Financials

Management
Discussion & Analysis

The following comments should be read in conjunction with the financial statements included in this report which have been prepared in accordance with Canadian generally accepted accounting principles.

Edmonton Regional Airports Authority (Edmonton Airports) operates the Edmonton International Airport (EIA), Edmonton City Centre Airport (ECCA), Cooking Lake Airport (CLA) and Villeneuve Airport (VA).

Edmonton Airports' intended purposes, as defined in the Regional Airport Authorities Act (Alberta), are to manage the airports for which it is responsible, in a safe, secure and efficient manner, and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry. As a non-share, not-for-profit entity, the net earnings generated by Edmonton Airports must be applied toward these intended purposes.

In 2007, Edmonton Airports' third Five-Year Performance Review (June 1, 2002 to May 31, 2007) was completed pursuant to the requirements in the EIA Ground Lease and the Regional Airport Authorities Act (Alberta). Deloitte & Touche, who were selected through a competitive process as independent reviewers, concluded that Edmonton Airports has met its statutory purposes by operating the airports for which it is responsible in a safe, secure and efficient manner and by advancing economic and community development.

In their report, the independent reviewers specifically recognized Edmonton Airports for some key accomplishments that contributed to meeting its statutory purposes. These accomplishments included the completion of an Air Service Consolidation Review, successful negotiation of a new $500 million financing arrangement with Alberta Capital Finance Authority (ACFA) to finance future capital investment, and a revised rent agreement with Transport Canada. The report also highlighted the successful completion of Central Hall, the third phase of the Air Terminal Redevelopment project, parking expansion and major runway resurfacing projects, and the establishment of a new Airport Vicinity Protection Area Regulation (AVPA) at EIA.

As an airport authority, the level of aviation activity at our airports primarily drives our key revenue sources. In particular, activity at EIA has a large impact on the financial performance of Edmonton Airports.

Another record-breaking 6.1 million passengers flew to and from EIA in 2007, an increase of 16.3 per cent over 2006. In the past three years, EIA has served an additional 2.0 million passengers, an increase of 49 per cent.

The sharp increase in demand for air travel through Edmonton is fuelled by significant growth in passenger volumes across all market segments during 2007, with domestic at 13.5 per cent, followed by transborder (travel

EDMONTON INTERNATIONAL AIRPORT PASSENGER STATISTICS 2005 – 2007

	2005	2006	% increase	2007	% increase
Domestic	3,772,952	4,349,081	15.3	4,937,099	13.5
Transborder	594,803	693,378	16.6	809,991	16.8
International	143,696	171,533	19.4	318,027	85.4
Total	4,511, 451	5,213,992	15.6	6,065,117	16.3

between Canada and the U.S.) at 16.8 per cent, and international at 85.4 per cent.

EIA continues to be the fastest growing major airport in Canada. The increase in passengers at EIA surpassed the 6% increase in worldwide passenger volume for the 12 months ending December 2007 (according to Airports Council International) which again placed EIA well ahead of global trends.

August 2007 was the busiest month ever at EIA with 595,047 passengers. July 2007 was the second busiest month on record with 550,570 passengers.

As a northern gateway, EIA serves 12 northern communities. As a result, EIA is growing as a regional hub. Passengers from Grande Prairie, Fort McMurray, Yellowknife and Saskatoon using EIA to connect to other destinations increased by 28% over 2006. Overall, passenger levels (EIA as final destination and connections through EIA combined) from these four important markets were up by 9% over 2006. Passenger traffic from Yellowknife led the way with 11% growth.

Building on new routes and passenger capacity established in 2007, the outlook for continued passenger growth in 2008 remains strong. Edmonton Airports is forecasting 11.4% passenger growth in 2008.

During 2007, three new non-stop destinations were announced, bringing the total non-stop destinations served by EIA to 53, including 10 non-stop destinations to the United States. On a seasonal or permanent basis, airlines also established and/or enhanced services to: Comox, Abbotsford, Ottawa, Victoria, Halifax, Montreal, Denver, Las Vegas, London-Heathrow, Punta Cana, Puerto Vallarta and Varadero.

In 2007, total reported cargo volumes at EIA decreased by approximately 14% from 2006. This change in traffic was primarily due to the reduced number of cargo charter operations at EIA and the reduced volume of mail products carried on passenger aircraft. A large number of military operations in support of military activities was included in 2006. The number of these types of operations was lower in 2007.

As a consequence of the continuing robust growth in passenger and air traffic, and in recognition of the continued cost pressures facing the airline industry, Edmonton Airports has for the third year in a row frozen selected aeronautical rates. Non-piston aircraft landing fees, aircraft loading bridge fees, common use counter fees, aircraft terminal fees, aircraft parking fees, and airport improvement fees will remain at 2005 levels for airlines using EIA in 2008.

INCREASED FINANCING ARRANGEMENT

In 2006, Edmonton Airports finalized a new financing arrangement with the Alberta Capital Financing Authority (ACFA). The ACFA is a special act corporation established in 1956 under the authority of the Alberta Capital Finance Authority Act (Alberta). The ACFA provides local authorities within the province with flexible funding for capital projects at the lowest possible cost. Edmonton Airports as a shareholder is able to borrow at favourable rates to finance airport capital projects.

As part of its 2008 – 2012 Strategic Plan, Edmonton Airports approved a $1.1 billion airport expansion program. The approval was subject to arranging an increase in the amount of Credit Facility 1 with the ACFA from the current limit of $200 million to $1.0 billion. Discussions with the ACFA were commenced in November of 2007. On February 14, 2008, the ACFA Board of Directors approved the limit increase subject to completing the required due diligence and documentation for the change. It is expected that this transaction will close late in the first quarter of 2008.

2007 FINANCIAL PERFORMANCE

In 2007, Edmonton Airports had net earnings of $24.4 million compared to net earnings of $13.5 million in 2006, an increase of $10.9 million (81%). Positive operating cash flows were maintained and all debt covenants were achieved.

REVENUE

Edmonton Airports' revenue increased by $16.6 million (17%) for the year to $115.7 million.

The Airport Improvement Fee (AIF) is the primary source of funding used to pay interest and principal on the revenue bond and debentures issued for the redevelopment and expansion of EIA airport facilities. This source of revenue is derived from a fee levied on passengers departing EIA. Revenue from this fee increased by $5.9 million (18%) over 2006 to $39.3 million. The increase resulted from higher passenger volumes in 2007 ($4.8 million) and from additional revenue remitted by two airlines ($1.1 million) based on reviews of AIF remittances for 2006 and 2007.

Revenue from airline activity (airside and general terminal revenue) increased by $4.7 million (15%) over 2006. The increase results from an increase in billable commercial airline activity at EIA.

Edmonton Airports also earns revenue from commercial operations that include parking, concession, ground transportation, and real estate activities. Growth in these areas generates additional revenue contributing to a lower cost operating environment for airlines. Concession revenue at $31.4 million was $5.8 million (22%) higher than earned in 2006. The largest component of this increase was in car parking ($3.8 million). This increase results from an increase in passenger volumes and two rate increases, 20% in June and 10% in December. The increase in passenger volumes also had a positive effect on revenues ($2.0 million) derived from food and beverage outlets as well as other terminal concessions. Real estate revenue at $3.2 million remained unchanged in 2007.

Edmonton Airports recovers certain police and security expenses through a per passenger charge to airlines. Police and security fee revenue increased by $0.2 million (4%) to $5.3 million in 2007. This increase represents the recovery of increased costs to provide the service.

REVENUE BY CATEGORY ($ IN THOUSANDS)

	2007	2006	Change	% increase
Airport Improvement Fee	$ 39,322	$ 33,444	$ 5,878	18%
Airside and general terminal	35,241	30,570	4,671	15%
Concession	31,420	25,669	5,751	22%
Police and security	5,375	5,165	210	4%
Real estate leases	3,202	3,176	26	1%
Other revenue	1,110	1,089	21	2%
Total	$ 115,670	$ 99,113	$ 16,557	17%

Other revenue increased slightly from 2006. In addition to revenue earned from other activities such as fire training services and other small miscellaneous items, Edmonton Airports amortizes to other revenue government capital contributions related to specific capital expenditures. In 2007, Edmonton Airports received $0.3 million of such government contributions in addition to the $15.7 million received in 2006. These contributions for baggage conveyor systems and runway rehabilitation are amortized on a straight line basis over the useful lives of the assets to coincide with the amount of amortization expense recorded each period.

EXPENSES

In 2007, Edmonton Airports incurred expenses of $91.3 million, an increase of $5.7 million (7%) from 2006.

Amortization costs for 2007 increased due to on-going capital investment by $0.6 million (3%) to $20.4 million as a result of the full-year impact of additional capital assets placed into service in 2006, and the partial-year impacts of new assets placed into service during 2007.

