FINAL COMPLETE
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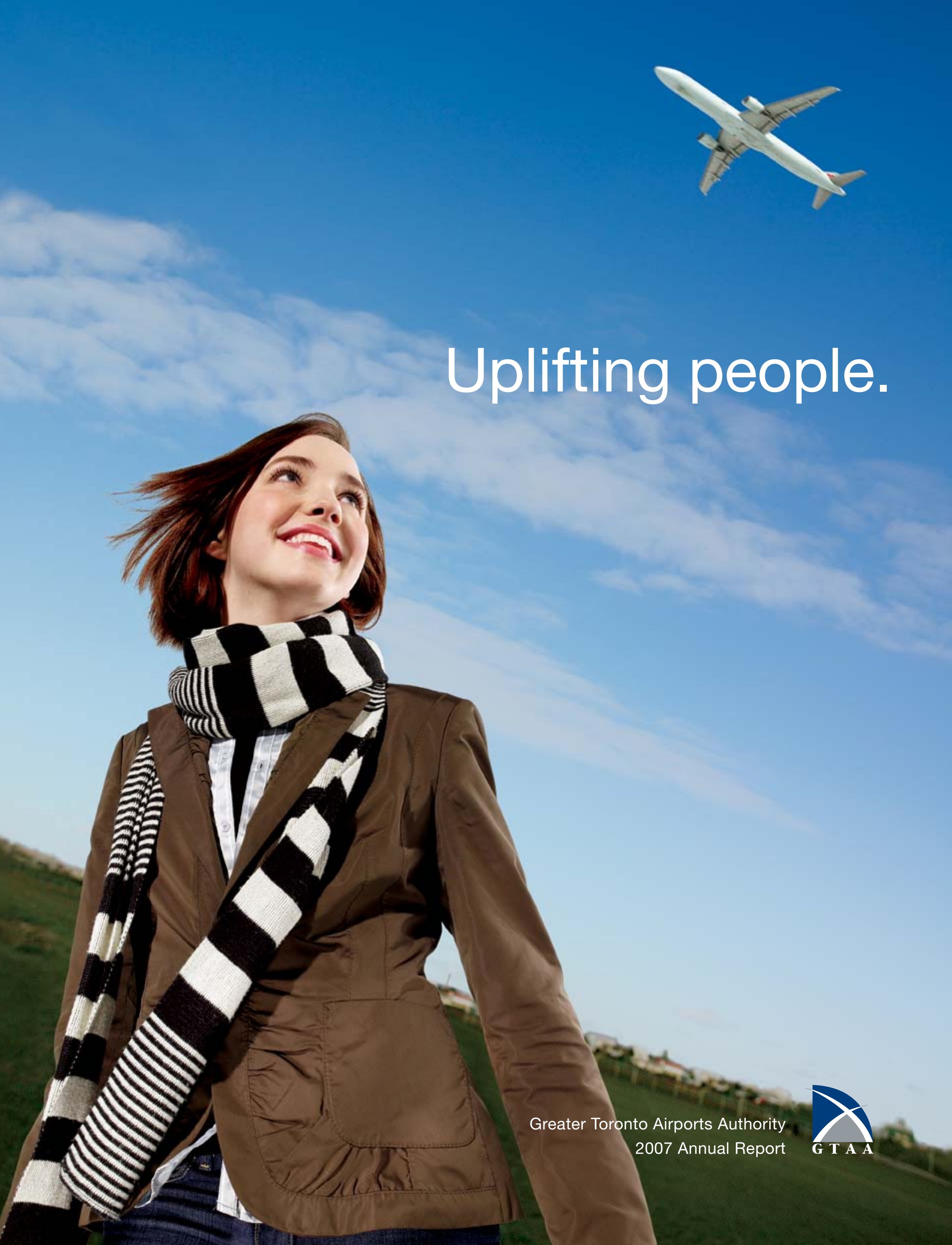
GTAA

2007 Annual Report
April 4, 2008



Uplifting people.

Greater Toronto Airports Authority
2007 Annual Report

Incorporated in 1993, the Greater Toronto Airports Authority (GTAA) holds the responsibility to operate, manage and develop Toronto Pearson, under terms set out in the December 1996 lease with the federal government. We are authorized to operate within the Region on a commercial basis, to set fees, and to develop and improve facilities.

The GTAA has embarked on the next phase of our corporate development. As a result, a new vision for the organization was established; one that speaks directly to the challenges and opportunities ahead.

Our vision: to be “A leading airport company championing sustainable global access for the Greater Toronto Area.” To achieve this vision, a new 5-year strategic plan was established, which focuses on global competitiveness, corporate sustainability and gateway traffic development.

What is an airport, really?
Airports serve the needs of people. People with simple but vital concerns. Like getting where they're going. Being on time. Being comfortable. Being happy. Not everyone thinks about the people who help domestic and international air travellers on their way, but for the thousands of them who pass through Toronto Pearson every day, the Airport is its people.

John will sell you a slice of air.

Who flies in and out of Toronto? The answer depends greatly on which national and international airlines embrace the city. Which of them see its potential. Attracting those airlines is John's business. It means selling Toronto as a destination. Selling the airport as a business partner. In this way, he's a booster for both. And that's a job he can feel good about.

"THE AIRPORT IS A BUSINESS. THE AIRLINES ARE OUR PARTNERS. THE CITY IS OUR CLIENT. SO IS THE WORLD."

JOHN SHARP
GENERAL MANAGER AIR SERVICE MARKETING


Good buy.

Melissa is a complete geek.

Got a question about the Airport? Or anything in it? On it? Around it? Every day people ask Melissa question after question after question. Like “where does this pipe go?” Or “how many pounds of thrust can the perimeter wall take?” She is never surprised by the range of information that people need to access on a day-to-day basis. Because no matter how small the detail, it’s her job to create and manage the information systems that will provide the answers. And she loves it.

“I’M ALWAYS HAPPY TO HELP PEOPLE, BUT I NEVER FEEL LIKE I KNOW ENOUGH – SO I SPEND MY TIME LEARNING AND SHARING.”

MELISSA McCABE
BUILDING SUPERVISOR

Just ask.
430
432
434

Ahead of the curve.

What makes a successful airport? We divide that question in two: how we meet people's expectations and how we surpass them. Regardless of their reason for travel, people demand the highest standards for safety, security, customer service, facilities, and efficiency. The qualitative difference shows up in people's satisfaction with the experience we provide. And that comes from a focused understanding of the needs and feelings of the travelling public. It's a matter of character. And it's where we shine.


THIS YEAR AT TORONTO PEARSON WE MOVED 31.5 MILLION PEOPLE (AN INCREASE OF ALMOST 2%) AND 505,000 TONNES OF CARGO TO AND FROM TORONTO AND 183 OTHER PLACES AROUND THE WORLD, THROUGH 425,500 NON-STOP AND SAME PLANE FLIGHTS, IN PARTNERSHIP WITH 76 INDIVIDUAL AND CODE SHARING AIRLINES.

Partnerships

The airlines we serve get people to where they're going. We work with the airlines to help as much as we can, such as our joint efforts with Air Canada to promote Toronto as a North American gateway to Europe and Asia, our work with Sunwing Airlines to create a marketing program, and with various other carriers to create cargo initiatives and generate traffic.

Flights

We saw a number of new air services enhancements in 2007. KLM added five frequencies for the summer season. Air France brought in a Boeing 747 combi, providing added cargo and passenger capacity. Cathay Pacific added a weekly cargo frequency. Jet Airways launched a daily A330-200 service to India via Brussels. Emirates Airlines launched a tri-weekly B777 service to Dubai. Air Canada inaugurated a B777 Toronto-Vancouver-Sydney service. West Jet added daily Toronto-Los Angeles service, and Air Transat inaugurated Vienna and Barcelona services.

Rates

A more competitively priced airport is good for airlines, good for passengers and good for the region. Thanks to the dedication and hard work by all GTAA employees to manage costs, with the backdrop of new facilities, we announced a reduction in fees charged to airlines for all services as of January 1, 2008. Landing fees were reduced by 3.1 per cent and terminal charges were reduced by 4.7 per cent.

New and old

With Terminal 1's Pier F completed and the demolition of Terminal 2 progressing rapidly, we look towards the future. We have now published a formal direction for the Airport's next phase, *Taking Flight – The Airport Master Plan, 2008-2030,* which provides a comprehensive summary of the development required to maximize the Airport's growth potential and to meet the future air transportation needs of the Greater Toronto Area and South Central Ontario.

Advertising

The sheer volume of people we accommodate every day creates value in the public and secure spaces of Toronto Pearson, which drives non-aeronautical revenues. Look for the HSBC logo on all jet bridges and fixed links at Terminal 1 and Terminal 3, for instance, which is being launched in 2008. And Samsung has added Toronto to its list of world airports featuring the famous "Samsung Hand."

New business

Capitalizing on the experience it gained through the activation of Terminal 1, the GTAA now offers its professional advice through world consultancy. The Dubai Department of Civil Aviation engaged the GTAA to assist in opening the Terminal 3/Concourse 2 project at Dubai International Airport. We are also working with JetBlue Airways to open a 25-gate facility at New York's JFK Airport.

Randy is a visionary.

Back when the idea of a bigger, more efficient and more capable airport first came up, Randy saw the need to make the entire effort environmentally responsible. Throughout the development he has been a voice of conscience and a facilitator of solutions. He'll never brag about his accomplishments, but at Toronto Pearson, he has long been the environment's most steadfast advocate. And he's showing no sign of letting up.

"WE LIVE AND WORK IN RELATION TO THE WORLD AROUND US. SO IT JUST MAKES SENSE TO PUSH PEOPLE TO THINK IN BROADER TERMS."

RANDY McGILL
GENERAL MANAGER ENVIRONMENTAL STEWARDSHIP


Go green.

Francine knows all about noise.

While it is inevitable that aircraft will rumble as they take off and land, there are aspects of an airport's noise profile that can be managed. Francine mitigates the uproar by investigating noise complaints and tracking flight path deviations that may affect the surrounding community. Her goal is to maintain the fine line that balances consideration, responsibility and self-regulation with the realities of an essentially loud business. She is always happy to lend an ear.

"MY JOB PUTS ME IN THE PERFECT POSITION TO KNOW THAT BEING HEARD DOESN'T MEAN BEING LOUD."

FRANCINE DONALDSON
AVIATION ENFORCEMENT SPECIALIST


Hear here.

Josh is a cultural cheerleader.

Every day, to thousands of domestic and international travellers, Toronto Pearson offers the first and last impression of the city. To them, the Airport is Toronto. This city has a lot to offer. Some of its attractions are event-driven. Some are seasonal. Some are open year round. To Josh, the Airport has an opportunity to package what people will think of the city. To influence what they will take with them on their travels. And that can mean a lot.

"FOR ALL THE FESTIVALS AND ATTRACTIONS THAT THIS CITY HAS TO OFFER, I WANT TORONTO'S AIRPORT TO REFLECT THE FULL BREADTH OF OUR CULTURAL OFFERING."

JOSH COLLE
MUNICIPAL AND PROVINCIAL
GOVERNMENT AFFAIRS MANAGER


Welcome
Hello world.

Being good.

To whom are we responsible, and for what? More and more in today's business world, organizations are asked this seemingly simple question. It's a good question, but it's not simple. It creates a broader context for examining and managing our business. And it makes us look at what we do in response to the current era's emerging realities. Corporate social responsibility is a matter of corporate character as we assess what we do from an environmental, social and economic point of view. It is also a business requirement. Because people expect it. And we're good with that.

TORONTO'S AIRPORT IS MANAGED WITH AN OPENNESS TO THE COMMUNITIES IT SERVES. CULTURAL SUPPORT AND CHARITABLE ACTIVITIES ARE JUST TWO AVENUES FOR US TO GIVE BACK. AND THEY ARE AREAS IN WHICH WE ARE VERY ACTIVE.

Green initiatives

From the day we took over, mitigating our impact has been vitally important to us. 2007 was no different. We began Partners in Project Green, a joint initiative with the Toronto and Region Conservation Authority to create North America's largest eco-industrial park. The project aims to dedicate more than 11,000 hectares of industrial and commercial lands to manage waste, share resources and work toward sustainable development with like-minded businesses.

The Fire and Emergency Services Training Institute (FESTI) opened to serve the needs of GTAA, local, and international firefighters in the most environmentally friendly building on Airport property. Conforming to Leadership in Energy and Environmental Design (LEED) Silver standards, FESTI features a green roof, solar wall, and contains recycled building material.

We have partnered with the City of Mississauga to build a recreational trail on Airport property and design is in its final stages. And, concerned about greenhouse gas emissions, we have reduced the number and introduced more energy efficient fleet vehicles, and saved 47,000 MWh of electrical energy through various initiatives such as the installation of motion sensors, lighting management programs and relamping projects.

Socially responsible

Our employees are always finding ways to give back to the communities in which they live. We raised in excess of $80,000 for the United Way Peel Region, more than doubling the target we set. The Pearson Airport Firefighters Charity Golf Tournament raised more than $4,400 for the Children's Wish Foundation. Team GTAA walked in memory of Connie Turner, the GTAA's past Director of Marketing and Communications, raising $1,400 for the Canadian Cancer Society. Yet another GTAA team raised $2,300 to fight global poverty in the 23rd annual World Partnership Walk.

The GTAA's Art and Exhibitions program continues to add to the overall passenger experience. The program forges community partnerships through our work with cultural and heritage organizations in the GTA and beyond, and brings a diverse range of exhibitions to the Airport that reflect our communities, such as the CONTACT Photography Festival, *In Flight,* a juried exhibition organized by the GTAA, and *Made In Toronto*, which showcased contemporary craft.

