columbian is a stakeholder. We welcome your comments and suggestions—on this report or any aspect of our business.

### AIRPORT AUTHORITY CONTACT INFORMATION

Airport Operations—General Enquiries	604.207.7077
Administrative Offices	604.276.6500
Cargo & Business Development	604.276.7742
Community Relations	604.276.6772
Customer Service & Facilities	604.276.6373
Engineering	604.276.6780
Environment	604.276.6656
Ground Transportation Information	604.207.7077
Human Resources Employment Information	604.276.6506
Legal Services	604.276.6655
Lost & Found	604.276.6104
Maintenance Services	604.276.6823
Marketing (Airport & Passenger)	604.276.6008
Media Relations	604.880.9815
Noise Information	604.207.7097
Parking & Ground Transportation Administration	604.276.7739
Purchasing & Contract Services	604.276.6633
Retail & Passenger Services	604.303.3447
Strategic Planning	604.276.7713

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