Salaries and employee benefits increased in 2007 by $3.4 million (23%) over 2006. For the first time in many years, and in response to the significant increases in activity over the last several years, additional operational resources were added and most vacant positions were filled. In addition, Edmonton Airports is also planning a major facility expansion program in response to this growth. Unlike the last expansion program, where external resources were contracted to deliver the construction program, it was decided that the more effective longer term strategy was to hire the personnel and skills required to plan and oversee the planned expansion program. These resources were recruited and joined Edmonton Airports during 2007. There was an increase in salaries and employee benefits beginning in June 2007 as a consequence of the termination of the contract for the operation of the ECCA. Edmonton Airports hired those staff who had previously been performing the work for the contractor. This increase was more than offset by

EXPENSES & OTHER EXPENSE (INCOME) BY CATEGORY ($ IN THOUSANDS)

	2007	2006	Change	% increase
Amortization	$ 20,377	$ 19,759	$ 618	3%
Salaries and employee benefits	18,605	15,174	3,431	23%
Service, maintenance, supplies and admin	16,931	16,334	597	4%
Interest	16,622	16,961	(339)	-2%
Utilities, insurance and property taxes	6,230	5,784	446	8%
Police and security	5,090	4,865	225	5%
Canada Lease Rent	4,903	4,903	-	0%
Airport improvement fee collection costs	2,398	2,026	372	18%
Other losses (gains)	100	(200)	300	-150%
Total	$ 91,256	$ 85,606	$ 5,650	7%

savings in contracted services. Also during 2007 the fire-fighters contract was settled through binding arbitration. The result of the arbitration award increased the fire-fighters annual remuneration by 4.5% for 2007. The General Bargaining Unit's contract expired at the end of 2007. Collective bargaining negotiations are currently on-going.

Services, maintenance, supplies and administration expenses for 2007 totalled $16.9 million, an increase of $0.6 million (4%) over 2006. Parking and janitorial contracted services costs were $1.2 million higher because of price increases due to the rising labour costs in the region. In addition a contractor was retained to maintain the operation of the common use terminal equipment added in late 2006. Material and supply usage was $0.6 million higher than 2006 primarily as a result of more frequent weather related runway and apron cleaning activities. Office and administration costs were $0.3 million higher primarily due to the increased staff recruitment costs. Bad debts were $0.5 million lower due to the recovery of the previously written off bad debts for Canada 3000 and Jetsgo airlines. Public relations and advertising costs increased by $0.4 million due to increased community sponsorships. Travel costs were $0.1 million higher in 2007 due to increased participation in industry related conferences. These increases were partially offset by lower baggage conveyor maintenance costs of $1.0 million from contributions received from Canadian Airport Transportation Security Authority (CATSA) towards the operation of the hold baggage screening system. In addition, 2006 expenses included $0.6 million for the settlement of a dispute over the usage of lease space.

Edmonton Airports' interest costs represents the interest on the $250 million revenue bond issued in October 2000 and the $70 million in fixed rate debentures issued to the ACFA in 2006 and 2007, offset by any interest earned on cash balances and any capitalized interest associated with construction in progress. In 2007, $0.3 million of interest was capitalized and in 2006 there was no interest capitalized. In 2007, interest expense was $16.6 million, a decrease of $0.3 million (2%) from 2006. This decrease was mostly the result of capitalized interest and the higher interest earned in 2007 on higher cash balances resulting from increased revenues and from the cash obtained from debentures that has not yet been paid out for construction activities. This was partially offset by higher debt service costs related to the new debentures issued in 2007.

Utilities, property taxes and insurance expenses for 2007 totalled $6.2 million, an increase of $0.4 million (8%) over 2006. The increase in property taxes of $0.6 million resulted from an increase in the market value assessment of the EIA and from a change by the provincial government in the rate structure of various property types. This change in rate structure resulted in the requirement for a higher overall allocation of the tax base to the EIA and area properties by Leduc County. This increase was partially offset from lower insurance premiums of $0.2 million.

Police and security expenses for 2007 totalled $5.1 million, an increase of $0.2 million (5%). The change was the result of a planned increase in contract labour costs.

The previous Canada Lease for EIA required Edmonton Airports to calculate and pay rent utilizing formulas which took into account annual airport revenues and operating costs and an estimate of passenger values. In December 2005, Edmonton Airports finalized amendments to its ground lease with the Government of Canada. The amended Canada Lease requires Edmonton Airports to pay predetermined escalating Canada Lease Rent amounts during the transition period 2006 through 2009. Since these amounts are known for the transition period, the aggregate of the payments for the transition period are allocated to expense on a straight line basis, consistent with the accounting requirements for an operating lease. Therefore, Canada Lease Rent expense was unchanged from 2006. Actual Canada Lease Rent paid during 2007 was $4.8 million (2006 – $4.8 million). Effective 2010, Canada Lease Rent will be based on a percentage of gross revenues at EIA on a progressive scale as follows:

Gross Revenues	Rent Paid
On the first $5 million	0%
On the next $5 million	1%
On the next $15 million	5%
On the next $75 million	8%
On the next $150 million	10%
On any amount over $250 million	12%

AIF collection costs for 2006 totalled $2.4 million, an increase of $0.4 million (18%) over 2006. This expense category includes the fees paid to the airlines for collecting the AIF on Edmonton Airports' behalf. The increase in collection costs results from higher passenger traffic and the resulting increase in AIF revenues.

In 2007, there was a small gain on the disposal of assets related to the sale of equipment and from insurance proceeds related to a vehicle accident. There was also an exchange loss of $0.1 million related to the U.S. dollar bank account. This account is used to pay U.S. dollar purchases and to hold US dollar remittances from aeronautical and AIF fees received from several U.S. air carriers. In 2006 there was a gain of $0.2 million on the sale of land at VA. In 2007 there were no land sales at VA.

EDMONTON CITY CENTRE AIRPORT

Included in the revenue and expenses reviewed above are revenues of $4.3 million (2006 – $4.6 million) and expenses of $3.8 million (2006 – $4.3 million) for ECCA.

Total revenue was down $0.3 million when compared to 2006 levels. Aeronautical revenue was down $0.1 million as a scheduled carrier went into receivership which reduced scheduled carrier activity. Revenues from leases were $0.2 million lower due to foregoing the airport license fee for the Edmonton Grand Prix and from tenant vacancies.

The decrease in expenditures in 2007 of $0.5 million results from savings associated with the termination of the airport operations contract. There was also a reduction in the allocation of overheads from EIA to offset the impacts of the Corporate decision to forgo revenue associated with the Edmonton Grand Prix. Additional bad debts expense associated with the previously mentioned bankruptcy were offset by savings in amortization expense.

CAPITAL ASSET MANAGEMENT

In 2007, Edmonton Airports invested $90.9 million in capital assets (2006 – $30.5 million), of which $90.1 million applies to EIA.

AIR TERMINAL REDEVELOPMENT (ATR)

Edmonton Airports' redevelopment and expansion of the EIA terminal and related facilities was estimated to cost $300 million. Of the $300 million originally envisioned, Edmonton Airports Board of Directors has approved the implementation of projects totalling $282 million. The major elements of the approved projects included the construction of the parkade (completed in 1998), expansion of terminal facilities to the southeast and construction of additional apron area (completed in 2000), construction of Central Hall joining the South Terminal expansion to the original North Terminal (completed in 2006) and the partial renovation and expansion of the North Terminal facilities (completed in 2007). The 2007 investment in the ATR Project was $0.2 million (2006 – $0.6 million), all of which was related to the expansion of the North Terminal facilities.

EXPANSION CAPITAL PLAN (ECP)

On December 7, 2006 the Board of Directors approved as part of the 2007 – 2011 Strategic Plan an ECP totalling $200 million. The major elements of this plan included construction of the parkade expansion, air terminal building expansion, building systems rehabilitation and replacement, control tower rehabilitation, storm water system enhancement, land development and major apron and de-icing facility expansions.

On June 23, 2007, the Board of Directors approved an additional $25.3 million to the ECP to fund an expansion of surface parking, development of a new park and ride lot, acquisition of fire training equipment, and additional funding to upgrade the storm water system.

On December 13, 2007, the Board of Directors approved an enhanced ECP totalling $1.1 billion as part of the 2008 – 2012 Strategic Plan. This enhanced ECP was developed in anticipation of capacity needs generated by unprecedented passenger traffic growth in recent years along with an expectation that this growth will continue over the medium term, given the strong economic outlook for the Edmonton region. The new ECP includes expansion of the apron, terminal building, and parkade and parking lots. It also includes additional loading bridges, a combined office and control tower with NAV Canada, building and baggage systems modifications and improvements to taxiways and storm water systems. These elements are required in order to increase the Airport's capacity to nine million passengers, a target which is projected to be reached in 2012.

During 2007 $73.8 million (2006 – $2.4) was invested in the construction of projects in the ECP.

SUSTAINING CAPITAL PROGRAM (SCP)

In addition to the investment in the ATR and ECP in 2007, a further $16.9 million (2006 – $27.5 million) was invested in ongoing capital expenditures at all four airports. The most significant projects included various parking and roadways paving and existing apron rehabilitation projects for $4.2 million, common use terminal equipment for $3.8 million, terminal and building systems rehabilitation for $2.2 million, vehicle and maintenance equipment purchases for $1.5 million, expenditures of $2.1 million related to the 1,200 stall expansion of the surface parking lot at EIA, and various other smaller projects totalling $3.1 million.

The ATR project is financed by a 30-year $250 million revenue bond issued on October 31, 2000. At December 31, 2007, Edmonton Airports had $68.7 million in outstanding fixed rate debentures related to this project. Edmonton Airports' credit ratings of A1 (Moody's), A+ (Standard & Poor's) and A High (Dominion Bond Rating Service) have been affirmed. The ECP project is financed through a credit agreement with the ACFA.