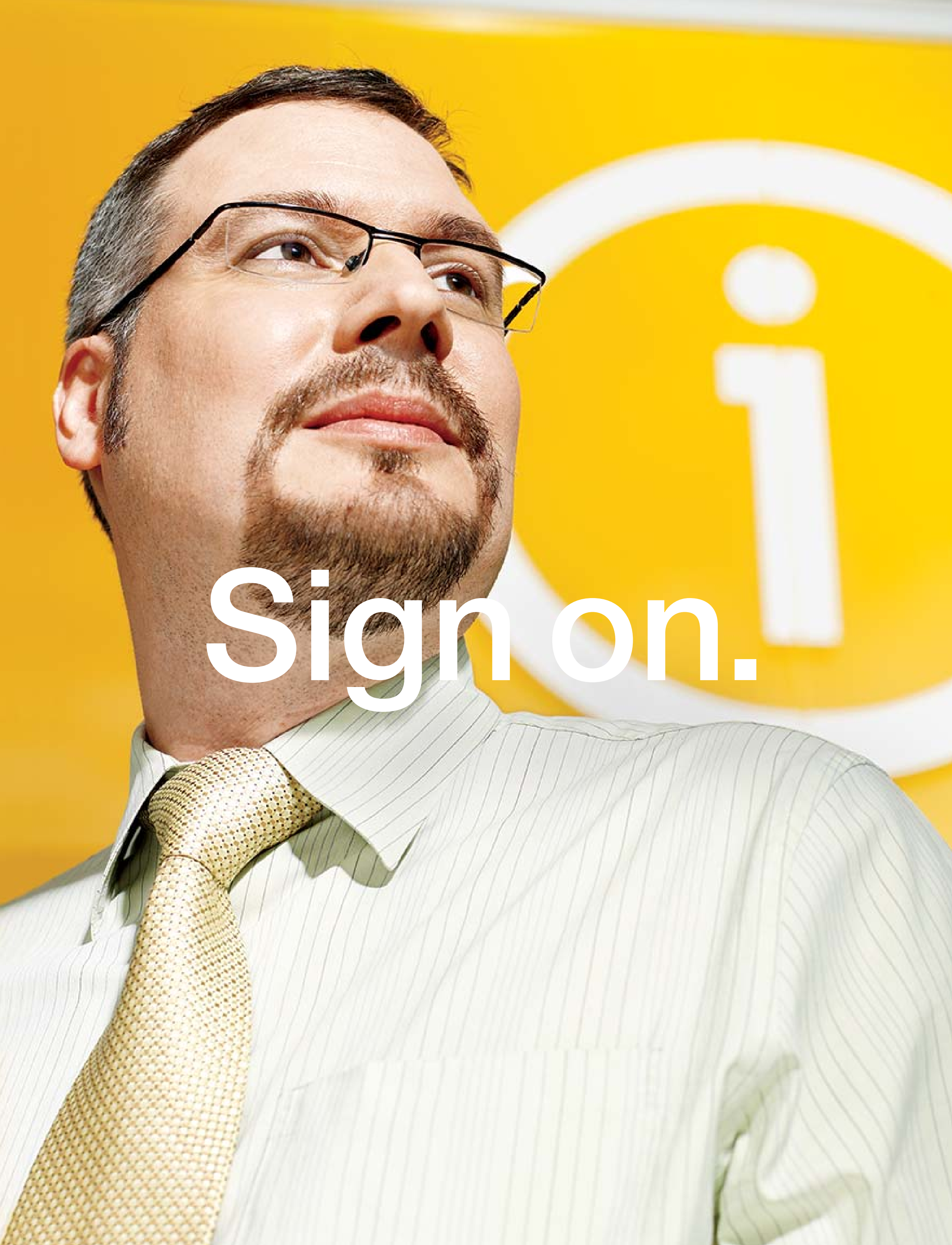
The Toronto region stages events that draw people from around the world. We want their experiences to start when they land. Welcoming athletes and spectators to the FIFA Under 20 World Cup, and featuring entertainers from Luminato, one of Toronto's major cultural festivals, the GTAA links the airport to sports and the world of art and the creative spirit with every aspect of Canada's largest city. These efforts have created a model for future partnerships with our communities.

Peter is a font of information.

Every day, Peter gets to create signs and communications systems that help travellers and airport insiders understand what and who goes where, how things work and where things are… all in a language that's been designed to create clarity and understanding where it is needed the most. He is dedicated to creating an intuitive environment and facilitating the flow of people through a complex and active public space. Which just goes to show you.

"THE LESS TIME ANYBODY SPENDS WONDERING WHERE SOMETHING IS, OR HOW TO GET SOMEWHERE, THE HAPPIER I AM."

PETER WISZNIEWSKI
SIGN SHOP SUPERVISOR


Sign on.

Luis works behind the scenes.

Between tagging a bag and putting it on the plane, there's machinery that moves it, sorts it, inspects it and gets it on its way. Luis sees every bag as data. Processing that data means staying on top of miles of conveyer belts, tracking systems, security systems and human factors that must be considered to get the bags where they're going. Because he doesn't want anybody to be left empty-handed.

"PEOPLE WATCH THEIR BAGS DISAPPEAR INTO THE SYSTEM. I WANT THEM TO KNOW THAT WHILE WE WATCH THE SYSTEM, WE ACTUALLY CARE ABOUT THEM."

LUIS DEMESTRE
BAGGAGE SYSTEMS COORDINATOR


Tagged in.

Christiane tells pilots where to go.

Travellers may be unaware of the time they spend in Christiane's care, but between the gate and the taxiway there is a lot of ground to cover. While most airline passengers are focused on getting off the ground or off the plane, she's there to make it all happen safely. The breadth of activity between the ground and the air warrants constant vigilance. So however unaware they may be, Christiane is happy to get them where they're going. She's nice that way.

"MY VOICE IS MY GREATEST ASSET. WHEN I SPEAK, PEOPLE LISTEN. AND THAT'S A SKILL THAT I TRY TO PUT TO GOOD USE EVERY DAY."

CHRISTIANE GARCZAREK
APRON OPERATIONS OFFICER


Right away.

Experience is everything.

An airport is built around a unique business model. The value of our services is experienced by a broad range of customers with a variety of needs and expectations. From the arriving or departing traveller, to our airline and retail tenants and other groups that have a stake in the operation of the Airport, we have an obligation and an expressed intent to meet their expectations. It's what we do.

IN TERMINAL 1 PASSENGERS PARTICIPATED IN A JOINT GTAA/AIR CANADA SELF-TAGGING PILOT PROGRAM. THE RESULT WAS LESS TIME IN LINES AND MORE TIME TO ENJOY THE RICHNESS OF THE AIRPORT'S RETAIL AND SERVICE OFFERING.

The way we see it

Whatever airline travellers fly on, or at whichever store they shop, or however they use our Airport, we want them to know that we're here to make their experience positive. Knowing that all employees have a vested interest in how travellers experience the Airport, we have created a Customer Experience department. Their mandate is to achieve a better understanding of all of our customers and to tailor products and services to meet their expectations.

Easier Departures

Ask a passenger how their airport experience could be improved on and they'll tell you "less time in lines." To speed up the check-in process, we introduced a self-service bag tagging pilot program in partnership with Air Canada. Passengers enter information at a kiosk, print a tag and drop their bags at a receiving area. Simple, effective and appreciated.

The newly opened International Pier F at Terminal 1 has increased our customer service capabilities. How? It has allowed Air Canada to consolidate all of its operations into one terminal, eliminating the need for passengers to change terminals when connecting flights. The 25 new gates with movable partitions greatly improve the ease of Canada/U.S. and International connections. Satellite Customs and Immigrations desks simplify the connecting process and reduce walking distances. Pier F alone features 28 food and beverage and retail concessions, while eight other news, specialty retail and service retail locations were also unveiled at the Airport.

The GTAA joined with the Canadian Air Transport Security Authority (CATSA) to explore options to reduce security related wait times. A public awareness campaign was launched in the terminals to educate passengers about restrictions and procedures that could slow their progress. The introduction of NEXUS had a great impact on reducing wait times. This joint Canada Border Services Agency and U.S. Customs and Border Protection program facilitates speedy travel between Canada and the U.S.

Forward Thinking

As we strive to meet the needs of our customers to elevate their experience and raise the level of non-aeronautical revenues, we are working toward introducing several innovative programs. Currently being explored is technology that equates to a virtual concierge, providing the traveller with personalized, profiled and relevant travel related information delivered direct to their mobile device. Also in development is a fee-based Membership and Customer Appreciation program, dubbed the Pearson Pass. When launched, it could provide passengers with access to the convenience of valet parking, wireless internet, front of the line check-in and a host of other premium services.

Jason stays on top of things.

On one hand there's a phone. On the other, there's a radio. A screen for each eye, plus another screen. However many channels of information are within his purview, Jason tracks them all, responds to incidents, issues instructions, communicates details and records times. So when a security door is unexpectedly opened, an emergency response crew is required or the "state of things" changes in anyway, the Airport is always set to respond with speed and efficiency. Just watch.

"THE REAL CHALLENGE OF VIGILANCE IS TO MAINTAIN FOCUS IN THE ABSENCE OF AN INCIDENT."

JASON VAN HEEMST
OPERATIONS SUPPORT SPECIALIST


Multi task.

Loris has got your back.

Loris stands for airside safety. He monitors the operation of the Airport. He enforces the airside rules of the road. He responds to real life emergencies. He keeps watch in a specialized environment that operates around the clock – whatever the weather or circumstances. To him, simple consideration is a bit of common sense that sometimes needs to be policed, and he's Ok with that.

"WHERE I WORK, IT'S BETTER WHEN PEOPLE DON'T GET IN EACH OTHER'S WAY. FOR ME, SAFETY SHOULD ALWAYS TRUMP CONVENIENCE."

LORIS BONORA
AIRSIDE SAFETY SUPERVISOR


On watch.
0813

Safely does it.

The ability of anyone to fly, to ship a parcel or to greet a traveller depends upon the capacity to maintain a safe and secure airport. We are vigilant when things go right and we are confident that we have the people, expertise, training and resources to make sure we stay on top of any situation and get the job done. No matter what. And that job keeps us very busy. Because safety doesn't just happen. It is created.

THE AIRPORT'S CANINE SECURITY TEAM AND ITS FIRE AND EMERGENCY SERVICES TRAINING INSTITUTE HAVE EACH EARNED A REPUTATION FOR QUALITY THAT HAS EXPANDED THEIR MANDATES BEYOND OUR OWN DIRECT NEEDS.

Security Management Systems

GTAA Safety & Security made Toronto Pearson the first airport – not just in Canada, but worldwide – to develop and implement a proactive, performance-measurement Security Management System (SeMS). Under SeMs, we have developed the processes and tools to identify, assess and reduce risk. The GTAA completed a pilot project in 2007 and expects to see its findings adopted as national regulatory requirements. Through developing a program like SeMS, we recognized and identified that this was where the aviation industry was heading. SeMS promises to lead to a more safe and secure environment at the Airport, as well as propel the GTAA as an industry leader in developing security processes that will eventually become legislatively mandated practice on a national scale, and perhaps a model for other leading airports to adopt.

Threat/Risk Assessment National Training Program

Key stakeholders from Toronto Pearson's Emergency Response Protocols Working Group, including the GTAA, CATSA, Transport Canada, Peel Regional Police, and various air carriers, developed and implemented a comprehensive threat/risk assessment training program in 2007. A first for Canadian airports, it is designed to create a better threat/risk assessment process, improved inter-agency collaboration and decision-making, reduced risk to civil aviation and minimized impact on airport operations in cases of incident.

Emergency Planning

A safe environment doesn't just happen. It's planned for. With emergency training, we are confident in our preparedness for those moments we hope don't happen. This year's annual exercise program included a full-scale exercise to evaluate response and management within the first 24 hours of a major disruptive event – last year, the training exercise was a mock fire at the Airport's fuel farm.

Canine Services

GTAA Canine Services is recognized for its explosive detection skills by law enforcement agencies at home and abroad, including the RCMP, O.P.P., Regional Police Services, Canada Customs, U.S. Homeland Security, U.S. Bureau of Alcohol Tobacco Firearms and Explosives and other agencies. We are the training provider of choice for the canine units of the Toronto Police, Hamilton Police, York Regional Police and the Guelph Police. This year, the team participated in familiarization exercises, performed security sweeps and training for the Pier F opening, enforced a zero tolerance policy for unattended vehicles, and trained proactively on the latest explosives used by terrorists.

A MESSAGE FROM THE CHAIR

The GTAA has passed a turning point. With the opening of Pier F in Terminal 1, the Airport Development Program is complete. While we can be proud of the first class facilities we provide to our customers and stakeholders, we now have the opportunity to assess our roles and responsibilities as a provider of aviation infrastructure in southern Ontario. To that end, the Board of Directors recognizes that we must turn our attention to maximizing what has been accomplished over the past decade.

This year, the Board appointed Dr. Lloyd McCoomb as our new President and Chief Executive Officer and effected a reorganization of the Executive Team. With a view to the challenges we face, the Board of Directors charged the Executive with defining a new vision for the organization and creating a new strategic plan. Our vision must acknowledge the necessity to be competitive in a global aviation market through the provision of efficient, economical and environmentally sustainable aviation facilities.

The Board has endorsed this new vision to guide the development and operation of the GTAA to be "A leading airport company championing sustainable global access for the Greater Toronto Area."

We will become a leading airport company by developing Toronto Pearson to its ultimate potential, by leading the way in ensuring additional airport capacity to meet future demand, by vigilantly managing our costs, and by developing new product lines and services. In order to meet these goals, we need to make the GTAA globally competitive in the marketing of our facilities and services, while being environmentally and financially sustainable as a business entity. By expanding Toronto Pearson's role as a gateway, the Airport will be better positioned to provide the Greater Toronto Area with convenient and ready access to centres around the world. This will, in turn, give global reach to the region's business, scientific, academic and cultural communities.

> "I AM CONFIDENT THAT WHEN FACED WITH FRESH CHALLENGES, THE NEW STRATEGIC PLAN WILL PROVE TO BE THE RIGHT STRATEGY TO GUIDE THE GTAA TOWARDS FULFILLING BOTH OUR OWN GOALS AND THE EXPECTATIONS OF OUR CUSTOMERS AND STAKEHOLDERS."

The three strategic themes of global competitiveness, corporate sustainability and gateway development will form the starting point for us to implement our strategy. I am confident that when faced with fresh challenges, the new strategic plan will prove to be the right strategy to guide the GTAA towards fulfilling both our own goals and the expectations of our customers and stakeholders.

Our Board also recognizes that our airport is an integral part of the community we serve – on an environmental, cultural and social level. Striking a balance between airport efficiency and the concerns of the community is therefore always top of mind. The GTAA strives to be a good neighbour. By managing the impact we have on the community, we will ensure that the airport meets the expectations of our many customers.

We welcomed Shaun Francis and Douglas Armstrong to the Board of Directors in the second quarter of 2007. I would like to thank Christine Hart and Benjamin Hutzel for their contributions to the Board over the course of their terms, which expired early last spring.

The Board of Directors has set lofty and challenging goals for our company and our Airport. Given the exemplary facilities that this company has created over the past decade, it would be irresponsible not to aspire to such goals.

WARREN C. HURREN
CHAIRMAN

CORPORATE GOVERNANCE

The GTAA was incorporated in 1993 as a non-share capital corporation pursuant to Part II of the Canada Corporations Act.

The GTAA is governed by a 15-Member Board. Five Directors are appointed from municipal candidates. Each of the Regional Municipalities of York, Halton, Peel and Durham and the City of Toronto is entitled to provide, on a rotating basis, the names of three candidates, and the Board will appoint the most appropriate and qualified candidate for each available position as a Director, taking into account the skill set and make-up required for the full Board. In addition, four Directors are appointed by the Board on a cyclical basis from candidates nominated by a pool of nominators comprised of the Law Society of Upper Canada, the Association of Professional Engineers of Ontario, the Institute of Chartered Accountants of Ontario, the Toronto Board of Trade and the Boards of Trade and Chambers of Commerce in the Regional Municipality of York, the Regional Municipality of Halton, the Regional Municipality of Durham and the Regional Municipality of Peel. Three Directors are appointed by the Board on a cyclical basis from candidates solicited by the Board itself. Finally, the Government of Canada and the Province of Ontario are entitled to appoint two Directors and one Director, respectively. Each Director is an independent Director within the meaning of Multi-lateral Instrument 52-110. The GTAA's Bylaws provide that nominees are to be appointed by the Board for a three-year term. No Director may serve in such a capacity for more than nine years.

The GTAA's Board meets on a regular basis and views its principal responsibility as overseeing the conduct of the business of the GTAA and setting the strategic direction for the Corporation. The Board ensures that long-term goals and the strategies necessary to achieve them are established and are consistent with the GTAA's vision.

Over the course of 2007, the GTAA developed a new strategic plan for the Corporation centred on a renewed commitment to making the Corporation and the airport it operates more competitive. Based on a new vision for the GTAA — "to be a leading airport company championing sustainable global access for the Greater Toronto Area" — the GTAA will be focusing on three key strategic themes."

- Making the GTAA more globally competitive;
- Enhancing the Airport's role as a gateway; and
- Ensuring the long-term sustainability of the Corporation.

This new five-year strategic plan provides the structure to achieve higher non-aeronautical and aeronautical revenues and improve efficiencies. In addition, the GTAA will place a priority on aligning products and services with customer needs.

The Board also ensures that the necessary systems are in place to manage the risks associated with the GTAA's business and to monitor and measure management's performance in carrying out the Corporation's objectives.

There are four committees of the Board: the Audit Committee, the Corporate Governance and Compensation Committee, the Environment, Health and Safety Committee, and the Planning and Development Committee. The mandates of each Committee of the Board are as follows:

Audit Committee

The Audit Committee's mandate is to fulfill the legal obligations that apply to audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting, accounting, auditing and internal controls. In so doing, the Committee reviews all aspects of the GTAA's financial and accounting management procedures, oversees the integrity of the Corporation's financial statements and financial reporting process, the work of the Corporation's external auditors engaged for the purpose of preparing or issuing an auditors' report, overseeing the qualifications and independence of the external auditors and providing an open avenue of communication between the Senior Management of the Corporation, the external auditors, the internal auditors, and the members of the Board and committees of the Board.

In addition, the Committee reviews the risk management and insurance programs to minimize risk and exposure and ensure compliance with the insurance requirements under the Ground Lease and the Trust Indenture. The Committee also reviews the "CARE Line" which permits the confidential and anonymous reporting of employees' concerns regarding questionable or inappropriate behaviour. Finally, the Committee monitors and assesses the performance of pension fund asset managers.

A written copy of the Charter of the Audit Committee is attached to the Corporation's Annual Information Form which may be accessed at www.sedar.com.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee is charged with monitoring the relationship between management and the Board and defining management's responsibilities. The Committee is also responsible for developing and reviewing the roles and responsibilities of the Board, the Chair of the Board and the President and Chief Executive Officer, overseeing the nomination process, recommending candidates for appointment as Directors, establishing an orientation program for new Directors, reviewing the terms of reference of Board committees, reviewing management succession policies, assessing the effectiveness of the Board and the Committees of the Board and ensuring compliance with corporate governance requirements. In addition, the Committee is responsible for reviewing executive compensation arrangements.

Environment, Health and Safety Committee

The Environment, Health and Safety Committee oversees the GTAA's environment, health and safety, employee occupational health and safety, public safety, emergency preparedness and security to ensure compliance with legislative and regulatory requirements and industry standards. The Committee also ensures that the GTAA maintains management systems to implement such policies.

Planning and Development Committee

The Planning and Development Committee generally oversees that the GTAA has appropriate facility development plans, including an accurate, up-to-date and approved master plan, and that the GTAA has in place the management systems necessary to deliver needed facilities efficiently and economically.

A MESSAGE FROM THE PRESIDENT

In 2007, the Board of Directors endorsed a new vision and strategic plan for the company that has given us the opportunity to strike a fresh and bold course. Our focus moving forward is to be more competitive, to enhance the airport's gateway function and to address our long-term sustainability.

Reading through the pages of this Annual Report, you will see that we have chosen to feature the people who work for the GTAA. We do so with good reason. The GTAA could not be what it is without the dedication, the skills, the capabilities and the pride of the people who make our company and our airport work.

An airport should serve, satisfy and delight. Our employees personify and exemplify this notion. They champion a shared dedication to safety, accessibility, efficiency, service, innovation, cooperation and consistency that mark our international reputation. This is an important story to tell, as we have to date been preoccupied with infrastructure development.

Travellers may not notice the scale of activity required for the daily miracle of flight to happen. But as millions of people channel through our doors, en route to destinations around the globe, they place their faith in GTAA employees to safely and efficiently get them on their way or bring their loved ones to them. Our people deliver on the trust these travellers place in us.

The travelling public is largely unaware of the machinery required to move people on the scale we do. It is vast and complex, but it is also largely hidden from the passenger who rushes to catch his or her flight. So while on the surface we maintain a very pleasant environment for the traveller, behind the scenes there is a constantly moving system in place, dedicated to serving their needs.

"…THE STORY OF THE AIRPORT INCLUDES MANY NEVER BEFORE HEARD SUB-STORIES OF PROACTIVE ATTITUDES, CONSIDERATION AND BEYOND-THE-CALL-OF-DUTY DEDICATION THAT ARE THE HALLMARK OF A HEALTHY WORKING CULTURE."

What is it that remains unseen? Our safety preparedness. Our vigilance. The care that we put into our information systems and any number of other factors. In reality, the story of the airport includes many never before heard sub-stories of proactive attitudes, consideration and beyond-the-call-of-duty dedication that are the hallmark of a healthy working culture.

The Board has endorsed a vision and a plan for this company that is exciting and challenging. I have every confidence that we can meet that challenge through the talent, the pride and the enthusiasm of our people. At the end of my first year as President and Chief Executive Officer, I have come to a simple conclusion. It is coloured by the fact that I came to the job from within the GTAA family, but I have become increasingly impressed with the importance of the dedication we at the GTAA share to the importance of every facet of our operation. Our story truly is about the people who do the work. Because every flight is a miracle and we make miracles happen every day.

DR. LLOYD A. McCOOMB
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MD&A

FOR THE YEAR ENDED DECEMBER 31, 2007
DATED MARCH 5, 2008

Forward looking Information This Management's Discussion and Analysis ("MD&A") contains certain forward-looking information. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. Please refer to the section titled "Caution Regarding Forward-Looking Information" contained at the end of this MD&A for a discussion of such risks and uncertainties and the material factors and assumptions related to the forward-looking information.

This report discusses the financial and operating results for the Greater Toronto Airports Authority ("GTAA" or the "Corporation") for the year ended December 31, 2007 and should be read in conjunction with the Consolidated Financial Statements of the GTAA for the years ended December 31, 2007 and 2006 and the Annual Information Form for the year ended December 31, 2007. These documents provide additional information on certain matters which may or may not be discussed in this report. Additional information relating to the GTAA, including the Annual Information Form and the Consolidated Financial Statements referred to above, is available on SEDAR at www.sedar.com. The GTAA's Consolidated Financial Statements and MD&A are also available on its website at www.gtaa.com.

CORPORATE PROFILE

The GTAA was incorporated in March 1993 as a corporation without share capital, and recognized as a Canadian Airport Authority ("CAA") by the federal government in November 1994. The GTAA is authorized to operate airports within the Greater Toronto Area ("GTA") on a commercial basis, to set fees for their use and to develop and improve the facilities. In accordance with this mandate, the GTAA currently manages and operates Toronto Pearson International Airport (the "Airport" or "Toronto Pearson").

The responsibilities of the GTAA for the operation, management and development of Toronto Pearson are set out in the ground lease with the federal government which was executed in December 1996 (the "Ground Lease"). The Ground Lease has a term of 60 years, with one renewal term of 20 years. The GTAA's priorities are to operate a safe, secure and efficient Airport and to ensure that the facilities provide the necessary services, amenities, and capacity for current and future air travel requirements for the GTA.

BUSINESS STRATEGY

The GTAA remains focused on providing quality aviation facilities at Toronto Pearson, recognizing that the region's demand for air travel is expected to continue to grow. To meet this anticipated demand, the GTAA undertook the Airport Development Program ("ADP"), substantially completed in January 2007, as well as the redevelopment of Terminal 3 and continues to plan for additional future development.

Over the course of 2007, the GTAA developed a new strategic plan for the Corporation centred on a renewed commitment to making the Corporation and the airport it operates more competitive. Based on a new vision for the GTAA – "to be a leading airport company championing sustainable global access for the Greater Toronto Area" – the GTAA will be focusing on three key strategic themes:

- Making the GTAA more globally competitive;
- Enhancing the Airport's role as a gateway; and
- Ensuring the long-term sustainability of the Corporation.

This new five-year strategic plan provides the structure to achieve higher non-aeronautical and aeronautical revenues and improve efficiencies. In addition, the GTAA will place a priority on aligning products and services with customer needs.

The GTAA is a non-share capital corporation and therefore has established a program to access the debt capital markets on an ongoing basis to fund its various capital programs. The criteria, covenants and restrictions for financing by the GTAA are set out in the master trust indenture (the "Trust Indenture") and are described in the section on Liquidity and Capital Resources. With the

ADP now substantially complete and redevelopment of Terminal 3 in its final stages, it is anticipated that over the next several years any additional indebtedness will be used to fund expenditures related to the repair and maintenance of existing facilities and smaller scale new capital investments to improve operations at the Airport or generate additional non-aeronautical revenue, as described in the section on Capital Projects.

SIGNIFICANT EVENTS

A number of significant events transpired in 2007 and early 2008 which had an impact on the GTAA's operations or financial results or which may affect future results. In addition to the events discussed in this section, certain construction projects were completed and these are discussed in the section on Capital Projects.

Effective February 1, 2007, the Board of Directors appointed Dr. Lloyd McCoomb as President and Chief Executive Officer of the GTAA. Dr. McCoomb replaced Mr. John Kaldeway, who had previously announced his intention to retire.

The GTAA purchased 9.7 hectares of land adjacent to Bramalea Road and the Airport for $15.3 million on February 16, 2007. This land was formerly owned by the York Skeet Club and is located west of the FedEx cargo facility. The vendor completed an environmental remediation of the lands and on completion of the transaction the land was transferred to Transport Canada and in accordance with the Ground Lease was added to the lands leased by the GTAA.

On March 7, 2007, the GTAA Members, on the recommendation of the Audit Committee and with the approval of the Board of Directors, appointed PricewaterhouseCoopers LLP to serve as auditor of the GTAA. Deloitte & Touche LLP had previously served as the GTAA's auditor, including in respect of its financial year ended December 31, 2006. There were no reservations in Deloitte & Touche LLP's audit reports for either of the GTAA's two most recently completed financial years, and there were no "reportable events" (as such term is defined in the Canadian Securities Administrators' National Instrument 51-102 ("NI 51-102")) in connection with the change of auditor. A complete reporting package relating to the change of the auditor, as required pursuant to NI 51-102, can be accessed through SEDAR at www.sedar.com.

On April 16, 2007, the GTAA issued $450 million of Series 2007-1 Medium Term Notes ("MTNs"). The MTNs carry a coupon of 4.85% and are for a term of 10 years. The proceeds of the issue were used to fund reserve funds, repay certain existing indebtedness and fund capital expenditures.

On May 14, 2007, the GTAA issued $350 million of Series 2007-2 Medium Term Notes. The three-year MTNs carry a floating rate coupon which resets every three months at a rate 11 basis points over the then current three-month Bankers' Acceptance rate. The proceeds of the issue were used to fund reserve funds, repay certain existing indebtedness and fund capital expenditures.

On May 18, 2007, the $510 million Series 2005-2 MTNs matured and were repaid with a combination of funds raised through the Series 2007-1 and 2007-2 MTN issuances and certain reserve funds.

On June 25, 2007, the GTAA redeemed its $375 million Series 1997-2 Revenue Bonds. This series was scheduled to mature on December 2, 2007 and was redeemed using a combination of financing proceeds from the debt issues described above and Notional Principal Reserve funds.

At the time of the bankruptcy of Jetsgo Corporation ("Jetsgo") in 2005, the GTAA filed a claim for approximately $5.7 million, representing all amounts owed by Jetsgo to the GTAA for outstanding landing fees, terminal charges, rent and approximately $2.5 million in Airport Improvement Fee ("AIF") revenue. In June 2007, the GTAA reached a settlement with the trustee in bankruptcy of Jetsgo pursuant to which the GTAA received approximately $1.4 million, or 25% of the amounts claimed by the GTAA in such bankruptcy, thereby concluding this matter. The GTAA had previously taken a provision for $4.6 million against outstanding amounts in previous years and as a result recorded a gain of $0.3 million relating to this recovery.

In June 2006, the Supreme Court of Canada released its decision unanimously upholding the rights of Canadian Airport Authorities, including the GTAA, to seize and detain leased aircraft operated by an air carrier who had defaulted in the payment of fees and charges to the Airport Authority. This decision arose from the insolvency of Canada 3000, which filed for bankruptcy in November 2001, owing the GTAA $12.8 million. The GTAA received payments in July and August 2007 that resulted in the recovery of the full amount owed by Canada 3000.

In August 2007, certain trusts that had issued non-bank sponsored asset-backed commercial paper ("ABCP") in the Canadian market became unable to refinance maturing notes and were thus unable to repay lenders upon the maturity of these notes. As at the date of this report, the GTAA holds approximately $182.2 million aggregate principal amount of affected ABCP. At the time of issuance of the ABCP, all of the issuing trusts were rated R-1 (high) by DBRS Limited ("DBRS"), which is the highest possible rating for commercial paper. By virtue of the R-1 (high) rating and its term to maturity of less than a year, the ABCP constituted qualified investments for the purpose of the GTAA's Master Trust Indenture.

On November 6, 2007, DBRS downgraded one of the trusts, the Apsley Trust, which issued ABCP held by the GTAA. The GTAA currently holds an aggregate principal amount of $61.8 million of ABCP issued by the Apsley Trust. As a result of the downgrade, the ABCP issued by the Apsley Trust and held by the GTAA is no longer a qualified investment for the purpose of the Trust Indenture, with the result that the GTAA is not in compliance with the requirement in the Trust Indenture that all money held in any account, fund or reserve fund established under the Trust Indenture be held in cash or invested in qualified investments. The GTAA is of the view that the non-compliance is not of a nature which would give rise to an Event of Default for purpose of the Trust Indenture, which requires among other things, that any non-compliance must materially adversely affect bondholders. As of the date of this report, no Event of Default has occurred.