Principal and interest on the revenue bond and ACFA debentures are paid through revenues from the AIF that was implemented on April 12, 1997. To December 31, 2007, Edmonton Airports has incurred capital expenditures and related financing costs of $495.7 million (2006 – $404.6 million) compared to AIF revenue of $229.1 million (2006 – $192.2 million) as shown in the table below.

OUTLOOK

The global airline industry is forecasted to see a period of slower but more profitable growth over the next five years. Demand growth will slow from peak levels seen in 2004 and 2005, but will continue to provide a positive contribution to airline revenues. The forecast also reflects a more cautious approach to capacity growth among airlines, as they pursue profitable, efficient, and strategic growth.

PASSENGER TRENDS

Global international air passenger traffic is forecasted to increase at an average annual growth rate of 4.8 percent between 2006 and 2010, lower than the average rate of 6.5 per cent experienced between 1995 and 2005. On the passenger side, demand continues to be driven by global economic growth, the liberalization of trade and the emergence of new routes and services. Over the next five to ten years,

AIF RECONCILIATION – AS AT DECEMBER 31, 2007

	($ in thousands)
AIF revenue (net):	
AIF revenue	$ 245,592
AIF collection costs	(16,452)
	229,140
Expenditures:	
Qualifying capital expenditures	$ (377,648)
Related financing costs	(117,800)
	(495,448)
Excess of expenditures over AIF revenue (net)	$ (266,308)

The deficit will be eliminated through continued collection of AIF fees.

the focus of many leading carriers in the world will move substantially toward the Asia-Pacific region. Along with the Asia-Pacific, the recent expansion of the European Union and growth of low-cost carriers (LCC) will drive European domestic airline traffic to overtake the North American domestic market in the near term. The North American market will experience the reverse of the European phenomenon, with constrained domestic growth in the short-term and capacity transfers to stronger international routes. Domestic markets will then recover in the medium to long term.

The global economy is diversifying, with developing regions and new business sectors bringing more balance to the world. In the near future, it is anticipated that many markets will receive a strong boost as governments ease regulations that have previously restricted market access. New Open Skies agreements between the European Union and the U.S. and Canada will be in effect shortly. Further liberalization is imminent in Asian and North African markets, with a continuing long-term trend toward opening up markets worldwide.

In Canada, both WestJet and Air Canada have been experiencing record load factors over the last few years. They have both responded by adding additional aircraft and updating their fleets. Both have additional aircraft to be delivered over the coming years. Based on the projected fleet growth of both Canadian majors, by 2012 there will be approximately 74 additional aircraft operating, equating approximately to a 30 percent growth in seat capacity.

Growth in the resource sector will continue to drive new passenger demand into northern Alberta. WestJet and Air Canada have had good success in Grande Prairie and Fort McMurray – two of the fastest growing airports in Canada. Air Canada and WestJet have added new flights from both these communities to Edmonton and Calgary over the past few years driving tremendous growth in connecting passengers through EIA. While we see a robust connection market continuing with these northern Alberta communities, the success of the non-stop service between Fort McMurray and Toronto may bode well for a similar transcontinental flight being added to Grande Prairie, which will limit connection growth from these communities.

The introduction of new market entrants such as Virgin America and Skybus in the crowded United States marketplace, will likely result in continued instability and consolidation of air carriers. The concentrated domestic nature of the U.S. airline industry will intensify over the coming years with most majors looking to further deploy their capacity internationally to maintain profitability. This trend will create additional U.S./Transborder service opportunities for Edmonton as Canadian outbound travel to the U.S. reaches peaks not seen since the early 1990s.

Edmonton Airports is forecasting passenger traffic to increase from 2007 actual of 6.1 million to 9.0 million in 2012, an average growth rate of 8.2% per year.

CARGO

On a global perspective, air cargo currently accounts for 40 percent of the total value of global trade, but less than 3 percent of the total volume. Despite the threat of terrorism and the implications of increased security requirements, global air cargo volumes continue to rise. Led by the emergence of the Asian economy, air cargo is growing at a rate that exceeds passenger demand.

Independent forecasts prepared by the major aircraft manufacturers (Airbus and Boeing) indicate long-term growth rates of between

5.9 percent and 6.9 percent per year for the cargo industry, based primarily on anticipated underlying worldwide economic growth. These forecasts were prepared with the implications of the recent economic slowdown, airline financial condition, and increased security requirements taken into account.

Each of these forecasts also calls for an expansion in the use of freighter activity through their forecast period. Airbus estimates a 236 percent increase in global freighter aircraft by 2023. With the most significant increases attributed to Asian carriers to accommodate both cargo activity and freighter aircraft operations increases, airport cargo facilities will require proper development plans and timing of execution.

Canada lags the global cargo markets in trade liberalization. Despite recent announcements of Open Skies agreements, unilateral air cargo liberalization restricts Canadian markets from capitalizing on global opportunities, while other nations pursue significant changes in trade access to improve market opportunities. The recently announced Federal Blue Sky air policies will contribute to growth in this area as it is implemented.

At EIA cargo traffic diminished in comparison to 2006. The frequency of charter operations has reduced dramatically with the Department of National Defence (DND) traffic on commercial operations down significantly.

By leveraging the economic opportunity of the region, the Port of Prince Rupert development and Edmonton's strategic location, Edmonton Airports can develop a competitive advantage for EIA and the Greater Edmonton Region through the development of a multi-modal cargo hub.

AIRCRAFT MOVEMENTS

Aircraft movements at EIA are very dependent on the aircraft size serving the passenger market. With an increase in regional jets and frequency of service, movements have increased in recent years. As passenger service develops, the passenger will typically be absorbed through increased load factors and increased aircraft size, and consequently movements at EIA tend to grow at lower rates than passengers. Aircraft movements at EIA were up 4.6% from 124,910 in 2006 to 130,704 in 2007.

Aircraft movements at ECCA were up 4.8% from 82,571 in 2006 to 86,574 in 2007. The majority of movements at ECCA are general aviation movements that are related to a wide variety of aviation activity including: non-scheduled commercial activity (charters), corporate aviation, surveying, flight training, personal business flying, recreational activity, medevac and government activity. The overall growth increase of 4.8% includes the decrease in scheduled aircraft movements associated with the bankruptcy of a major scheduled air carrier at this airport.

All aircraft activity at VA and CLA is general aviation with a significant portion at VA, 70 – 80%, consisting of local movements related primarily to flight training activity.

It is anticipated that annual general aviation activity will grow between 1 – 3% for all airports.

AIRCRAFT MOVEMENT STATISTICS 2006 – 2007

Airport	2006	2007	% Change
EIA	124,910	130,704	4.6
ECCA	82,571	86,574	4.8
Villeneuve	57,876	69,003	19.2
Total	265,357	286,281	7.9

FIVE-YEAR FINANCIAL INFORMATION

The following five-year outlook is based on realistic but conservative assumptions that are considered most likely given the economic climate expected to occur over the forecast period. Critical supporting assumptions relate to passenger volumes, passenger utilization of parking, concession and retail services, new revenues from land leases and capital investment. Given the tremendous growth experienced during the last three years, the underlying assumptions for the five-year outlook been revised to reflect the economic climate expected over this period.

FIVE-YEAR FINANCIAL INFORMATION

($ in thousands except ratios)		2008	2009	2010	2011	2012
Revenue						
Airport improvement fee (net of collection costs)		$ 39,405	$ 43,578	$ 47,814	$ 50,285	$ 52,878
Airside & general terminal		36,252	43,523	54,028	56,490	59,373
Concessions & other		51,123	58,701	66,786	75,458	81,206
Total revenue		126,780	145,802	168,628	182,233	193,457
Expenses						
Operating expenses		60,593	61,769	71,287	76,175	80,549
Other expenses		6,122	6,396	6,678	7,978	8,318
Total expenses		66,715	68,165	77,965	84,153	88,867
Earnings before interest & amortization	A	60,065	77,637	90,663	98,080	104,590
Interest	B	19,770	26,817	39,945	49,211	55,098
Amortization		24,332	23,627	29,565	39,047	41,002
Net earnings		$ 15,963	$ 27,193	$ 21,153	$ 9,822	$ 8,490
Maintenance capital expenditures	C	$ 13,157	$ 14,239	$ 13,865	$ 12,251	$ 12,103
Debt service amount	D	$ 23,096	$ 33,050	$ 50,368	$ 63,172	$ 72,033
Debt service coverage ratio (A/D) Required > 1.00		2.60	2.35	1.80	1.55	1.45
Interest coverage ratio ((A-C)/B) Required > 1.25		2.37	2.36	1.92	1.74	1.68

CAPITAL EXPENDITURES

ECP projects encompassing the Hammerhead, Air Terminal Building Link, Apron, and other projects as previously outlined have been identified to meet our future capacity requirements. The following table summarizes the projected expansionary infrastructure investment, including yearly inflation factors ranging from 10% to 16%, that are required for the next five years at EIA.

ESTIMATED AGGREGATE CAPITAL – $ IN MILLIONS

2008	2009	2010	2011	2012
$ 202.3	$ 275.3	$ 205.7	$ 144.1	$ 265.0

The following table summarizes the projected sustaining infrastructure investment for the next five years .