On December 23, 2007, the Pan-Canadian Investors Committee for Third-Party Asset Backed Commercial Paper (the "Committee") announced the approval of an agreement in principle to restructure the ABCP issued by 20 trusts, including all of the issuing trusts which issued ABCP held by the GTAA. While the terms of the restructuring have not been finalized, one of its fundamental components contemplates the replacement of the ABCP with notes having a term to maturity of greater than one year. To the extent that the replacement notes do not mature within a year of their issuance, they would not be qualified investments for the purpose of the Trust Indenture.

While it is premature to commit to a particular course of action until the restructuring is complete, to the extent that a viable liquid market develops which would allow the GTAA to divest itself of any non-qualified replacement notes on commercially reasonable terms, the GTAA expects that it would, at such time, initiate an orderly disposition of such notes.

Under the proposed restructuring, the Committee has distinguished between trusts on the basis of the specific type of assets which support the ABCP issued by each trust. In doing so, the Committee identified three types of trusts: traditional securitized trusts, which are trusts with ABCP which is supported solely by traditional securitized assets; synthetic trusts, which are trusts with ABCP which is supported by synthetic assets, or a combination of synthetic and traditional securitized assets ("Synthetic Trusts"); and U.S. sub-prime mortgage related trusts, which are trusts with ABCP which is supported by assets ("Ineligible Assets") characterized by uncertainties as to their credit quality and heightened volatility, principally as a result of exposure to United States sub-prime or home equity loan mortgages ("U.S. Sub-Prime Related Trusts"). Owing to a mixed asset base, certain of the trusts will participate in the restructuring as both a Synthetic Trust and a U.S. Sub-Prime Related Trust. These trusts include the Apsley Trust, the Planet Trust (in respect of which the GTAA currently holds an aggregate principal amount of $25.3 million of ABCP), and the Rocket Trust (in respect of which the GTAA currently holds an aggregate principal amount of $25.0 million of ABCP). Based on the percentages of Ineligible Assets held in each of the Apsley Trust, the Planet Trust and the Rocket Trust as determined by the Committee, the GTAA has quantified its exposure to the U.S. sub-prime or home equity loan mortgages market through the holding of ABCP issued by these trusts as being approximately $37.8 million.

In its financial statements for the annual period ended December 31, 2007, the GTAA has recognized a $37.2 million fair value impairment in respect of its ABCP holdings which was recorded in interest and financing costs. The GTAA has reclassified cash and cash equivalents representing a face value of $37.0 million of ABCP to other investments and recognized $8.2 million of the fair value impairment against this asset. The $29.0 million balance of the impairment is reflected in a reduction in value of reserve and other funds. In determining the extent of the impairment, the GTAA estimated the fair value of the affected ABCP by using a probability weighted approach applied to discounted estimated cash flows, based on the best information then available to the GTAA as no observable markets exist for these investments. There remains considerable uncertainty regarding the outcome of the Committee's restructuring initiative, and with respect to the valuation and timing of cash flows associated with the affected ABCP. The GTAA may be required to recognize additional impairments in subsequent financial statements.

Significant assumptions used to value the affected ABCP include the timing of any restructuring, the discount rates used and the mix of senior and subordinated notes that the GTAA is likely to receive as a result of the restructuring. The Committee has indicated that it is hopeful of completing the restructuring by March 31, 2008. Using the methodology described above, a three-month delay in closing the restructuring would result in a reduction in estimated fair value of $1.6 million; a 1% increase in the discount rates used in the valuation would result in a $6.8 million reduction in the estimated fair value of the affected ABCP, and; a 10% increase in the proportion of subordinated notes received in the restructuring would result in a $5.2 million reduction in the estimated fair value of the affected ABCP as at December 31, 2007.

The GTAA has sufficient cash and other sources of liquidity available to meet its reserve requirements, and to fund its operating, capital and financing obligations, and does not expect that its operations will be materially affected by the current uncertainty over the carrying value of its ABCP investments.

On September 10, 2007, Mr. Brian Gabel commenced employment with the GTAA as Vice President, Finance and Chief Financial Officer. Mr. Gabel has held a number of senior finance positions, primarily in the utilities industry, most recently as Vice President Corporate Services and Chief Financial Officer for the British Columbia Transmission Corporation.

Subsequent to the end of 2007, on February 11, 2008, the GTAA executed an amendment to the Ground Lease. The amendment changes the way that ground rent is calculated, replacing the previous calculation that was largely based on passenger traffic with one based on revenue. The new formula will be phased in such that in 2008 and 2009 ground rent will be $141.5 million and $138.7 million, respectively. Beginning in 2010 ground rent will be calculated as a percentage of annual revenue using the following formula:

0% of the first $5.0 million of revenue;
1% of the next $5.0 million of revenue;
5% of the next $15.0 million of revenue;
8% of the next $75.0 million of revenue;
10% of the next $150.0 million of revenue; and
12% of any revenue in excess of $250.0 million.

The GTAA will continue to be required to pay ground rent deferred in the 2003 to 2005 period.

On February 13, 2008, the GTAA filed shelf prospectus qualifying the issuance of up to $2.0 billion of debt over a 25-month term for the purpose of funding capital expenditures and reserve funds, repaying existing debt or other approved uses.

On January 24, 2008, the Canada Industrial Relations Board ("CIRB") approved the consolidation of the union certificates bargaining agents representing PSAC Local 00004, PSAC Local 00005 and CAW Local 2002. After a representation vote, the union members determined, in March 2008, that CAW Local 2002 would be the successor bargaining agent. The next steps in the process are the issuance by the CIRB of its certificate certifying the CAW as the bargaining agent of the consolidated bargaining units and negotiations between the Corporation and the CAW to reconcile the collective agreements in place.

OPERATING ACTIVITY

The GTAA monitors passenger activity levels and aircraft movements, including the type and size of aircraft, as both passenger and aircraft activity have a direct impact on financial results.

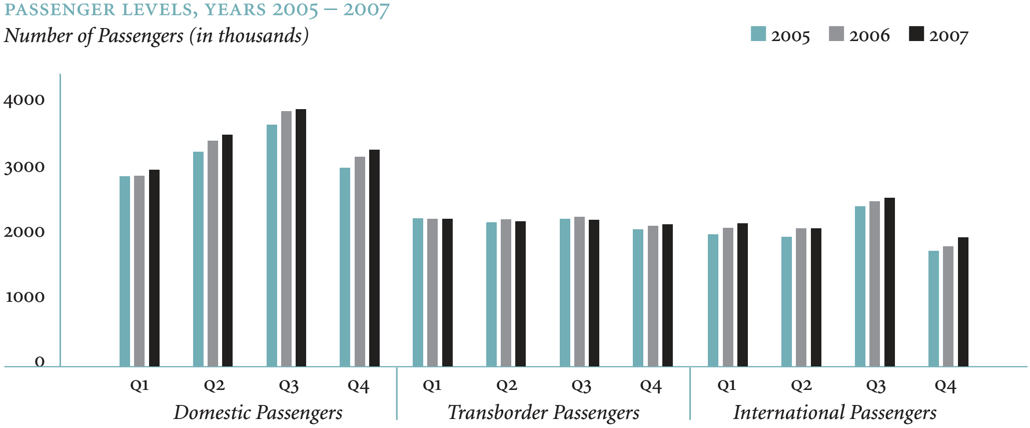
Total passenger traffic at the Airport in 2007 was 31.5 million passengers, an increase of 1.7% from the 2006 level of 31.0 million passengers. Passenger traffic at the Airport is generally categorized as belonging to one of three sectors: domestic, or passengers travelling within Canada; transborder, or passengers travelling between Canada and the United States; and international, or passengers travelling between Canada and destinations outside of Canada and the United States. Domestic passenger traffic in 2007 was 13.8 million passengers, a 2.4% increase over 2006. Transborder traffic was 8.9 million passengers, a 0.5% decrease from 2006 and international passengers numbered 8.8 million, a 3.0% increase over 2006. Total passengers in each sector for 2007 and 2006 respectively were:

(Passengers in millions)	**2007**	2006
	$	$
Domestic	**13.8**	13.5
Transborder	**8.9**	8.9
International	**8.8**	8.6
Total	**31.5**	31.0

While passenger activity fluctuates from year to year there is also some seasonal fluctuations in travel patterns including increased activity during the summer months and holiday periods. The following graph illustrates the quarterly passenger levels (in thousands), by sector, for the past three years:

PASSENGER LEVELS, YEARS 2005 – 2007

Number of Passengers (in thousands)



Flight activity is measured by aircraft movements. The type and size of aircraft using the Airport determines the Maximum Takeoff Weight ("MTOW") and the number of seats. These measures are used to calculate airline charges for each flight. Total movements in 2007 increased by 1.8% over 2006. MTOW for 2007 was 13.2 million tonnes, as compared to 13.0 million tonnes in 2006, an increase of 1.0%. Total arrived seats increased 0.7% in 2007 compared to 2006. During the past several years airlines have been adjusting their fleet mixes and flight schedules in order to improve their financial performance, resulting in airline load factors, or the ratio of passengers to seats, steadily increasing. As a result, the growth in MTOW and arrived seats has not kept pace with the growth in passengers. It is expected that air carriers will continue to engage in these capacity management techniques for the foreseeable future. However, there are practical limits to the load factor at which airlines can operate and it is expected that as load factors continue to increase additional growth in MTOW and arrived seats will be required. The following graph illustrates the arrived seats, MTOW and movements (in thousands) for the past three years, by quarter:

AIRCRAFT MOVEMENTS AND SEATS, YEARS 2005 – 2007

In November 2006, the Government of Canada announced its "Blue Sky" policy whereby the federal government intends to proactively pursue opportunities to negotiate more liberalized agreements for international scheduled air transportation. A number of agreements were put into place in late 2006 and throughout 2007 and the government continues to pursue additional agreements. This policy initiative is expected to provide increased opportunities for passenger and cargo service to be added at Toronto Pearson as market demand warrants, although some agreements continue to restrict open access to Toronto Pearson.

On January 23, 2007, new regulations came into force requiring all air passengers entering the United States to possess a valid passport or other U.S. government-approved identity card. Previously, Canadians and Americans could enter the U.S. using birth certificates or other non-passport documents. This new requirement contributed to the decline in transborder passenger traffic in 2007.

RESULTS OF OPERATIONS

The following section discusses the GTAA's approach in setting its aeronautical rates and charges, together with its financial results. In reviewing the financial results, it is important to note that the GTAA is a non-share capital corporation. Accordingly, the GTAA's financial model is based on the premise that all funds, whether generated through revenue or debt, will be used for Airport operations, ancillary aviation-related activities, construction, repairs and maintenance, debt payments, reserve funds, and other activities within the GTAA's mandate.

Rate Setting Approach

The objective of the GTAA's rate setting approach is to break even on a modified cash basis after including the reserve and debt requirements as set out in the Trust Indenture. Aeronautical rates and charges are set by the GTAA annually to cover the projected operating costs on a break-even cash basis for each year. To calculate the rates and charges for a given year, projections are developed for measures of Airport operating activity such as passengers, MTOW and arrived seats, non-aeronautical revenue and operating costs. Operating costs include debt service (interest and principal) for those assets that are operational, but do not include non-cash items such as amortization of capital assets. Capital costs, including interest for projects under construction, are funded through debt and are not included in the calculation of the aeronautical rates and charges.

The two components of the aeronautical rates and charges are the landing fee and the general terminal charge. Landing fees are set as a rate per tonne of MTOW to cover the projected operating costs associated with the airfield and groundside areas of the Airport, plus ground rent, payments-in-lieu of property taxes ("PILT") and specific debt service costs, offset by the projected non-aeronautical revenue and a specified amount of AIF. General terminal charges are set to cover the operating costs for the common areas in the primary passenger terminals and the Infield Terminal as a rate per landed seat, regardless of whether the seat is occupied by a passenger. There is a premium on the general terminal charge for non-domestic flights to cover the additional costs, such as security and providing space and services to government inspection agencies, incurred by the GTAA in handling these flights. The common areas include holdrooms, check-in counters, passenger processing areas and arrival halls, but exclude space that is exclusively leased to airlines or other tenants.

Net Operating Results

The GTAA's net operating results for the three years ended December 31, 2007, 2006 and 2005, are summarized in the following table:

(in thousands)	**2007**	2006	2005
	$	$	$
Revenues	**1,183,357**	1,062,303	953,674
Operating expenses	**552,026**	560,120	527,992
Revenues over expenses[1]	**631,331**	502,183	425,682
Interest and financing costs	**448,151**	355,027	334,400
Amortization	**227,130**	225,934	209,638
Revenues under expenses	**(43,950)**	(78,778)	(118,356)

Note 1: Revenues over expenses before interest and financing costs and amortization of capital assets

Revenues over expenses before interest and financing costs and amortization increased from $502.2 million for the year ended December 31, 2006 to $631.3 million for the year ended December 31, 2007. This 25.7% increase reflects higher fees and charges together with increased airport activity and a reduction in goods and services expense. Interest and financing costs were $448.2 million for 2007 as compared to $355.0 million for 2006 reflecting the additional interest expense associated with those portions of the ADP and the Terminal 3 Redevelopment Program completed in 2007 and the provision taken with respect to the GTAA's ABCP investments. The above table demonstrates that for each year, the revenues generated by the GTAA were more than sufficient to cover operating expenses and interest and financing costs. In accordance with its rate setting approach, the GTAA expects that revenues and reserve funds applied will continue to be sufficient to cover operating expenses and interest and financing costs, including the principal included in the rate setting calculation.

The financial results reported by the GTAA include certain non-cash items, such as amortization of capital assets, which are not included in the calculation of the aeronautical rates and charges. In accordance with its rate setting approach, the GTAA expects that revenues and reserve funds will continue to be sufficient to cover operating expenses, and interest and financing costs, including notional principal. Consistent with many infrastructure developments, the GTAA's net revenues may not be sufficient to cover amortization of capital assets for a period of several years which will result in total cash and non-cash expenses exceeding revenues.

Revenues

Revenues are received from aeronautical charges (landing fees and general terminal charges), AIF, and non-aeronautical sources such as car parking and ground transportation, concessions and rentals, and other sources. The primary drivers for aeronautical revenue are aircraft movements and passenger activity. Landing fees are based on the MTOW and general terminal charges are based on the number of seats of an arriving aircraft. The AIF is charged per passenger and a significant portion of non-aeronautical revenues are highly correlated to passenger activity. The relationship between these revenue sources and expenses was discussed in the section on Rate Setting Approach. The following table summarizes the GTAA's revenues for the years ended December 31, 2007, 2006 and 2005:

(in thousands)	**2007**	2006	2005
	$	$	$
Landing fees	451,183	440,807	405,874
General terminal charges	185,027	172,453	157,206
Airport improvement fees, net	257,495	183,500	175,425
Car parking and ground transportation	114,250	102,283	96,115
Concessions and rentals	127,346	118,141	110,775
Other	48,056	45,119	8,279
	1,183,357	1,062,303	953,674

Total aeronautical revenue for the year ended December 31, 2007 was $636.2 million, as compared to $613.3 million for the year ended December 31, 2006. The increase reflects increased landing fees and general terminal charges in 2007 as a result of higher aeronautical rates and charges in 2007 as compared to 2006 as well as increased aeronautical activity.

AIF revenue, which is net of the commission paid to the air carriers for the collection of the AIF, increased from $183.5 million in 2006 to $257.5 million in 2007. On January 1, 2007, the GTAA increased the AIF charged to passengers originating their journey at Toronto Pearson from $15.00 to $20.00. The AIF for connecting passengers remained unchanged at $8.00. The increase in AIF revenue is the result of continued growth in passenger volumes and the increase in the AIF for originating passengers. In addition, in the third quarter of 2007 the GTAA collected $16.2 million in net AIF revenues as part of the annual reconciliation of passenger volumes.

Under the terms of the AIF agreements with the air carriers, the GTAA has committed that AIF revenue will be used primarily for capital programs at Toronto Pearson, including associated debt service (interest and principal) and reserve funds. Historically, the GTAA has used AIF revenue to fund debt service, but it retains the option of funding capital projects directly with AIF revenue. Recognizing that capital expenditures and the receipt of AIF revenue may not occur in the same period, AIF revenue earned and collected, but not used in any given period, is invested in the AIF Reserve Fund for future capital or debt service payments. In 2007, $257.5 million of AIF revenue was earned and $270.0 million was used for capital projects or debt service resulting in a reduction of the AIF Reserve Fund balance. This compares to $183.5 million earned and $175.0 million used during 2006, with the difference held in the AIF Reserve Fund.

The GTAA also receives fees or rental payments from car parking and ground transportation, concessions, space rental and other rental properties. In total, these categories generated $241.6 million in revenue in 2007 as compared to $220.4 million in revenue in 2006. This increase of 9.6% is attributable to the higher passenger volumes, which result in greater demand for parking and ground transportation services and higher sales at the various retail outlets at the Airport. The GTAA increased vehicle parking rates effective October 1, 2006 which would also affect the comparative revenues. 2006 concession revenues were adversely impacted by terrorist threats in the United Kingdom which occurred in August 2006 resulting in a temporary ban on the sale of liquids, gels and aerosols which severely disrupted duty free and some other retail sales for a period. While the impact is not as severe as was felt in 2006, duty free sales continue to be negatively affected by restrictions on travelling with liquids, gels and aerosols. In 2007, concession sales were aided by the opening of Pier F in Terminal 1. This new terminal area has design features and concession offerings specifically intended to increase concession revenues, especially when compared to the outdated Terminal 2 which it replaced.

Other revenues increased $2.9 million for the year ended December 31, 2007 as compared to the same period in 2006. Other revenues include revenues from the GTAA's 117 megawatt Cogeneration Plant and, in 2006, the Clean Energy Supply Contract ("CES") with the Ontario Power Authority ("OPA") whereby the OPA, under certain conditions, will make contingent support payments to the GTAA. Other revenue also includes interest on reserve funds and investments which increased from $15.1 million in 2006 to $20.5 million in 2007. This revenue will fluctuate depending on the timing of debt issues, interest rates and the use of capital funds throughout the year.

Operating Expenses

The GTAA's operating expenses include the cost of operating and maintaining the Airport, together with interest and financing costs, and the amortization of capital assets. As noted previously, the operating expenses that are reported in the financial statements are determined according to Canadian generally accepted accounting principles and are not entirely consistent with the expenses used in the calculation of aeronautical rates and charges. Specifically, amortization is not recovered in the landing fee, while the principal component of debt service, which is not an operating expense on the financial statements, is included in the landing fee calculation. The following table summarizes the GTAA's operating expenses for the years ended December 31, 2007, 2006 and 2005:

(in thousands)	**2007**	2006	2005
	$	$	$
Ground rent	**149,474**	147,635	144,423
Goods and services	**272,722**	285,894	262,281
Salaries, wages and benefits	**107,139**	105,090	98,701
Real property taxes and PILT	**22,691**	21,501	22,587
	552,026	560,120	527,992
Interest and financing costs	**448,151**	355,027	334,400
Amortization of capital costs	**227,130**	225,934	209,638
	1,227,307	1,141,081	1,072,030

The Ground Lease sets out the calculation of the annual ground rent payable by the GTAA to the federal government based on a fixed amount per revenue passenger, adjusted for inflation. The $1.8 million increase in ground rent in 2007 as compared to 2006 is a result of this inflation adjustment. In July 2003, the Minister of Transport announced a 24-month ground rent deferral program which had the effect of reducing the ground rent paid by $10.0 million in 2003, $21.0 million in 2004 and $10.5 million in 2005. The full ground rent expense was recorded for each period, with an offsetting liability recorded on the balance sheet. However, from 2006 to 2015, as the deferred amount is paid, the amount of ground rent actually paid to the federal government will be $4.2 million greater than the amount recorded as an expense in the financial statements with the liability reduced accordingly. The deferred amount paid each year is included in the calculation of landing fees in each year. In future years ground rent will be calculated based on the new rent formula contained in the Ground Lease amendment entered into in February 2008.

Goods and services, which comprise the general operating expenses for the Airport, were $272.7 million and $285.9 million for 2007 and 2006, respectively. The decrease in expenses between these periods can be partially attributed to the recovery of bad debts relating to Jetsgo and Canada 3000 totalling $14.2 million discussed earlier. In addition, other areas where goods and services expense decreased include a reduction in natural gas purchases for use at the Cogeneration Plant, a reduction in bussing expense as bussing to Terminal 2 (with the exception of the East Satellite facility) and the Infield Terminal was eliminated with the opening of Pier F and the Automated People Mover reduced groundside bussing, and a reduction in professional and contract services. These savings were offset by increased maintenance and other costs related to additional space and systems in Pier F as compared to Terminal 2 and increased snow removal costs associated with enlarged apron areas and weather events.

The GTAA has both union and non-union employees and both groups are compensated with salaries and benefits, including pension plan options, medical and life insurance benefits and certain other benefits. Salaries, wages and benefits increased from $105.1 million in 2006 to $107.1 million for 2007. The increase reflects salary increases for GTAA employees.

The GTAA has an exemption from the payment of real property taxes under the *Assessment Act (Ontario),* and instead pays to each of the cities of Toronto and Mississauga an amount prescribed by regulation under the Assessment Act as PILT. The amounts due are based on passenger activity for a specified prior year. PILT paid in 2006 was $21.5 million, based on passengers for 2003, and PILT for 2007 was $22.7 million based on passenger activity in 2004. Ongoing growth in passenger activity since 2004 will be reflected in higher PILT payments in future years.

The year-over-year increase in interest and financing costs and amortization reflect the impact of new facilities, primarily Pier F in Terminal 1, becoming operational during 2007. The GTAA capitalizes interest for projects under construction and interest is expensed for projects that are complete and operational. Interest and financing costs were $448.2 million and $355.0 million for 2007 and 2006, respectively. In addition, an impairment charge of $37.2 million relating to the GTAA's investment in ABCP was recorded in interest and financing charges in 2007. Offsetting the interest expense in each year is interest earned on reserve funds. Amortization of capital assets increased from $225.9 million in 2006 to $227.1 million in 2007, reflecting increased levels of property and equipment.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited quarterly financial information for the period from January 1, 2006 through December 31, 2007 is set out in the following table:

(in millions)	2007				2006			
Quarter ended	Dec	Sept	June	Mar	Dec	Sept	June	Mar
	$	$	$	$	$	$	$	$
Revenues	**286**	**334**	**289**	**274**	260	291	263	248
Operating expenses	**147**	**132**	**127**	**146**	144	143	134	139
Revenues over expenses[1]	**139**	**202**	**162**	**128**	116	148	129	109
Interest and financing	**123**	**118**	**109**	**98**	92	89	87	87
Amortization	**57**	**55**	**56**	**59**	58	56	57	55
Revenues over/(under) expenses	**(41)**	**29**	**(3)**	**(29)**	(34)	3	(15)	(33)

Note: 1. Revenues over expenses before interest and financing costs and amortization

The GTAA's quarterly results are influenced by passenger activity and aircraft movements which vary with travel demand associated with holiday periods and other factors such as weather and economic conditions. Due to these external factors the historic quarterly results cannot be relied upon for future trends. The opening of additional areas in Terminal 1 and other facilities during 2006, 2007 and in the future will impact revenues and expenses. In the fourth quarter the GTAA increased its provision relating to its holding of ABCP from $17.2 million to $37.2 million. There were no other exceptional events during the fourth quarter of 2007 which had a significant impact on traffic, revenues or operating expenses.

CAPITAL PROJECTS

After the GTAA assumed responsibility for the Airport, it initiated an extensive redevelopment program to improve and redevelop the facilities to meet current and future demand. The ADP included the construction of terminal facilities, roadways, cargo facilities, airside improvements such as runways and taxiways, ancillary services and utilities infrastructure. The ADP was designed as a demand-driven program that would be undertaken while the Airport continued to operate and would provide the GTAA with some flexibility on the timing of certain stages. On January 30, 2007, with the opening of Pier F, the ADP was essentially completed. On that date all Terminal 2 operations were transferred to Terminal 1, and Terminal 2 was removed from the inventory of active facilities at the Airport. The total cost of the ADP, which was completed on time and on budget, was $4.4 billion.

Continued growth in passenger demand will necessitate further expansion of Terminal 1. In order to facilitate this eventuality, the GTAA has developed a work plan which includes: the demolition of Terminal 2 and the Terminal 2 parking garage; constructing apron in the area that Terminal 2 once occupied; replacing the Terminal 2 parking capacity and increasing the overall parking capacity at the Airport with the construction of a new parking facility in Area 6B on the east side of Airport Road; replacement of certain utilities infrastructure; and the preliminary design of Pier G at Terminal 1. This work is currently scheduled to be carried out from 2007 to 2010. The final design and construction timing of Pier G is still under review, and will be dependent on demand. This post-ADP work has an authorized budget of $439.7 million.

The demolition of Terminal 2 continued throughout 2007 and is expected to be completed in 2008.

In addition to the ADP, the GTAA has undertaken a program to expand and redevelop certain areas in Terminal 3, including the baggage handling systems and passenger processing areas as well as other improvements. Work is ongoing in the west end of the terminal where expansions to the passenger waiting areas, baggage system and security areas are scheduled to be completed in 2009.

Other capital projects were undertaken during the year to upgrade, refurbish or replace existing facilities. During 2007, a total of $36.2 million was expended on several projects including information technology and telecommunications upgrades totalling $5.8 million, baggage and other system upgrades of $7.7 million and runway and taxiway improvements and repairs in the amount of $19.2 million.

ASSETS AND LIABILITIES

Total assets and liabilities as at December 31, 2007, 2006 and 2005 are set out below:

(in thousands)	**2007**	2006	2005
	$	$	$
Total Assets	**7,256.3**	7,445.6	7,007.4
Total Liabilities	**7,609.2**	7,753.9	7,236.9

The decrease in total assets between 2006 and 2007 reflects a decrease in reserve and other funds and a reduction in capital assets and work in progress due to ongoing amortization of capital assets. The decrease in total liabilities between 2006 and 2007 reflects the debt repayment. The increase in assets and liabilities between 2005 and 2006 reflects the construction of new facilities and the increase in debt to finance this investment.

Total reserves and other funds as at December 31, 2007 were $907.1 million as compared to $1.1 billion at December 31, 2006. These reserves represent funds for regular payments of interest and principal, amounts set aside with the Trustee as security for specific debt issues, funds set aside in accordance with the terms of the Trust Indenture for operating and capital expenses and funds set aside by the GTAA for future principal payments and other commitments such as the AIF Reserve Fund.

The GTAA includes in its projection of cash flow for rate setting purposes, the principal amortization for each debt issue based on a 30-year amortization period for the debt, regardless of the actual term of the respective issue. Consistent with the treatment of interest expense, principal is only included in the landing fee calculation for the debt associated with operational assets. On a quarterly basis, the GTAA funds the Notional Principal Fund with the estimated principal collected in the previous quarter. The Notional Principal Fund will be applied to the ongoing amortizing payments for Series 1999-1 revenue bonds or to repay any issue on maturity in whole or in part. At December 31, 2007, there was $49.9 million in the Notional Principal Fund, as compared to $218.3 million at December 31, 2006. The reduction reflects the use of the Notional Principal Fund to partially repay the Series 1997-2 revenue bonds in June 2007.

For the AIF Reserve Fund, the GTAA accumulates AIF revenue as it is collected and uses the funds primarily for ongoing debt service payments. During 2007, the GTAA used $270.0 million of AIF which is the amount anticipated when setting the rates and charges for 2007. The result is that the AIF Reserve Fund decreased from $119.1 million at the end of 2006 to $106.4 million at the end of 2007.

The primary component of total liabilities is debt, which at December 31, 2007 totalled $7.4 billion of current and long-term debt obligations, as compared to $7.5 billion as at December 31, 2006. Accounts payable and accrued liabilities decreased by $148.9 million primarily due to the adoption of new accounting standards as required by the Canadian Institute of Chartered Accountants which require accrued interest payable to be included in the debt balance and not in accounts payable as was the case in 2006.

During 2007, the GTAA issued $800.0 million of new debt. The 2007 new MTN issues are set out in the following table:

MTN Series	Original Issue Date	Maturity Date	Principal
2007-1	April 16, 2007	June 1, 2017	$450 million
2007-2	May 14, 2007	May 14, 2010	$350 million

Two debt issues were repaid in 2007: the $375.0 million Series 1997-2 revenue bonds and the $510.0 million Series 2005-2 floating rate MTNs.