ESTIMATED AGGREGATE CAPITAL – $ IN MILLIONS

2008	2009	2010	2011	2012
$ 13.3	$ 14.2	$ 13.9	$ 12.2	$ 12.1

PUBLIC COMPETITIVE TENDERING

Edmonton Airports, in accordance with its lease with the Government of Canada, is required to report on all contracts in excess of $107,354 ($75,000 in 1992 dollars) that were entered into during the year and were not awarded on the basis of a public competitive tendering process. Such reporting shall identify the parties, amount and nature and circumstances of the contract, and the reasons for not awarding the contract on the basis of a public competitive tendering process. Edmonton Airports entered into 15 contracts in excess of $107,354 ($75,000 in 1992 dollars) that, for the reasons outlined below, were not awarded on the basis of a public competitive tendering process.

2007 SOLE SOURCE CONTRACTS OVER $107,354 (BASED ON 2007 CPI INDEX)

Vendor	Description	Value	Basis for Selection
Black & McDonald	Construction Coordination Services - Parkade Expansion	$360,000	F & G
Brandt Equipment	Grader Purchase	$249,048	A & D
Chubb Security Systems	CCT Taping System Upgrade	$146,887	A, B & D
Coneco	Loader Replacement Purchase	$156,485	A
Donovan Creative	Brand Development	$496,600	D
Eagle Airfield Ltd.	Sweeper Replacement Purchase	$290,000	A & D
Garda Security	City Centre Airport - Security Services	$160,000	C & D
IATA Consulting	Third Runway configuration & capacity (Phase 1)	$208,000	E
IATA Consulting	Third Runway configuration & capacity (Phase 2)	$140,000	E
InterVISTAS Consulting Inc.	Consulting Services - Strategic Support (3 years)	$450,000	D & G
Kidde Fire Trainers	Mobile Aircraft Fire Trainer Purchase	$2,600,000	E
Martin Equipment	Tractor Purchase	$108,500	A & D
RCMP	RCMP Operating Agreement (5 years)	$13,327,876	D, E, F & G
RED Communications	Edmonton Airports - YEG/YES Marketing Campaign	$170,450	F

Please see p. 17 for legend explaining Basis for Selection.

SOLE SOURCE CODE (BASIS FOR SELECTION)

A - Introduction of products from other vendors would cause operational impacts and incur additional maintenance cost or affects the equipment standardization program.

B - A vendor has a monopoly on the technology or service because of a patent, licensing rights or proprietary system.

C - The goods and services are required due to an emergency in which delay would be injurious to Edmonton Airports. An emergency is described when unforeseen circumstances arise where goods and services are needed to prevent loss of life or property or continuation of essential services or any event that is deemed to compromise the health, safety and security of Edmonton Airports' employees, tenants or customers.

D - The vendor was awarded a contract for goods or services as a result of previous competitive process and has no prior performance issues.

E - There is only one qualified vendor available when all factors are considered. Factors must be clearly specified as to why they have the specific skills, experience, and any special expertise.

F - A strategic alliance/partnership can be formed with one vendor in order to take advantage of current technology and expertise.

G - Consistent with sound business practices and our guiding principles an alliance/partnership can be formed with one supplier in order to significantly promote the strategic objectives of Edmonton Airports.

ACCOUNTABILITY

Edmonton Airports' public accountability requirements with respect to planning, reporting, conduct and operational effectiveness are documented in its leases with the Government of Canada and the City of Edmonton, and the appropriate Provincial Legislation, including the Regional Airport Authorities Act. These agreements and legislation set out specific requirements with respect to such matters as business ethics, conflict of interest, audit, periodic performance reviews and disclosure. In addition to information included in the 2007 Management Discussion and Analysis above, the following items require disclosure.

BUSINESS AND STRATEGIC PLANS

The Executive Summary of Edmonton Airports' 2008 Business Plan and 2008-2012 Strategic Plan are available at www.edmontonairports.com.

CONFLICT OF INTEREST

In accordance with the lease agreement with the Government of Canada and the Regional Airport Authorities Act, Edmonton Airports confirms that it has an appropriate Conflict of Interest Policy and that it is in compliance with that policy.

CONCLUSION

Edmonton Airports confirms its compliance, in all material respects, with the public accountability requirements documented in airport leases with the Government of Canada and the City of Edmonton as well as with Provincial Legislation, including the Regional Airports Authorities Act.

Financial Statements

EDMONTON REGIONAL AIRPORTS AUTHORITY
DECEMBER 31, 2007 AND 2006

March 27, 2008

REPORT OF MANAGEMENT

The financial statements of the Edmonton Regional Airports Authority ("Edmonton Airports") are the responsibility of management and have been approved by the Board of Directors. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and include disclosures otherwise required by laws, regulations and agreements to which Edmonton Airports is subject. These financial statements also include amounts that are based on estimates and judgments, which reflect currently available information. Edmonton Airports has developed and maintains accounting procedures and related systems of internal controls that are designed to provide reasonable assurance that its assets are safeguarded and that its financial records are reliable.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, has been appointed by the Board of Directors as external auditors of Edmonton Airports. The Auditors' Report to the Board of Directors, which describes the scope of their examination and expresses their opinion, is presented herein.

The Board of Directors has appointed an Audit Committee, whose members are not employees of Edmonton Airports. The Audit Committee meets with management and external auditors at least four times a year to review any significant accounting, internal control and auditing matters. They also review and recommend the annual financial statements of Edmonton Airports to the Board of Directors for approval.

Reg Milley President and Chief Executive Officer	Ralph W. Peterson, CA Vice President, Finance and Chief Financial Officer

Edmonton, Canada
March 27, 2008

PRICEWATERHOUSECOOPERS

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March 17, 2008
(except as to Note 15, which is as of March 19, 2008)

Auditors' Report

To the Board of Directors of
Edmonton Regional Airports Authority

We have audited the statement of financial position of **Edmonton Regional Airports Authority** as at December 31, 2007 and the statements of operations and equity in property, plant and equipment, comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Edmonton Regional Airports Authority

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2007 and 2006

($ in thousands)	2007	2006
Assets	$	$
Current Assets		
Cash in interest bearing accounts	17,255	31,822
Short-term investments	34,118	16,647
Accounts receivable (note 4)	12,164	9,796
Consumable inventory	838	845
Prepaid expenses and other	1,438	1,078
	65,813	60,188
Interest bearing deposits (note 6(a))	11,417	10,959
Deferred financing costs (note 2(d), 6(e))	-	5,470
Deferred pension asset (note 8)	4,196	2,688
Lessee receivable (note 4(c))	490	608
Property, plant and equipment (note 5)	373,173	302,614
	455,089	382,527
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 5(b))	22,101	15,033
Current portion of long-term debt	4,529	2,538
Current portion of deferred revenue	1,186	1,162
Current portion of obligations under capital leases	25	45
	27,841	18,778
Tenants' security deposits	996	886
Deferred revenue (note 10(a))	14,108	14,897
Long-term benefits payable (note 8)	2,345	1,945
Long-term debt (note 6)	307,579	262,727
Obligations under capital leases (note 7)	-	25
	352,869	299,258
Contingencies (note 12)		
Commitments (note 13)		
Equity in property, plant and equipment		
Contributed capital (note 3(b))	3,805	3,805
Equity in property, plant and equipment	98,415	79,464
	102,220	83,269
	455,089	382,527

Approved by the Board of Directors

Chair

Chair - Audit Committee

See accompanying notes to financial statements.

STATEMENTS OF OPERATIONS AND EQUITY IN PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2007 and 2006

($ in thousands)	2007	2006
Revenue	$	$
Airport improvement fee (note 9)	39,322	33,444
Airside and general terminal	35,241	30,570
Concession	31,420	25,669
Police and security	5,375	5,165
Real estate leases	3,202	3,176
Other revenue (note 10(b))	1,110	1,089
	115,670	99,113
Expenses		
Amortization (note 5(e))	20,377	19,759
Salaries and employee benefits	18,605	15,174
Service, maintenance, supplies and administration	16,931	16,334
Interest (note 6(d))	16,622	16,961
Utilities, insurance and property taxes	6,230	5,784
Police and security	5,090	4,865
Canada Lease Rent (note 3(a)(iii))	4,903	4,903
Airport improvement fee collection costs (note 9)	2,398	2,026
	91,156	85,806
Earnings before the undernoted	24,514	13,307
Other (expenses) income		
Gain on disposal of property, plant and equipment (note 5(c))	45	-
Retirement of property, plant and equipment (note 5(d))	(6)	(44)
(Loss) gain on foreign exchange	(132)	8
gain on sale of land (note 5(f))	-	238
	(93)	202
Net earnings for the year	24,421	13,509
Equity in property, plant and equipment – Beginning of year, as previously reported	79,464	65,955
Change in accounting policy for the amortization of deferred borrowing costs on long-term debt (note 2(d))	(5,470)	-
Equity in property, plant and equipment, beginning of year, as restated	73,994	65,955
Equity in property, plant and equipment – End of year	98,415	79,464

See accompanying notes to financial statements.