The net deficiency reported on the consolidated balance sheet is a combination of the reserve funds which have been funded through operating revenue and cumulative revenues over or under expenses. Since revenues after operating expenses and interest and financing costs have not been sufficient to cover amortization for several operating periods, the GTAA has recorded revenues under expenses. This has resulted in a cumulative net deficiency of $352.9 million as at December 31, 2007 as compared to a net deficiency of $308.3 million as at December 31, 2006. The principal component included in the aeronautical charges is based on a 30-year amortization and will therefore be lower in early years and increase over time, similar to the principal payments of a mortgage. The amortization of the GTAA's most significant assets is reported on a declining balance basis, which is higher in the early years of the asset life and decreases over time. This differential contributes to the GTAA's current net deficiency. It is anticipated that when the principal component in the landing fee increases to a level where it is equal to or exceeds the reducing amount of amortization of assets, revenue will exceed all expenses, including amortization, providing a potential improvement to the net asset position.

LIQUIDITY AND CAPITAL RESOURCES

The GTAA is a non-share corporation and accordingly is funded through operating revenue, AIF revenue, reserve funds, the debt capital markets and its syndicated bank credit facility. As noted previously, aeronautical charges are set each year to cover the projected operating costs, including debt service and reserve requirements, after consideration of the projected air traffic and passenger activity and non-aeronautical revenues. Consistent with its residual approach, any funds generated by the GTAA are used to cover costs within its mandate.

An overall Capital Markets Program was established by the GTAA with the Trust Indenture setting out the terms of all debt, including bank facilities, revenue bonds and MTNs. The program has been used to fund all capital programs and the GTAA will continue to access the debt markets to fund capital programs and to refinance some or all of its maturing debt. At December 31, 2007, there was a total of $7.4 billion of debt outstanding, excluding the bank facility, issued under the Capital Markets Platform. Any proceeds received from debt issues and not immediately required are invested in short-term investment grade debt instruments until they are required.

On February 13, 2008, the GTAA filed a new shelf prospectus qualifying up to $2.0 billion of debt issuance for capital expenditures, reserve funds, debt refinancing and other approved uses through the 25-month period covered by the shelf prospectus.

The GTAA has a $500 million credit facility and a $50 million facility for interest rate and foreign exchange hedging activities, both with the same banking syndicate. These facilities mature on November 22, 2010 and can be extended annually for an additional year with the lenders' consent. The banking facility is used to fund capital or operating expenses, as required, and provides flexibility on the timing for accessing the capital markets in the future. This facility ranks *pari passu* with all other debt of the GTAA. As at December 31, 2007, $2.3 million was drawn on the $500 million facility by way of a letter of credit. No amounts were drawn against the $50 million facility.

At December 31, 2007, the GTAA had reserve and other funds totalling $907.1 million, which include reserve funds held by the Trustee as required by Trust Indenture and certain funds held by the GTAA for specific or future requirements. AIF revenue collected and not used in any given year is retained in the AIF Reserve Fund for future years. The Notional Principal Reserve Fund will increase with the principal component collected in the landing fee until it is used for the repayment of debt. The other reserve funds provide additional security for the debt program.

At December 31, 2007, the GTAA held $149.8 million of cash and cash equivalents and $28.8 million of non-current other investments in addition to reserves and other funds.

Principal payments for the next five fiscal years include the amortizing payments for MTN Series 1999-1, the maturity of MTN Series 2003-1, Series 2006-2, Series 2004-2, Series 2000-2, Series 2006-1, Series 2007-2, Series 2002-1 and Series 2002-2. The GTAA has also entered into certain capital leases for equipment, but the annual payments are not significant. The total principal and capital lease payments for the next five years and thereafter are:

(in millions)

	$
2008	736.5
2009	261.6
2010	961.8
2011	267.1
2012	992.9
Thereafter	4,147.0
	7,366.9

The objective of the GTAA's investment and cash management strategy is to ensure that the cash requirements for operations, capital programs and other demands are met and to maximize the flexibility in accessing the capital markets as may be required. The GTAA monitors its cash flow requirements accordingly. Given recent MTN issues, the credit facility, reserves and the projected operating revenues and costs, the GTAA does not anticipate any funding shortfalls in the near term. However, there may be events outside of the control of the GTAA that could negatively impact its liquidity.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies adopted by the GTAA are set out in Notes 4 and 5 of the Consolidated Financial Statements as at December 31, 2007 and 2006. In preparing the consolidated financial statements, management is required to make certain estimates or assumptions that affect the reported amount of assets and liabilities and the disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

Property and equipment for the Airport include items such as improvements to leased land, runways, terminal and other buildings, and roadways. These assets are recorded at cost (less estimated residual value) and each asset type is amortized over the lesser of the remaining term of the Ground Lease or their estimated useful lives. Amortization of assets commences when the asset is brought into operation and for certain assets, such as the terminal buildings, the asset may be brought into or removed from operations in stages.

The timing for revenue recognition depends on the nature of the revenue and the specific agreements in place. Landing fees, general terminal charges and car parking revenues are recognized as the airport facilities are utilized. Airport Improvement Fees, net of airline administration fees, are accrued upon the enplanement of the passenger. Concessions revenue is charged on a monthly basis and is recognized based on a percentage of sales or specified minimum rent guarantees. Ground transportation revenue is recognized based on a combination of the duration of the term of the licences and permits and utilization fees. Rentals revenue is recognized straight-line over the duration of the respective agreements. Revenue derived from the Cogeneration Plant included in other revenue, is recognized as electricity is delivered to customers.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

In 2005, the Canadian Institute of Chartered Accountants issued three new accounting standards: Handbook Section 1530, *Comprehensive Income*, Handbook Section 3855, *Financial Instruments – Recognition and Measurement,* and Handbook Section 3865, *Hedges*. These new standards became effective for the GTAA on January 1, 2007.

Section 1530 and the guidance report entitled *Financial Instruments – Proposed New Accounting Standards – A Summary for Not-for-Profit Organizations* issued by the Accounting Standards Board introduces the concept of Unrealized Changes in Net Assets ("UCNA"). UCNA represents unrealized gains and losses on financial assets classified as available-for-sale and changes in the fair value of the effective portion of cash flow hedging instruments. UCNA and the cumulative amount, Accumulated Unrealized Changes in Net Assets ("AUCNA") are presented as a category of Net Assets, in the Consolidated Statements of Changes in Net Assets.

Section 3855 establishes standards for the recognition and measurement of financial assets, financial liabilities and non-financial derivatives ("financial instruments"). Section 3855 requires changes in the value of certain financial instruments to be recorded in the financial statements of a company. Section 3855 also requires that derivatives that are embedded in contracts be identified and accounted for as financial instruments. All financial instruments will be recognized on the balance sheet and should be measured at fair value at initial inception. The GTAA has designated its reserve funds and cash balances as available-for-sale. Unrealized gains and losses on financial instruments designated as available-for-sale will be recognized in UCNA. Other significant accounting implications arising on the adoption of Section 3855 include the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

Section 3865 specifies criteria under which hedge accounting can be applied and how hedge accounting should be executed for permitted hedging strategies. As at the date of this report the GTAA is not party to any active hedges.

Section 3855 requires certain opening adjustments to the financial statements effective January 1, 2007. Financial liabilities must be recognized at their fair value and as a result the value of debt will be adjusted by unamortized transaction costs such as bond issue costs, bond discount costs and bond premiums. The unamortized portion of the deferred hedge loss on bond issue and the deferred gain on interest rate swaps at December 31, 2006 were recorded in the January 1, 2007 opening balance of AUCNA. The Province of Ontario loan reflected in long-term debt was fair valued which resulted in a reduction in debt and a January 1, 2007 opening adjustment to net deficiency. The CES Contract associated with the Cogeneration Plant is a derivative and is valued each reporting period.

For the year ended December 31, 2007 the GTAA adopted new CICA standards, Section 1535 – *Capital Disclosures* and Section 3862 – *Financial Instrument Disclosure*. These standards, which are being applied prospectively, enhance disclosure with respect to capital and financial instruments. These standards were not required to be adopted until March 31, 2008.

INTERNAL CONTROLS AND PROCEDURES

GTAA management is responsible for establishing and maintaining disclosure controls and procedures to ensure that information required to be disclosed to satisfy the GTAA's continuous disclosure obligations is recorded, processed, summarized and reported as required by applicable Canadian securities legislation. Management has carried out an evaluation of the effectiveness as of December 31, 2006 of the design and operation of the disclosure controls and procedures, as defined in *Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings,* under the supervision and with the participation of the President and Chief Executive Officer ("CEO"), and the Vice President and Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and CFO concluded that the disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the GTAA to satisfy its continuous disclosure obligations and are effective in ensuring that information required to be disclosed in the reports that the GTAA files is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Board of Directors has reviewed and approved the GTAA's Policy Regarding Corporate Disclosure Controls and Procedures. Management has certified that as at December 31, 2007 the design and operation of the disclosure controls and procedures continues to be effective.

GTAA management is responsible for designing and implementing internal controls over financial reporting to provide reasonable assurance regarding the reliability of the company's reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. As required under *Multilateral Instrument 52-109,* the GTAA, under the supervision and with the participation of the CEO and the CFO, has carried out a review of its internal controls over financial reporting. Based on this evaluation, the GTAA's CEO and CFO concluded that the GTAA has designed, or caused to be designed under the GTAA's supervision, such internal controls over financial reporting so as to provide reasonable assurance regarding the reliability of the company's reporting and the preparation of financial statements for external purposes and that there were no changes in the GTAA's internal control over financial reporting that occurred during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

RISKS AND UNCERTAINTIES

Continuing the trend that began in 2004, the GTAA experienced a stable financial and economic environment with continued growth in passenger volumes in 2007. However, the risk of sudden and possibly significant impacts or volatility in demand due to external sources such as economic conditions, geopolitical unrest, terrorism, government regulation, world health epidemics and the financial uncertainty in the aviation industry, continue to exist. Any of these could impact the GTAA's financial results.

In 2003, Toronto experienced an outbreak of Severe Acute Respiratory Syndrome ("SARS"), and more recently, there has been extensive commentary on the potential of a pandemic or severe outbreak of avian flu. Depending on the location, timing, and extent of an outbreak of a highly contagious illness such as SARS or avian flu, there could be significant impacts on regional or world travel. The GTAA has worked with Health Canada to understand the risks of such an event, and has developed operational contingency plans based on various scenarios.

Subsequent to the Air France incident on August 2, 2005, the GTAA, together with other parties, was named as a defendant in a class action lawsuit and other separate lawsuits commenced by certain passengers and by Air France. The GTAA's insurers are defending this action and it is the opinion of the GTAA that this is an insurable event. Consequently, it is expected that the GTAA's financial exposure, if any, will be limited to its insurance deductibles. This event also demonstrates that there are always operational risks associated with an airport. The GTAA mitigates these risks through strict compliance with safety requirements and regulations and emergency response procedures.

The financial stability of the aviation industry remains a risk for the GTAA, particularly with respect to domestic air carriers. To date the GTAA has not experienced any losses directly due to foreign air carriers filing for bankruptcy protection. However, the GTAA has incurred losses due to Canadian airlines seeking creditor protection or declaring bankruptcy. Although there is some risk from industry changes or exposure to a dominant air carrier, this is mitigated by the fact that approximately 80% of the passenger activity at the Airport originates or terminates at Toronto Pearson.

Another potential impact from changes in the aviation industry is the trend to allocating smaller aircraft to some lower volume North American routes. Air carriers are also deploying larger, long-range aircraft on high volume international routes. Another trend is the increased use of small to mid-sized aircraft to provide direct service between destinations, thereby avoiding connecting flights. Such changes in the fleet mix and air service patterns can impact the GTAA's planning of facilities and traffic for projecting future landing fees and general terminal charges. The GTAA uses projected revenues, expenses, MTOW and arrived seats to calculate the landing fee per tonne and the general terminal charge per seat. The risks inherent to this approach are that expenses may be underestimated or non-aeronautical revenues overestimated, resulting in inadequate aeronautical revenue for the GTAA to break even on a modified cash basis or meet its debt covenants. Aeronautical revenue may also be lower than expected if passenger or aircraft activity volumes are not realized.

While the ADP was substantially completed with the opening of Pier F in January 2007, the GTAA continues to undertake capital projects as required to maintain the Airport and meet air travel demand. Capital projects are subject to risks relating to costs, schedule and other events.

There is always risk when raising funds in the capital markets, including interest rates and the availability of funds at any point in time. External factors such as economic conditions, government policies, catastrophic events and the state of the financial markets can impact the GTAA's ability to access the capital markets. The GTAA debt program has been well received by the capital markets in Canada. The GTAA monitors the overall debt markets and works with its financial advisors to select the timing, size and term of any debt issue to ensure continued access to the markets and to maximize opportunities. The GTAA also monitors its debt maturity profile to minimize refinancing risk in the future.

As part of the debt program, the Trust Indenture sets out certain covenants that the GTAA must meet, including two specific coverage tests for operating expenses and debt payments. If revenue or expenses are substantially different than projected, there is a risk of not meeting the coverage tests. The operating covenant states that the total revenue must at least cover all operating expenses, including interest and financing costs. The debt service covenant states that the net revenues, which may include available credit, must be at least 1.25 times the total interest and financing costs, including notional principal. In meeting these tests, the AIF revenue included is the amount transferred from the AIF Reserve Fund, and may not be the same as the AIF earned. If the debt service covenant test is not met in any year, the GTAA is not in default of its obligations under the Trust Indenture so long as the test is met in the subsequent year.

The availability of adequate insurance coverage is subject to the conditions of the overall insurance markets and the GTAA's claims and performance record. The GTAA has continued to be successful in placing all of its insurance needs.

CONCLUSION

While 2007 saw slower growth in Airport activity, new initiatives to generate non-aeronautical revenue and to control costs resulted in financial performance that exceeded the GTAA's original expectations for the year. The GTAA's new five-year strategic plan is intended to further develop revenue, efficiency and customer service initiatives.

With the opening of Pier F in January 2007, the Airport now has sufficient capacity to meet demand for several years and consequently can shift its focus from the redevelopment of the Airport to ensuring that the Airport is operated efficiently and effectively to meet the needs of the travelling public, airlines and other users of our facilities. The redevelopment of the Airport, together with the new management focus expressed in the strategic plan, position the GTAA well to continue to meet the developing air travel needs of the Southern Ontario region.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information about the GTAA. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. There is significant risk that predictions, forecasts, conclusions and projections, which constitute forward-looking information, will not prove to be accurate, that the assumptions may not be correct and that actual results may vary from the forward-looking information. The GTAA cautions readers of this MD&A not to place undue reliance on the forward-looking information as a number of factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information.