Edmonton Regional Airports Authority

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2007 and 2006

($ in thousands)	2007	2006
	$	$
Net earnings for the year	24,421	13,509
Other comprehensive income	-	-
Comprehensive income	24,421	13,509

See accompanying notes to financial statements.

Edmonton Regional Airports Authority

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2007 and 2006

($ in thousands)	2007	2006
Cash provided by (used in)	$	$
Operating activities		
Cash receipts from customers	112,227	99,321
Cash paid to employees and suppliers	(49,310)	(42,322)
Cash paid to the landlord	(4,820)	(4,754)
Interest received	3,752	1,724
Interest paid	(20,374)	(18,685)
	41,475	35,284
Financing activities		
Deferred financing costs	-	135
Deferred pension costs	(1,508)	(1,540)
Capital contributions	310	15,686
Increase in (repayment of) tenants' security deposits	110	(485)
Principal payment under capital lease obligation	(45)	(97)
Net increase in long-term debt	46,843	18,455
	45,710	32,154
Investing activities		
Net purchase of short-term investments	(17,471)	(15,160)
Net purchase of interest bearing deposits	(458)	(404)
Lessee loan repayments (advances)	117	(249)
Purchase of property, plant and equipment	(83,985)	(31,730)
Proceeds on sale of property, plant and equipment	45	4
Proceeds on sale of land	-	238
	(101,752)	(47,301)
(Decrease) increase in cash	(14,567)	20,137
Cash in interest bearing accounts – Beginning of year	31,822	11,685
Cash in interest bearing accounts – End of year	17,255	31,822

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS

The Edmonton Regional Airports Authority ("Edmonton Airports") was incorporated on July 26, 1990 under the provisions of the Regional Airports Authorities Act (Alberta) (the "Act") for the purposes of managing the airports for which it is responsible in a safe, secure and efficient manner, and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry. In accordance with the provisions of the Act, all of Edmonton Airports' surpluses shall be applied towards promoting its purposes and no dividends may be paid out of the surpluses. Surpluses in these financial statements are described as equity in property, plant and equipment.

Edmonton Airports' income is generated from airport-related operations and is exempt from income taxes.

Six Edmonton area municipalities are Appointers for Edmonton Airports. These Appointers have the right to appoint 11 of Edmonton Airports' 15 directors. Pursuant to the Amended Canada Lease described in note 3(a)(i), the Government of Canada has the right to appoint two of the directors. In addition, the Board of Directors has the right to appoint two directors.

Edmonton Airports operates the Edmonton International Airport ("International Airport"), Edmonton City Centre Airport ("City Centre Airport"), Cooking Lake Airport and Villeneuve Airport.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada for commercial enterprises. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. Material estimates in the financial statements include amortization and long-term benefits payable. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

a) **Short-term investments**
Short-term investments, comprised of pooled money-market funds are recorded at fair value.

b) **Consumable inventory**
The inventory of consumable supplies is stated at the lower of average cost and estimated net realizable value.

c) **Lease of airport facilities**
The lease of the International Airport facilities from the Government of Canada (the "Landlord") and the lease of the City Centre Airport facilities from the City of Edmonton (the "City") are accounted for as operating leases.

$ in thousands unless otherwise noted

d) **Deferred financing costs**
Edmonton Airports has changed its accounting policy for the treatment of deferred financing costs on outstanding debt effective January 1, 2007. This change is a result of the adoption of the accounting standards contained in Section 3855 – Financial Instruments. Previously, the cost of the issue of the revenue bond and fixed rate debentures was deferred and amortized to interest expense on a straight-line basis, over the term of the related debt. Provisions in the new standard allow an entity to either expense these transactions in the period incurred or add them to the carrying value of the debt and amortize to interest expense using the "effective interest" method. Edmonton Airports has chosen to write off financing costs as expenses when incurred. As per the transition provisions in this section this change in accounting policy has been applied retrospectively, and the comparative statements for 2006 have not been restated.

e) **Property, plant and equipment**
Property, plant and equipment are recorded at cost and include only the amounts expended by Edmonton Airports. Property, plant and equipment do not include the cost of the facilities which are leased from the landlords. Incremental interest incurred during the construction of property, plant and equipment is included in cost. Amortization is provided using the straight-line method at the following annual rates:

Terminal and facilities (excluding leased facilities)	2.5 – 10.0%
Machinery and equipment	
Vehicles and maintenance equipment	12.5 – 20.0%
Furniture and equipment	20.0%
Computer hardware and software	25.0 – 50.0%
Shop tools and equipment	20.0%
Office equipment under capital lease	Over the term of the lease

f) **Revenue recognition**
Edmonton Airports recognizes revenues when received or receivable if the amount to be received can be reasonably estimated and if collection is reasonably assured. Edmonton Airports credits all funds received from government capital assistance to deferred revenue and amortizes that amount to revenue over the expected life of the underlying asset for which the contribution was received.

Revenue is recognized as follows:

- Aeronautical charges, which include landing and terminal fees, are recognized when airport facilities are used.
- Concession revenue is recognized based upon the greater of agreed percentages of reported concession sales and specified minimum rentals over the terms of the respective leases.

- Car parking revenue is recognized when airport facilities are utilized.
- Real Estate revenue is recognized over the terms of the respective leases.
- Airport improvement fee ("AIF") revenue is recognized based upon monthly remittances from air carriers.
- Police and security revenue is recognized when passengers depart the terminal building.

g) **Employee future benefits**
Edmonton Airports, which accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee benefits, has adopted the following policies.

i) The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary adjustments and retirement ages.

ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value as reported by the Pension Plan trustee.

iii) Transitional surplus is amortized on a straight-line basis over the average remaining service period of employees.

iv) The excess of the net actuarial gain/loss over 10% 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 which is 11 years (2006 – 11 years).

h) **Financial Instruments**
On January 1, 2007 Edmonton Airports adopted new or amended Canadian Institute of Chartered Accountants (CICA) accounting standards Section 3855 – Financial Instruments – Recognition and Measurement, Section 3861 – Financial Instruments – Disclosure and Presentation, Section 3865 – Hedges, Section 3251 – Equity and Section 1530 – Comprehensive Income.

The new standards provide guidance on the recognition and measurement of financial assets, financial liabilities and derivative financial instruments. The new standards prescribe when to recognize a financial instrument on the balance sheet and at what amount. Depending on the balance sheet classification fair value or cost based measurements are used. Based on balance sheet classifications gains and losses on financial instruments are recognized in net earnings or other comprehensive income

The accounting standards requires that financial assets are to be classified as loans and receivables, held-for-trading, held-to-maturity investments, or available-for-sale financial assets. Financial liabilities are to be classified as either held-for-trading or other financial liabilities

Edmonton Airports financial assets include cash in interest bearing accounts, short-term investments, accounts receivable, interest bearing deposits (a debt service reserve fund), and long-term lessee receivables. Accounts receivable and lessee receivable are classified as loans and receivables and are accounted for at amortized cost using the effective interest rate method. Accounts receivable and lessee receivable are initially recorded at fair value. Cash, short-term investments and interest bearing deposits are classified as held-for-trading and are recorded at fair value with realized and unrealized gains and losses reported in earnings for the period in which they arise. Edmonton Airports has no held-to-maturity or available-for-sale financial assets.

Edmonton Airports financial liabilities include accounts payable and accrued liabilities, tenants' security deposits, obligations under capital lease and long term debt. Upon adoption of the new accounting standards, all financial liabilities were classified as other liabilities and are accounted for at amortized cost using the effective interest rate method. Financial liabilities are initially measured at fair value.

These new standards are to be applied without restatement of prior period amounts. Upon initial application, all adjustments to the carrying amount of financial assets and liabilities shall be recognized as an adjustment to the opening balance of deficit or accumulated in other comprehensive income, depending on the classification of existing assets and liabilities. There were no adjustments to the carrying amounts of financial assets and financial liabilities upon the adoption of this standard.

The fair value of a financial instrument on initial recognition is normally the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets. Transaction costs on financial instruments are expensed when incurred. Purchases and sales of financial assets are accounted for at trade dates.

All derivative instruments, including embedded derivatives, are recorded at fair value unless exempted from derivative treatment as a normal purchase and sale. Edmonton Airports has elected to apply this accounting treatment for all embedded derivatives in host contracts entered into on or after January 1, 2003. Edmonton Airports has determined that it does not have any derivatives.

Hedges
Section 3865, Hedges allows optional treatment providing that the hedges be designated as either fair value hedges, cash flow hedges, or hedges of a self-sustaining operation. Edmonton Airports does not have any hedging programs in place, therefore, the adoption of this section did not have any impacts on the financial statements.

Comprehensive income
Section 1530 establishes standards for reporting and presentation of comprehensive income. Comprehensive income is defined as the change in equity arising from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are

excluded from net income (loss) calculated in accordance with Canadian GAAP. The new standard requires presentation of a statement of comprehensive income (loss). Foreign exchange gains and losses on the translation of the financial statements of self-sustaining subsidiaries, previously recorded in a separate section of shareholder's equity, are now presented as accumulated other comprehensive income. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. At present, Edmonton Airports does not have any self-sustaining subsidiaries or financial assets held for sale and therefore no other comprehensive income.

i) **Impairment of long-lived assets**
Edmonton Airports reviews the valuation of long-lived assets subject to amortization when events or changes in circumstances may indicate or cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss, if any, is recorded as the excess of the carrying value of the asset over its fair value, measured by either market value, if available or estimated by calculating the present value of expected future cash flows related to the asset.

j) **Accounting changes**
On January 1, 2007, Edmonton Airports adopted the revised CICA accounting standards Section 1506 - Accounting Changes, which provides standards for accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and correction of errors. This section also specifies that a change in accounting policy, if not required by a primary source of Canadian GAAP, should be made only if it results in more reliable and relevant information. The adoption of this section did not have an impact on the financial statements other than the addition of note 2(l).

k) **Recent accounting pronouncements issued but not adopted**

i) Capital disclosures
In December 2006, the CICA issued accounting standards Section 1535 – Capital Disclosures, which establishes disclosure requirements concerning capital. This disclosure includes such information as: qualitative information about its objectives, policies and processes for managing capital; quantitative data about what it regards as capital; whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. Edmonton Airports is presently evaluating the impact of this new standard, but does not expect the adoption of this standard to have a material impact on its financial position and net earnings. Edmonton Airports will implement this new standard effective January 1, 2008.

ii) Financial Instruments Disclosure and Presentation
Section 3862 Financial Instruments – Disclosures and Section 3863 Financial

Instruments – Presentation replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing Edmonton Airports disclosure requirements, and carrying forward unchanged Edmonton Airports presentation requirements. Edmonton Airports is presently evaluating the impact of these new standards, but does not expect the adoption of these standards to have a material impact on its financial position and net earnings. Edmonton Airports will implement these new standards effective January 1, 2008.

iii) Inventories

In June 2007, the CICA issued accounting standard Section 3031 - Inventories, which provides guidance in determining the cost of inventory and its subsequent recognition as an expense. The standard is effective for fiscal periods beginning on or after January 1, 2008, and requires retrospective application to prior period financial statements. Edmonton Airports is presently evaluating the impact of this new standard, but does not expect the adoption of this standard to have a material impact on its financial position and net earnings. Edmonton Airports will implement this new standard effective January 1, 2008.

3. LEASE AGREEMENTS

a) International Airport

i) Amended Canada Lease

Effective December 31, 1997, Edmonton Airports and the Landlord agreed to amendments to some of the financial components of the original sixty-year lease agreement dated July 31, 1992 for the International Airport ("Previous Canada Lease"). The terms provided for the adjustment of rent due for the years 1992 to 1995, required the accelerated repayment of the deferred rent payable and revised the calculation of rent for the ten-year period 1996 to 2005.

On May 9, 2005, the Government of Canada announced the adoption of a new rent policy for the years 2006 and beyond that results in a reduction of rent that would have otherwise been payable under the previous ground lease agreement. In December 2005, Edmonton Airports finalized the amendments to its ground lease with the Government of Canada ("Amended Canada Lease"). The new rent agreement will be phased in over four years beginning in 2006.

ii) Lease term

The Amended Canada Lease provides that Edmonton Airports will lease the International Airport for an initial term of sixty years ending in 2052. A twenty year renewal option may be exercised by Edmonton Airports. At the end of the term, unless otherwise extended, Edmonton Airports is obligated to return control of the International Airport to the Landlord.

iii) Payment of rent

The Previous Canada Lease required Edmonton Airports to calculate and pay rent annually ("Canada Lease Rent") to the Landlord utilizing formulas which took into account annual airport revenues and operating costs. The calculation of Canada Lease Rent was also based upon an estimate of passenger volumes. Adjustments to passenger volumes, which could materially impact net earnings, will be recorded in the period they become known.

The Amended Canada Lease requires Edmonton Airports to pay predetermined escalating Canada Lease Rent amounts during the four-year transition period beginning in 2006. Effective January 1, 2010, Canada Lease Rent will be based on a percentage of gross revenues on a progressive scale.

iv) Canada Lease Capital Credit

The calculation of rent pursuant to the Previous Canada Lease provided for a deduction of base capital costs ("Canada Lease Capital Credit") from rent otherwise payable to the Landlord. The Canada Lease Capital Credit was intended to contribute to the annual capital expenditures required to maintain the leased International Airport facilities.

The Canada Lease Capital Credit provisions have been eliminated in the Amended Canada Lease.

b) **City Centre Airport**

Edmonton Airports signed a lease agreement (the "City Lease") with the City, which provides that Edmonton Airports has leased the City Centre Airport Facilities for a term of fifty-six years commencing April 1, 1996. At the end of the term in 2052, unless otherwise extended, Edmonton Airports is obligated to return control of the City Centre Airport to the City.

Pursuant to the City Lease, Edmonton Airports also received an "airport reserve fund" of $3,805 from the City to fund capital expenditures at the City Centre Airport. The receipt of these funds was recorded as contributed capital.

$ in thousands unless otherwise noted

4. ACCOUNTS RECEIVABLE

	2007	2006
	$	$
Airlines	8,581	5,720
Concession operators	223	442
Canadian Air Transportation Security Authority ("CATSA")	515	326
Other	3,775	3,875
	13,094	10,363
Less: Allowance for doubtful accounts	930	567
	12,164	9,796

a) **Credit risk**
Edmonton Airports is subject to credit risk, primarily with respect to amounts due from airlines and tenants. Credit exposure is managed by obtaining security deposits and performing credit evaluations.

b) **Dominant customer risk**
Edmonton Airports derives approximately 67% (2006 – 66%) of its airside and general terminal and AIF revenue from two airlines.

c) **Lessee receivable**
At December 31, 2007, Edmonton Airports had $607 (2006 – $720) in leasehold improvement loans to three tenants. The current portion of $117 (2006 – $112) is included in accounts receivable. The loans are unsecured and have the following terms:

Loan Date	Loan Term (months)	Interest Rate	Outstanding Principle
			$
January 1, 2005	96	2.9%	347
September 30, 2006	120	7.5%	61
October 20, 2006	60	6.0%	199
			607

The future annual principal and interest payments required to retire the loans are as follows:

	Principle	Interest	Total
	$	$	$
2008	117	24	141
2009	122	19	141
2010	128	13	141
2011	129	8	137
2012	80	4	84
Thereafter	31	4	35
	607	72	679

$ in thousands unless otherwise noted

5. PROPERTY, PLANT AND EQUIPMENT

2007	Cost	Accumulated Amortization	Net
	$	$	$
Terminal and facilities			
Terminal building	255,732	57,213	198,519
Parking facilities and roadway systems	90,842	21,758	69,084
Runway and apron surfaces	77,628	20,290	57,338
Other terminal and facilities	61,136	19,980	41,156
	485,338	119,241	366,097
Machinery and equipment			
Vehicles and maintenance equipment	13,832	9,904	3,928
Furniture and equipment	895	750	145
Computer hardware and software	3,662	2,582	1,080
Shop tools and equipment	4,923	3,004	1,919
	23,312	16,240	7,072
Office equipment under capital lease	535	531	4
	509,185	136,012	373,173

2006	Cost	Accumulated Amortization	Net
	$	$	$
Terminal and facilities			
Terminal building	245,002	48,585	196,417
Parking facilities and roadway systems	49,143	18,694	30,449
Runway and apron surfaces	45,697	17,127	28,570
Other terminal and facilities	57,745	16,488	41,257
	397,587	100,894	296,693
Machinery and equipment			
Vehicles and maintenance equipment	12,444	9,051	3,393
Furniture and equipment	827	709	118
Computer hardware and software	3,952	2,901	1,051
Shop tools and equipment	3,939	2,627	1,312
	21,162	15,288	5,874
Office equipment under capital lease	535	488	47
	419,284	116,670	302,614

a) At December 31, 2007, $43,426 (2006 – $4,045) of property, plant and equipment were under construction which $40,847 (2006 – $3,538) was for terminal and facilities and not yet subject to amortization.

b) Included in accounts payable and accrued liabilities at December 31, 2007 is $9,965 (2006 – $3,008) relating to unpaid capital expenditures.

c) Equipment and vehicles with a net book value of $Nil (2006 – $Nil) were disposed for proceeds of $45 (2006 – $Nil).

d) Facilities with a net book value of $6 (2006 – $44) were retired as a result of airport capital investment activity.

e) During the year ended December 31, 2007, $20,377 (2006 – $19,759) of property, plant and equipment amortization was charged to the statement of operations and equity in property, plant and equipment.

f) In 2006, Edmonton Airports sold land at the Villeneuve Airport for $238 which was acquired on January 12, 2000 for $Nil as part of the transfer agreement for the Villeneuve Airport between the Government of Canada and Edmonton Airports.

g) Property, plant and equipment includes $271 (2006 – $Nil) in interest capitalized during the year.