Words such as "believe", "expect", "plan", "intend", "estimate", "anticipate" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking information. Specific forward-looking information in this MD&A includes, among others, statements regarding: the outcome of the restructuring initiative relating to ABCP; the disposition by the GTAA of any ABCP which it currently holds; the GTAA's need to recognize additional impairments in respect of its ABCP holdings in future financial statements; the effect of the current uncertainty regarding the GTAA's ABCP investments on its liquidity and operations; future demand for air travel in the GTA; budgets and expenditures relating to capital programs; future capital development at the Airport, the extent of connecting passenger activity; insurance and other recoveries; the impact of bilateral air transport agreements on passenger and cargo activity; the impact of the requirement that all air passengers entering the United States have a valid passport or government-approved identity card on passenger activity; the GTAA's annual debt capital requirements; the relationship between the GTAA's revenues and reserve funds, and its operating expenses and interest and financing costs; non-aeronautical revenues; airline load factors and fleet mixes; and the GTAA's liquidity.

This forward-looking information is based on a variety of material factors and assumptions including, but not limited to: long-term growth in population, employment and personal income will provide the basis for increased aviation demand in the GTA; the Canadian and U.S. economies will grow at expected levels in the near term; air carrier capacity will meet demand for air travel in the GTA; the growth and sustainability of low fare and other air carriers will contribute to aviation demand in the GTA; domestic, transborder and international travel will continue to grow; the commercial aviation industry will not be directly affected by terrorism; the cost of enhancing aviation security will not overly burden air carriers or the GTAA; and no significant event will occur which impacts the ordinary course of business such as a natural disaster or other calamity; and the GTAA will be able to access the capital markets at reasonable terms and rates. These assumptions are based on information currently available to the GTAA, including information obtained by the GTAA from third-party experts and analysts.

Risk factors that could cause actual results to differ materially from the results expressed or implied by forward-looking information include, among other things: levels of aviation activity; air carrier instability; aviation liability insurance; construction risk; geographical unrest; terrorist attacks; war; health epidemics, labour negotiations; capital market and economic conditions; changes in laws; adverse regulatory developments or proceedings; lawsuits; and other risks detailed from time to time in the GTAA's publicly filed disclosure documents.

The forward-looking information contained in this MD&A represent the GTAA's expectations as of the date of this report and is subject to change. Except as required by applicable law, the GTAA disclaims any intention or obligation to update or revise any forward-looking information included in this MD&A whether as a result of new information, future events or for any other reason.

Management's Responsibility for Financial Reporting

The consolidated financial statements of the Greater Toronto Airports Authority have been prepared by management and approved by the Board of Directors and the Members of the Greater Toronto Airports Authority. Management is responsible for the preparation and presentation of the information contained in these consolidated financial statements and other sections of this Annual Report. The Greater Toronto Airports Authority maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

The Greater Toronto Airports Authority's independent auditors, PricewaterhouseCoopers LLP, have been appointed by the members of the Corporation to express their professional opinion on the fairness of these consolidated financial statements.

The Board of Directors ensures that management fulfills their responsibilities for financial reporting and internal controls through an Audit Committee, which is composed of four directors. This Committee reviews the consolidated financial statements and reports to the Board of Directors. The auditors have full and direct access to the Audit Committee.

Lloyd McCoomb

President and Chief Executive Officer
March 5, 2008

Brian P Gabel

Vice President and Chief Financial Officer

Auditors' Report

To the Board of Directors of the Greater Toronto Airports Authority

We have audited the consolidated balance sheet of the Greater Toronto Airports Authority as at December 31, 2007 and the consolidated statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Greater Toronto Airports Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The consolidated financial statements of the Greater Toronto Airports Authority as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 20, 2007.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Ontario
March 5, 2008

CONSOLIDATED BALANCE SHEETS

As at December 31 (in thousands)	2007	2006
	$	$
ASSETS		
Current		
Cash and cash equivalents	**149,822**	83,487
Accounts receivable *(Note 8)*	**54,594**	91,830
Prepaid expenses	**2,864**	3,576
Inventory	**7,397**	6,235
	214,677	185,128
Reserve and other funds *(Note 6)*	**907,120**	1,085,626
Other investments *(Note 7)*	**28,802**	–
Other assets *(Note 10)*	**69,687**	67,897
Property and equipment *(Note 11)*	**5,847,182**	5,030,452
Work in progress *(Note 12)*	**176,559**	1,065,999
Accrued benefit asset *(Note 16)*	**12,265**	10,477
	7,256,292	7,445,579
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**77,678**	226,569
Security deposits and deferred credits	**36,363**	15,739
Deferred gain on interest rate swaps *(Note 5)*	**–**	1,069
Current portion of deferred ground rent *(Note 3)*	**4,156**	4,156
Current portion of long-term debt *(Note 13)*	**836,228**	895,706
	954,425	1,143,239
Deferred credit *(Note 10)*	**39,822**	–
Deferred gain on interest rate swaps *(Note 5)*	**–**	11,368
Deferred ground rent *(Note 3)*	**29,094**	33,251
Long-term debt *(Note 13)*	**6,585,811**	6,566,017
	7,609,152	7,753,875
NET ASSETS (DEFICIENCY) *(Note 22)*		
Externally restricted	**72,857**	84,659
Internally restricted	**284,728**	423,312
Unrestricted	**(710,445)**	(816,267)
	(352,860)	(308,296)
	7,256,292	7,445,579

Commitments and contingent liabilities *(Note 19)*

Signed on behalf of the Board

Warren C. Hurren
Director

Marilynne E. Day-Linton
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31 (in thousands)	**2007**	2006
	$	$
REVENUES		
Landing fees	**451,183**	440,807
General terminal charges	**185,027**	172,453
Airport improvement fees, net *(Note 9)*	**257,495**	183,500
Car parking and ground transportation	**114,250**	102,283
Concessions	**72,232**	63,510
Rentals	**55,114**	54,631
Other *(Note 15)*	**48,056**	45,119
	1,183,357	1,062,303
OPERATING EXPENSES		
Ground rent *(Note 3)*	**149,474**	147,635
Goods and services	**272,722**	285,894
Salaries, wages and benefits	**107,139**	105,090
Real property taxes and payments-in-lieu of real property taxes *(Note 17)*	**22,691**	21,501
	552,026	560,120
Revenues over expenses before interest and financing costs and amortization	**631,331**	502,183
Interest and financing costs *(Note 6 and 15)*	**448,151**	355,027
Amortization of capital assets	**227,130**	225,934
Revenues under expenses	**(43,950)**	(78,778)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (DEFICIENCY)

2007

Year ended December 31 *(in thousands)*	Balance, Beginning of Year *(Note 5)*	Unrealized Changes in Net Assets	Revenues Under Expenses	Transfers/ Allocations and Other	Use of Funds	Balance, End of Year
	$	$	$	$	$	$
EXTERNALLY RESTRICTED						
Operating and maintenance reserve	64,524	–	–	(3,349)	–	61,175
Renewal and replacement reserve	3,000	–	–	–	–	3,000
Debt service fund – principal	17,135	–	–	17,087	(25,540)	8,682
	84,659	–	–	13,738	(25,540)	72,857
INTERNALLY RESTRICTED						
Airport improvement fees collected, net	119,114	–	–	257,273	(270,000)	106,387
Notional principal of long-term debt	218,275	–	–	118,800	(287,197)	49,878
Debt service coverage requirement	85,923	–	–	42,540	–	128,463
	423,312	–	–	418,613	(557,197)	284,728
Total Restricted net assets	507,971	–	–	432,351	(582,737)	357,585
UNRESTRICTED						
Unrestricted net deficiency	(819,590)	–	(43,950)	150,386	–	(713,154)
Accumulated unrealized changes in net assets:						
Loss on hedge	(9,581)	922	–	–	–	(8,659)
Gain on interest rate swap	12,437	(1,069)	–	–	–	11,368
Unrestricted net deficiency	(816,734)	(147)	(43,950)	150,386	–	(710,445)
Total Net deficiency	(308,763)	(147)	(43,950)	582,737	(582,737)	(352,860)

2006

Year ended December 31 *(in thousands)*	Balance, Beginning of Year	Unrealized Changes in Net Assets	Revenues Under Expenses	Transfers/ Allocations and Other	Use of Funds	Balance, End of Year
	$	$	$	$	$	$
EXTERNALLY RESTRICTED						
Operating and maintenance reserve	57,971	–	–	6,553	–	64,524
Renewal and replacement reserve	3,000	–	–	–	–	3,000
Debt service fund – principal	3,733	–	–	22,361	(8,959)	17,135
	64,704	–	–	28,914	(8,959)	84,659
INTERNALLY RESTRICTED						
Airport improvement fees collected, net	111,796	–	–	182,318	(175,000)	119,114
Notional principal of long-term debt	152,600	–	–	88,036	(22,361)	218,275
Debt service coverage requirement	55,023	–	–	30,900	–	85,923
	319,419	–	–	301,254	(197,361)	423,312
Total Restricted net assets	384,123	–	–	330,168	(206,320)	507,971
Unrestricted net deficiency	(613,641)	–	(78,778)	(123,848)	–	(816,267)
Total Net deficiency	(229,518)	–	(78,778)	206,320	(206,320)	(308,296)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 (in thousands)	**2007**	2006
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenues under expenses	**(43,950)**	(78,778)
Items not affecting cash		
Amortization of capital assets	**227,130**	225,934
Amortization of deferred gain on interest rate swaps *(Note 5)*	**–**	(1,069)
Writedown of reserve and other funds and other investments *(Note 6)*	**37,200**	–
Loss on disposal of capital assets	**3,680**	190
Increase in accrued benefit asset	**(1,788)**	(3,075)
Amortization of other assets	**1,207**	7,556
Change in fair value of derivative, net	**409**	–
Changes in non-cash working capital		
Decrease (Increase) in accounts receivable	**37,236**	(6,982)
Decrease (Increase) in prepaid expenses	**712**	(284)
(Increase) Decrease in inventory	**(1,162)**	2,957
Increase (Decrease) in accounts payable, accrued liabilities and accrued interest	**4,072**	(12,333)
Increase (Decrease) in security deposits and deferred credits	**26,865**	(2,871)
	291,611	131,245
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	**(6,429)**	(5,162)
Proceeds on disposal of capital assets	**920**	133
Work in progress *(Note 12)*	**(218,973)**	(396,072)
Land acquisition costs and other assets *(Note 10)*	**(14,034)**	(4,700)
Other investments *(Note 7)*	**(37,000)**	–
Reserve and other funds	**149,504**	(168,899)
	(126,012)	(574,700)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of medium term notes and long-term debt *(Note 13)*	**800,849**	603,709
Repayment of medium term notes and long-term debt	**(895,957)**	(10,028)
Draw on credit facility *(Note 13)*	**–**	209,000
Repayment of credit facility	**–**	(252,000)
Repayment of bank indebtedness	**–**	(14,710)
Deferred charges *(Note 5)*	**–**	(4,873)
Decrease in deferred ground rent payable *(Note 3)*	**(4,156)**	(4,156)
	(99,264)	526,942
NET CASH INFLOW (OUTFLOW)	**66,335**	83,487
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**83,487**	–
CASH AND CASH EQUIVALENTS, END OF YEAR	**149,822**	83,487

As at December 31, 2007, cash and cash equivalents consisted of short-term investments of $157.4 million, cash of $4.6 million less outstanding cheques of $12.2 million. At December 31, 2006, cash and cash equivalents consisted of short-term investments of $108.4 million less cash and outstanding cheques of $24.9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

1. NATIONAL AIRPORTS POLICY

In July 1994, the federal government announced its National Airports Policy whereby the management, operation and maintenance of 26 airports within the National Airport System was to be transferred through various ground lease arrangements to locally controlled Canadian Airport Authorities ("CAAs"). The National Airports Policy also prescribed the Fundamental Principles for the Creation and Operation of CAAs including the Public Accountability Principles to be adopted by each CAA.

CAAs are free to operate airports on a commercial basis and have the authority to set all fees and charges. The federal government retains regulatory control over aeronautics and as such will set safety and security standards for airports, licence airports and regulate the aviation industry as a whole.

2. CORPORATE PROFILE OF THE GREATER TORONTO AIRPORTS AUTHORITY

Greater Toronto Airports Authority ("GTAA") was incorporated on March 3, 1993 under Part II of the *Canada Corporations Act,* as a corporation without share capital. This corporate structure ensures that the excess of revenues over expenses is retained and reinvested in airports and airport operations under control of the GTAA. The Bylaws of the GTAA were amended in 1994 to conform with the requirements of the National Airports Policy. The GTAA has all the powers, obligations and duties of any private Canadian corporation. The GTAA is governed by a 15-member Board of Directors (the "Board"). In 2003, the GTAA changed the manner in which Directors are appointed to the Board. As a result of these changes, Directors serve a term of three years and are eligible to be re-appointed subject to a maximum limit of nine years. Five Directors are appointed from municipal candidates. Each of the Regional Municipalities of York, Halton, Peel and Durham and the City of Toronto are entitled to provide, on a rotating basis, the names of three candidates and the Board appoints one of the three candidates for each available position as a Director. In addition, four Directors are appointed by the Board on a cyclical basis on the basis of candidates nominated by a pool of nominators comprised of the Law Society of Upper Canada, the Association of Professional Engineers of Ontario, the Institute of Chartered Accountants of Ontario, the Toronto Board of Trade and the Boards of Trade and Chambers of Commerce in the Regional Municipality of York, the Regional Municipality of Halton, the Regional Municipality of Durham and the Regional Municipality of Peel. Finally, the Government of Canada and the Province of Ontario are entitled to appoint two Directors and one Director, respectively, while the Board of Directors is entitled to appoint three Directors.

The mandate of the GTAA is to operate and develop a regional network of airports in the Greater Toronto Area ("GTA"). Under the terms of a ground lease (see Note 3, Airport subject to ground lease), the first airport in this network, Toronto Pearson International Airport (the "Airport"), was transferred to the GTAA in 1996. The Airport's operations on 1,867 hectares of land include Terminals 1 and 3, airside assets including five runways, taxiways and aprons, groundside assets including bridges and parking lots, infield assets including an aircraft deicing facility and cargo buildings, and ancillary structures. Excluded are any assets owned by NAV CANADA, the operator of Canada's civil air navigation system.

The GTAA is committed to the continuing development of the Airport. This includes continued redevelopment of the terminals, increasing airside capacity to six runways, increasing cargo and aircraft facilities, and reconstructing the roadway system.

3. AIRPORT SUBJECT TO GROUND LEASE

On December 2, 1996, the GTAA assumed the operation, management and control of the Airport for a period of 60 years, together with one renewal term of 20 years, by virtue of a ground lease (the "Ground Lease") between the GTAA, as tenant, and Her Majesty the Queen in Right of Canada, represented by the Minister of Transport ("Transport Canada"), as landlord. The GTAA assumed the obligations of Transport Canada under all existing agreements at the Airport.