$ in thousands unless otherwise noted

6. LONG-TERM DEBT

	2007	2006
	$	$
7.2140% Revenue Bond, Series A payable in semi-annual installments with interest payable on May 1 and November 1 in 2001 and semi-annual payments of principal and interest at preset varying amounts each year commencing May 1, 2002 until November 1, 2030.	243,370	245,265
4.3650% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of $755 commencing June 15, 2007 until December 15, 2026.	19,357	20,000
4.5010% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of $1,145 commencing September 15, 2007 until March 15, 2027.	29,530	-
5.0000% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of $398 commencing December 15, 2007 until June 15, 2027.	9,851	-
4.8935% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of $395 commencing March 17, 2008 until September 17, 2027.	10,000	-
	312,108	265,265
Less: Current portion	4,529	2,538
	307,579	262,727

a) **Series A and B Bonds and revolving credit facility**

Edmonton Airports completed a $250 million Revenue Bond issue effective October 2000. The net proceeds from the offering were used to retire the existing bank syndicate credit facility arranged by Edmonton Airports in connection with Phase I and II of the Airport Terminal Redevelopment ("ATR") project; to fund a $9 million Debt Service Reserve Fund pursuant to the Master Trust Indenture ("Indenture") and to fund the remaining construction of Phase III of the ATR project.

Pursuant to the terms of the Indenture, Edmonton Airports is required to maintain a Debt Service Reserve Fund equal to one-half of its annual debt service costs and an Operating and Maintenance Contingency Fund equal to one quarter of its annual operating and maintenance expenses. At December 31, 2007, Interest Bearing

Deposits of $11,417 (2006 – $10,959) are restricted as a requirement of the Debt Service Reserve Fund. These deposits earned daily interest of between 4% and 5% (2006 – 2% and 3%). The Operating and Maintenance Contingency Fund can be satisfied by cash, Letter of Credit or undrawn availability of the Royal Bank credit facilities described below.

Throughout the term when the bonds are outstanding, Edmonton Airports is required to maintain a Debt Service Coverage Ratio on a rolling 12 months basis of 1.00:1 and a Gross Debt Service Coverage Ratio of not less than 1.25:1. All covenants have been met.

In addition to the Revenue Bond issuance, Edmonton Airports maintains, with the Royal Bank of Canada, a three-year term, $5 million revolving credit facility to support operations, and a $40 million term revolving loan ("Series B Bonds") for general corporate purposes and to assist in the interim financing of construction projects. The credit facility was renewed in 2006 for another three-year term and no drawdowns on the credit facility were made in 2007 (2006 – $nil). As at December 31, 2007, $11,670 (2006 – $10,553) of the term revolving loan had been set aside for the Operating and Maintenance Contingency Fund.

Pledged as collateral to the bonds are a first leasehold mortgage on the International Airport and related Amended Canada Lease; a security interest over all of the present and future personal property of Edmonton Airports including without limitation, all book debts, and all sources of revenue and all assets and any reserve funds, and a floating charge over all of the other present and future property and assets of Edmonton Airports.

b) Series C Bond

Edmonton Airports under its existing capital markets platform entered into a Credit Agreement ("Agreement") with the Alberta Capital Finance Authority ("ACFA") on December 6, 2006. The Agreement contains two Credit Facilities. Credit Facility 1, for $200 million, by way of Fixed Rate Loans, is to be used solely for the purposes of Airport Infrastructure Expenditures at the International Airport. Credit Facility 2, for $300 million, by way of Fixed Rate Loans, is to be used firstly for the purposes of redeeming (or purchasing for cancellation pursuant to section 3.23 of the Indenture) the Series A Bonds and the Series B Bonds. The Agreement restricts any drawdown of the final $50 million of Credit Facility 2 until all the Series B Bonds are redeemed. Once Series A and Series B Bonds are fully redeemed any residual balance in Credit Facility 2 can be used for the same purposes as Credit Facility 1.

Throughout the period when debentures are outstanding, Edmonton Airports is required to maintain an interest coverage ratio of not less than 1.25:1 and net cash flows greater than zero as of the end of any fiscal quarter on a rolling four fiscal quarter basis. All covenants have been met.

The collateral pledged under the Agreement ranks pari passu with the Series A and Series B Bonds.

$ in thousands unless otherwise noted

c) The future annual principal and interest payments required to retire the Long-term Debt are as follows:

	Principle	Interest	Total
	$	$	$
2008	4,529	20,647	25,176
2009	5,042	20,371	25,413
2010	5,593	20,061	25,654
2011	6,185	19,712	25,897
2012	6,819	19,324	26,143
Thereafter	283,940	213,056	496,996
	312,108	313,171	625,279

d) **Interest expense (income)**

	2007	2006
	$	$
Bond interest	17,648	17,757
Debenture interest	2,342	38
Interest on capital leases	8	23
Other interest and financing costs	650	247
Interest income and other	(3,755)	(1,104)
	16,893	16,961
Capitalized Interest	(271)	-
	16,622	16,961

e) **Deferred financing costs**

There was no amortization of deferred financing costs in 2007 due to the change in accounting policy described in note 2(d) and 2(h).

	2007	2006
	$	$
Deferred financing costs	-	6,831
Credit facility renewal	-	78
	-	6,909
Less: Accumulated amortization	-	1,439
	-	5,470

$ in thousands unless otherwise noted

7. OBLIGATIONS UNDER CAPITAL LEASES

	2007	2006
	$	$
2007	-	50
2008	26	29
Total minimum lease payments	26	79
Less: Amount representing interest at approximately 7% (2006 – 7%)	1	9
Present value of net minimum capital lease payments	25	70
Less: Current portion of obligations under capital leases	25	45
	-	25

Edmonton Airports has reduced the current portion of its obligations under capital leases through advance payments made in December 2007. Specific items of office equipment with a net book value $4 at December 31, 2007 (2006 – $47) are pledged as collateral on the obligations under capital leases.

8. EMPLOYEE FUTURE BENEFITS

a) Plans overview

Edmonton Airports has a defined benefit pension plan ("Pension Plan") covering all of its eligible employees. The benefits are based on years of service and the employees' highest three years' earnings. The most recent funding recommendation for the Pension Plan was completed as at December 31, 2006 and contained in an actuarial report dated June 26, 2007. The next required actuarial valuation for funding purposes must be effective no later than December 31, 2007. The financial statements were prepared using the actuarial valuation completed at December 31, 2006 with an extrapolation to December 31, 2007.

Edmonton Airports also has a defined Supplementary Executive Retirement Plan ("SERP") with one member which became effective February 1, 2005. The benefits provided under the SERP constitute a non-funded liability of Edmonton Airports. All payments made to the member of the SERP will be made from general revenues of Edmonton Airports. The financial statements were prepared using an actuarial valuation completed at December 31, 2007.

Edmonton Airports also has a severance entitlement plan ("long-term benefit plan") for eligible employees under the terms of the labour agreement. The plan provides a severance payment upon retirement, termination or death to eligible employees or their beneficiaries, under certain conditions. Edmonton Airports records the cost of this obligation based on an actuarial valuation. The financial statements were prepared using an actuarial valuation completed at December 31, 2007.

$ in thousands unless otherwise noted

	Pension Plan	SERP	Long-term benefit plan	Total
	$	$	$	$
Accrued benefit obligation				
Balance – Beginning of year	20,259	361	1,389	22,009
Current service cost	1,379	189	195	1,763
Interest cost	1,120	29	81	1,230
Benefits paid	(768)	-	(91)	(859)
Employees' contributions	71	-	-	71
Actuarial (gain) loss	(204)	43	(3)	(164)
Balance – End of year	21,857	622	1,571	24,050
Plan assets				
Fair value – Beginning of year	19,517	-	-	19,517
Annual return of plan assets	126	-	-	126
Employers' contributions	2,725	-	-	2,725
Employees' contributions	71	-	-	71
Benefits paid	(768)	-	-	(768)
Fair value – End of year	21,671	-	-	21,671
Funded status – deficit	186	622	1,571	2,379
Unamortized net actuarial gain (loss)	(5,218)	(163)	315	(5,066)
Unamortized transitional surplus	836	-	-	836
Accrued benefit (asset) liability 2007	(4,196)	459	1,886	(1,851)
Accrued benefit (asset) liability 2006	(2,688)	227	1,718	(743)

$ in thousands unless otherwise noted

The significant actuarial assumptions adopted in measuring Edmonton Airports accrued benefit obligations are as follows (weighted-average assumptions as of December 31, 2007):

	Pension Plan	SERP	Long-term benefit plan
	%	%	%
Discount rate – Beginning of period	5.25	5.25	5.25
Discount rate – End of period	5.60	5.60	5.60
Expected long-term rate of return on plan assets	6.50	-	-
Rate of compensation increase – Beginning of period	3.25	3.25	3.25
Rate of compensation increase – End of period	3.75	3.75	3.75
Inflation rate – Beginning of period	2.75	2.75	2.75
Inflation rate – End of period	2.75	2.75	2.75
Average remaining service period (years)	11	6	11

b) Edmonton Airports net benefit plan expense is as follows:

	Pension Plan	SERP	Long-term benefit plan	Total
	$	$	$	$
Current service cost	1,379	189	195	1,763
Interest cost	1,120	29	81	1,230
Expected return on plan assets	(1,335)	-	-	(1,335)
Amortization of transitional surplus	(166)	-	-	(166)
Amortization of net actuarial (gain) loss	219	14	(17)	216
Net benefit plan expense included in salaries and employee benefits expense 2007	1,217	232	259	1,708
Net benefit plan expense included in salaries and employee benefits expense 2006	1,009	121	232	1,362

c) The distribution of the total fair value of assets of the Pension Plan by major asset category is as follows:

	2007	2006
	%	%
Equities	58.7	58.1
Debt securities	33.5	36.2
Cash and other	7.8	5.7
	100.0	100.0

$ in thousands unless otherwise noted

9. AIRPORT IMPROVEMENT FEE

Effective April 12, 1997, Edmonton Airports implemented an Airport Improvement Fee ("AIF") to fund capital expenditures and the related financing costs, including the planned redevelopment and expansion of airport and terminal facilities (see note 13) at the International Airport.

	2007	2006
	$	$
Cumulative revenues (net of collection costs) to December 31	229,140	192,216
Less: Cumulative expenditures to December 31	495,719	404,618
	(266,579)	(212,402)

10. DEFERRED REVENUE

a) Deferred revenue

	2007	2006
	$	$
Prepaid lease rent	1,500	1,500
Deferred Capital Contributions	15,996	15,686
	17,496	17,186
Less: Accumulated amortization to earnings	2,202	1,127
	15,294	16,059
Less: current portion	1,186	1,162
	14,108	14,897

Deferred revenue consists of a prepayment of rent for a long-term lease at the City Centre Airport which is amortized to earnings using the straight-line method over the tenant's lease term of 52 years. Government contributions for certain capital expenditures at the International Airport, City Centre, and Villeneuve airports will be amortized to earnings using the straight-line method over the useful lives of the underlying assets as follows:

	Useful Life (Years)	2007 Contribution	2006 Contribution
		$	$
Baggage conveyor systems	15	285	14,578
Runway rehabilitation	15	25	1,108
		310	15,686

$ in thousands unless otherwise noted

b) Other revenue

	2007	2006
	$	$
Amortization of capital contributions	1,049	1,018
International Airport fire training services	16	18
Villeneuve Airport maintenance and deficit reduction charge	42	45
Other	3	8
	1,110	1,089

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of Edmonton Airports' accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the immediate or short-term maturity of these financial instruments.

The fair value of the interest bearing cash deposits approximates its carrying value.

The fair value of the tenants' security deposits approximates its carrying value as it represents cash and accrued interest at rates comparable to currently available rates.

The fair value of the lessee receivables is not materially different than their carrying value.

The fair value of the obligation under capital leases approximates its carrying value.

The fair value at December 31, 2007 of the Series A Revenue Bond at a market rate of 5.430% (2006 – 5.100%) is $286,756 (2006 – $300,507). The fair value at December 31, 2007 of the Series C Bond at a market rate of 4.605% (2006 – 4.365%) is $68,006 (2006 – $20,000). Fair value has been calculated using the future cash flows (principal and interest) of the outstanding debt instruments, discounted at current market rates available to Edmonton Airports for the same or similar instruments.

12. CONTINGENCIES

Edmonton Airports was named as a defendant in certain lawsuits. The outcome of these actions is currently not determinable. In Edmonton Airports' opinion, these actions will not result in any significant expense to Edmonton Airports. Settlement, if any, will be accounted for in the period of settlement.

13. COMMITMENTS

a) **Capital commitments**

In 2006, Edmonton Airports' Board of Directors approved an expansion of the existing parkade at the International Airport to be substantially completed by fall 2008. The total cost of this project was estimated to be $47 million. To December 31, 2007, expenditures of $34,833 (2006 – $2,265) have been incurred on the approved project. At December 31, 2007, there is approximately $10,951 (2006 – $1,038) in outstanding commitments related to this project.

On September 27, 2007, Edmonton Airports Board of Directors approved, as part of the 2008 – 2012 Strategic Plan, a significantly expanded capital program. This expanded program is necessary to ensure that the International Airport has the capacity to handle the forecasted increase in the number of passengers over this period.

$ in thousands unless otherwise noted

The approval was subject to Edmonton Airports' ability to secure additional financing of approximately $800 million dollars. Subsequently, management has entered into negotiations with the ACFA to increase its credit facility but no final agreement has been concluded. In late 2007 Edmonton Airports entered into a commitment in the amount of $14,413 (2006 – $Nil) to acquire gravel to be used in the construction of specific projects in the expanded capital program. Funding for this commitment is from the existing ACFA credit facility.

Edmonton Airports also has outstanding commitments of $1,557 (2006 – $9,070) related to other capital projects including surface parking lot expansion, fire protection equipment, security fence rehabilitation and conveyor systems acquisitions.

b) Operating commitments

Edmonton Airports has operating contracts for the provision of management, security, janitorial services and electricity. These contracts have annual commitments as follows:

2008	$ 16,790
2009	5,959
2010	5,405
2011	3,682
2012	1,750
Thereafter	1,096

The Amended Canada Lease includes predetermined rent amounts for the periods 2006 through 2009. The amounts for 2010 through 2012 are based upon a percentage of estimated gross revenues at the Edmonton International Airport on a progressive scale.

The future lease payments are as follows:

2008	$ 4,919
2009	5,118
2010 (Estimated)	13,299
2011 (Estimated)	14,611
2012 (Estimated	15,698

14. DIRECTORS' AND OFFICERS' REMUNERATION AND EXPENSES

This information is provided pursuant to the Regulations of the Act

a) Directors' compensation

Annual retainer	
Chair (does not collect meeting fees)	$ 60
Vice-Chair	13
Committee Chairs	13
Directors	9

Meeting fees

Board and Board Committee meeting fees ranged from $200 to $700 dollars per meeting depending on meeting duration.

$ in thousands unless otherwise noted

Total compensation and expenses paid to each Director in 2007 was:

	Compensation	Expenses	Total
	$	$	$
Margaret Bateman (Chair)	60	3	63
Peter Bidlock*	3	-	3
Evan Cameron	14	4	18
Robert Carwell	14	6	20
Gordon Clanachan (Committee Chair)	20	2	22
Dennis Foley	14	3	17
John Friesen	15	1	16
James Funk	14	1	15
Gary Hanson (Committee Chair)	20	5	25
David Margolus	17	1	18
Allister MacPherson (Vice-Chair)	22	2	24
Shelley Miller	16	5	21
Rolly Owens	13	2	15
Larry Prokop*	3	-	3
Gordon Riddell*	3	-	3
Al Thompson	26	8	34
Robert Walker	14	1	15

*Terms were completed in December 2006. Remuneration paid in 2007 is for meetings attended in the last quarter of 2006.

Changes to Edmonton Airports' Board of Directors were as follows:

Resigned Position	September 2007	Gary Hanson (Committee Chair)
Term completed	December 2007	Margaret Bateman (Chair)
	December 2007	Allister McPherson (Vice-Chair)
New Board members	October 2007	Bryan Bailey
	January 2008	Anne McLellan
	January 2008	Tom Redl
Appointed Chair	January 2008	Gordon Clanachan
Appointed Vice-chair	January 2008	David Margolus

$ in thousands unless otherwise noted

b) Officers' compensation

The compensation earned by each Officer in 2007 was as follows:

	Base Salary[1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total
	$	$	$	$
President and CEO	330	163	289	782
VP Finance, Chief Financial Officer	200	72	6	278
VP Airport Operations and Services	200	47	31	278
VP Marketing	174	37	28	239
General Counsel and Corporate Secretary[6]	70	2	10	82
	974	321	364	1,659

1 - Base Salary includes pensionable BASE pay.

2 - Other cash benefits includes incentive pay (per footnote[4]), management allowances, and cash payments in lieu of pension plan contributions.

3 - Other non-cash benefits include Edmonton Airports' share of all employee benefits and contributions or payments made on behalf of employees including pension plan, employee severance plan, health care plan, workers compensation plan, group life insurance plan, short-term disability plans, dental plans and supplementary executive retirement plan (SERP) (per footnote[5]).

4 - All Officers receive incentive pay that is tied to achieving significant and challenging organizational goals and objectives.

5 - As indicated in Note 8 to these financial statements the President & CEO is entitled to receive supplemental retirement payments. The retirement arrangement costs are not a cash payment in the period but are period expenses for the right to future compensation. The SERP provides future pension benefits based upon years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service, a market interest rate, and management's best estimate of expected cost and the period of benefit coverage. Net actuarial gains and losses of the benefit obligation are amortized over the average remaining service life of the member. Current service cost is the actuarial present value of the benefits earned in the current year. Other costs include the amortization of actuarial gains and losses and interest accruing on the actuarial liability.

6 - The General Counsel & Corporate Secretary was appointed as an Officer effective June 23, 2007. These costs represent those incurred from that date until December 31, 2007.

$ in thousands unless otherwise noted

c) Total remuneration for officers and directors:
During the year ended December 31, 2007, Edmonton Airports provided its officers and directors remuneration (base salary, incentives, and allowances) and reimbursement of expenses in the following amounts:

2007	Remuneration	Expenses
	$	$
To Directors	288	44
To 5 Officers who are not directors	1,659	202
	1,947	246

2006	Remuneration	Expenses
	$	$
To Directors	311	16
To 4 Officers who are not directors	1,472	149
	1,783	165

15. SUBSEQUENT EVENT

On March 19, 2008 Edmonton Airports finalized a new financing arrangement with ACFA to finance a $1.1-billion expansion capital program at the International Airport. The new arrangement increases by $800 million the existing $200 million Credit Facility 1. The existing covenants and collateral contained and pledged in Credit Facility 1 will not change as a result of this increase.

16. COMPARATIVE FIGURES

Certain of the 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2007.