The Ground Lease is the principal document governing the relationship between the GTAA and Transport Canada at the Airport. It determines the rent to be paid and generally allocates risk and responsibilities between the GTAA and the federal government for all matters related to the operation of the Airport. Under the Ground Lease, all revenue and expenditure contracts in effect on December 1, 1996 were assigned to the GTAA. The GTAA did not assume any liability with respect to claims against the federal government incurred prior to December 2, 1996.

By virtue of its status as the tenant under the Ground Lease, the GTAA has the authority to set and collect airline rates and charges, negotiate and issue leases, licences and permits and construct and develop the infrastructure of the Airport. The Ground Lease permits the GTAA to pledge its leasehold interest in the Airport as security.

Rent under the Ground Lease up to December 31, 2007 is comprised of Base Rent, Participation Rent and Deficiency Rent. Base Rent is calculated on a capped passenger volume formula subject to adjustments for inflation. Under an amendment to the Ground Rent agreement (see Note 23, Subsequent events), Airport Rent is based on a measure of incremental revenues commencing 2010. Deficiency Rent is payable in the event the GTAA does not meet capital expenditure targets delineated in the Ground Lease (see Note 19, Commitments and contingent liabilities). The Ground

Lease with amendments made in April 1997 provided a total of $199.6 million in rent credits. The rent credits for development projects and land acquisitions were fully allocated to property and equipment at the time of the transfer.

In July 2003, the Government of Canada announced a program to allow for a deferral in the ground rent, for a two-year period commencing July 1, 2003, in the amount of $41.6 million. This amount is being repaid over a 10-year period, commencing in 2006, through increased annual ground rent payments of approximately $4.2 million per year. The decrease in the liability for 2007 was approximately $4.2 million, bringing the total remaining liability to $33.2 million.

4. SIGNIFICANT ACCOUNTING POLICIES

Presentation and Basis of Accounting

The GTAA's financial statements are prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimations and assumptions include the useful lives of property and equipment, valuation allowances and certain revenue amounts. Actual results could differ from estimates.

Principles of Consolidation

The financial statements consolidate the accounts of GTAA and its wholly-owned subsidiary, Greater Toronto Airports Authority Associate Inc. (the "GTAAA"). On March 12, 2007, the GTAAA was dissolved.

Ground Lease

The Ground Lease is accounted for as an operating lease. Rent credits under the Ground Lease have been applied to reduce the cost of completed capital assets (see Note 3, Airport subject to ground lease).

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments with an original term of 90 days or less.

Inventory

Inventory consists of natural gas and parts and supplies held for use at the Airport. Natural gas inventory is stated at the lower of cost and net realizable value, while all other inventory is stated at the lower of cost and replacement value.

Other Assets
As required under the terms of the Ground Lease, the title of any land acquired is transferred to the federal government while GTAA retains use of the land. The purchase price for acquired land is recorded as land acquisition costs and amortized on a straight-line basis over the remaining term of the Ground Lease.

Acquisitions
Assets acquired related to the development of the Airport are capitalized to work in progress or property and equipment. Costs related to projects under construction are capitalized until the construction project or replacement facilities become operational.

Property and Equipment
Property and equipment are recorded at cost. Property and equipment include items such as improvements to leased land, runways, buildings and roadways. These assets will revert to Transport Canada upon the expiration or termination of the Ground Lease.

The costs of property and equipment (less estimated residual values) are amortized over the lesser of the remaining term of the Ground Lease or their estimated useful lives. Property and equipment are amortized at the following annual rates:

TERMINAL ASSETS	
Buildings and support facilities, parking structures, pedestrian bridges and approach systems, and apron works	2.5% declining balance for terminal facilities Straight-line over remaining useful life for Terminal 2 improvements 2.5% to 20% declining balance for non-terminal facilities
Baggage handling systems	Straight-line over 25 years
AIRSIDE ASSETS	
Improvements to leased land	Straight-line over remaining term of the Ground Lease
Runways and taxiways	2.5% declining balance 15 years straight-line for runway and taxiway surfaces
Deicing facilities	2.5% declining balance
OTHER ASSETS	
Utilities and stormwater management facilities	2.5% declining balance
Operating assets	10% to 30% declining balance
Capital leases	10% to 30% declining balance

Leases entered into by the GTAA for the use or operation of equipment are classified as capital, to the extent they meet the criteria for capitalization in accordance with generally accepted accounting principles.

Work in Progress

Work in progress is transferred to property and equipment when the asset is placed in service. Interest associated with borrowing funds for work in progress is capitalized until the work is substantially complete and assets are operational.

Revenue Recognition

Landing fees, general terminal charges and car parking revenues are recognized as the airport facilities are utilized. Airport improvement fees, net of airline administration fees, are accrued upon the enplanement of the passenger and are subject to reconciliation with the air carriers (see Note 9, Airport improvement fees). Concessions revenue is charged on a monthly basis and is recognized based on a percentage of sales or specified minimum rent guarantees. Ground transportation revenue is recognized based on a combination of the duration of the term of the licences and permits and utilization fees. Rentals revenue is recognized straight-line over the duration of the respective agreements. Revenue derived from the Cogeneration Plant, included in other revenue, is recognized as electricity is delivered to customers.

Salaries, Wages and Benefits

Reimbursements from certain service organizations for salaries, wages and benefits have been included in this operating expense category. Employee benefits are accrued as earned by employees.

Employee Future Benefit Plans

The GTAA maintains both defined benefit pension plans and defined contribution pension plans for its employees. The pension costs of the defined benefit plans are actuarially determined using the projected benefit method prorated on service and best estimate assumptions. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The unamortized net actuarial gain or loss exceeding 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year is deferred and amortized over the average remaining service life of active employees. The average remaining service period of the active employees covered by one of the defined benefit pension plans is eight years (2006 – eight years) and the other plan is four years (2006 – four years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of active employees at the date of amendment. The costs of the defined benefit plans are recognized as the benefits are earned through employee service. The costs of the defined contribution pension plans are expensed as the GTAA becomes obligated to contribute to the defined contribution plans.

Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the items being hedged.

Currently, the GTAA has no derivative instruments outstanding that have been designated as hedges. However, certain accumulated unrealized changes in net assets relating to discontinued cash flow hedges are being amortized into income over the term to maturity of the related hedged item (see Note 5, Changes in accounting policy).

Derivative financial instruments, including interest rate swaps and foreign exchange hedges, may be used from time to time to reduce exposure to fluctuations in interest rates and foreign exchange rates. These financial instruments prior to the adoption of Section 3855 – *Financial Instruments – Recognition and Measurement,* were accounted for under the deferral method if the GTAA meets the hedging requirements set out in existing accounting pronouncements and the GTAA chooses to designate these financial instruments as hedges. Accordingly, the book value will not be adjusted to reflect the current market values. Payments and receipts under interest rate swap agreements will be recognized as adjustments to interest and financing costs where the underlying instrument is a GTAA debt issue and as adjustments to interest income where the underlying instrument is an investment. Derivative financial instruments that are not designated by the GTAA to be in an effective hedging relationship will be carried at fair value with the changes in fair value, including any payments and receipts made or received, being recorded in interest and financing costs.

5. CHANGES IN ACCOUNTING POLICY

On January 1, 2007, the GTAA adopted the Canadian Institute of Chartered Accountants' ("CICA") revised standards on recognition and measurement and presentation of financial instruments. The standards are titled Section 3855 – *Financial Instruments – Recognition and Measurement* and Section 3861 – *Financial Instruments – Disclosure and Presentation*. The standards are retroactively applied, but are prospectively presented.

Upon adoption, the GTAA has elected to review contracts for embedded derivatives subsequent to the elected transition date of January 1, 2003 in accordance with Section 3855.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependant on their classification as described below.

Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the GTAA's designation of such instruments. The standards require that all financial assets be classified either as held-for-trading ("HFT"), available-for-sale ("AFS"), held-to-maturity ("HTM"), or loans and receivables and all financial liabilities to be classified as either HTT or other liabilities ("OL"). Subsequent to initial recognition, the standards require that all financial assets and financial liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, securities classified as HTM, liabilities classified as OL, and AFS financial assets that do not have quoted market prices in an active market.

The new rules also require that the GTAA disclose changes in unrealized gains or losses related to AFS securities and certain unrealized gains and losses relating to cash flow hedging activities as separate components of Accumulated unrealized changes in net assets.

Classification of financial instruments

The following is a summary of the accounting model the GTAA has applied to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Cash and cash equivalents	Available-for-sale
Accounts receivable	Loans and receivables
Reserve and other funds	Available-for-sale
Other investments	Available-for-sale
Derivative	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities
Security deposits	Other liabilities
Long-term debt	Other liabilities

Held-for-trading

HFT financial assets are financial assets typically acquired for resale prior to maturity. They are measured at fair value at the balance sheet date. Interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included on the consolidated statement of operations.

Loans and receivables

Loans and receivables are accounted for at amortized cost.

Available-for-sale

AFS financial assets are those non-derivative financial assets that are designated as AFS, or that are not classified as loans and receivables, HTM investments or HFT. AFS financial assets are carried at fair value with unrealized gains and losses included in unrealized changes in net assets until realized when the cumulative gain or loss is transferred to interest and financing costs or until the assets become impaired on an other than temporary basis.

Other Liabilities

OL are recorded at amortized cost and include all liabilities, other than derivatives or liabilities to which the fair value has been applied.

(a) Securities

On January 1, 2007, the GTAA re-measured all AFS securities and since the book value approximates the fair value of the securities at that time, no adjustment to the consolidated financial statements was required. Under the new rules, the GTAA will continue to re-measure investments at fair value at each reporting period. Changes in fair value of the securities will result in adjustments directly to accumulated unrealized changes in net assets unless there is an other than temporary decline in the value of the securities, in which case an impairment charge will be recorded in the consolidated statement of operations.

(b) Long-term debt

The new rules also require deferred financing costs to be included in the debt balances and recognized as an adjustment to interest expense over the life of the debt. The GTAA is also required to use the effective interest method to recognize bond interest expense, where the 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 into the consolidated statement of operations. As at January 1, 2007, the GTAA reclassified deferred financing costs, premiums and discounts for the revenue bonds and medium term notes to long-term debt. This resulted in a decrease in other assets of $44.0 million, a decrease in security deposits and deferred credits of $8.4 million and a corresponding decrease in long-term debt of $35.6 million. As a result of reflecting the effective interest method on January 1, 2007 net assets increased with a corresponding decrease in long-term debt of $4.1 million.

In addition to the revenue bonds and medium term notes described above, the Province of Ontario interest-free loan was also fair valued. The obligation was recognized at its revised value on January 1, 2007 at $17.0 million, representing a decrease of $7.0 million. As part of this adjustment, the asset to which the loan related was reduced by $12.1 million and net assets were reduced by $5.1 million.

(c) Derivatives

Upon adoption, the GTAA determined that the Clean Energy Supply contract ("CES Contract") with the Ontario Power Authority ("OPA") represented a derivative and recorded it at fair value in other assets (see Note 10, Other assets). A corresponding increase in deferred credit was also recorded and represents the fair value of the expected contribution payments to the GTAA under the terms of the contract. This deferred credit will be amortized into income over the duration of the life of the related asset. Changes in the fair value of the OPA derivative will be recorded through goods and services expense at the end of each period.

The opening adjustments to the consolidated financial statements on January 1, 2007 resulted in an increase in other assets by $39.7 million, an increase in deferred credit of $42.0 million and a decrease in net assets of $2.3 million. The amount of the deferred contribution to be amortized over the next 12-month period is $2.2 million.

(d) Swaps and Hedges

The new rules require deferred amounts relating to cash flow hedges, which were discontinued before the end of the original hedge term, to be removed from the consolidated balance sheet and recorded in accumulated unrealized changes in net assets. Accordingly, the deferred hedge loss of $9.6 million and the unrealized swap gain of $12.4 million were reclassified as at January 1, 2007. This gain and loss will continue to be amortized to interest and financing costs in the consolidated statement of operations over the remaining term of the previously hedged instruments. The net amount to be amortized as a recovery over the next 12-month period is approximately $0.1 million.

(e) Net Result of Adopting Financial Instruments Standard

The net adjustment was a $0.5 million decrease to net assets consisting of a $3.3 million decrease in opening unrestricted net deficiency offset in an increase in accumulated unrealized changes in net assets of $2.8 million as at January 1, 2007.

In 2007, the GTAA also adopted CICA standards on capital and financial instrument disclosures. The standards are titled Section 1535 – *Capital Disclosures* and Section 3862 – *Financial Instruments – Disclosure.* The standards are applied prospectively.

6. RESERVE AND OTHER FUNDS

The Debt Service Fund and Debt Service Reserve Fund (the "Trust Funds") and Operations, Capital and Financing Funds invested in cash and other investments are as follows:

(in thousands)	**2007**	2006
	$	$
Debt Service Fund		
Interest	**96,203**	95,338
Principal	**8,682**	17,135
	104,885	112,473
Debt Service Reserve Fund		
Revenue Bonds		
Series 1997-2 due December 3, 2007	**–**	35,421
Series 1997-3 due December 3, 2027	**36,863**	37,208
Series 1999-1 due July 30, 2029	**40,001**	40,511
Medium Term Notes		
Series 2000-1 due June 12, 2030	**38,623**	39,039
Series 2000-2 due July 19, 2010	**32,037**	40,047
Series 2001-1 due June 4, 2031	**35,226**	35,459
Series 2002-1 due January 30, 2012	**31,120**	31,449
Series 2002-2 due December 13, 2012	**29,615**	29,962
Series 2002-3 due October 15, 2032	**38,270**	38,697
Series 2003-1 due June 2, 2008	**19,389**	19,548
Series 2004-1 due February 2, 2034	**38,790**	39,142
Series 2004-2 due February 4, 2009	**11,148**	11,262
Series 2005-1 due June 1, 2015	**17,584**	17,732
Series 2005-2 due May 18, 2007	**–**	14,491
Series 2005-3 due February 15, 2016	**16,471**	16,577
Series 2006-1 due February 28, 2011	**11,000**	11,164
Series 2006-2 due October 24, 2008	**12,329**	15,150
Series 2007-1 due June 1, 2017	**21,848**	–
Series 2007-2 due May 14, 2010	**12,943**	–
	443,257	472,859
Bank indebtedness secured by Series 1997 – A Bond	**10,075**	9,458
	453,332	482,317
Operations, Capital and Financing Funds		
Operating and Maintenance Reserve Fund	**61,175**	64,524
Renewal and Replacement Reserve Fund	**3,000**	3,000
Airport Improvement Fee Reserve Fund	**106,387**	119,114
Notional Principal Fund	**49,878**	218,275
Debt Service Coverage Fund	**128,463**	85,923
	348,903	490,836
	907,120	1,085,626

(a) Asset-Backed Commercial Paper

As at December 31, 2007, the GTAA held $182.2 million, face value of non-bank sponsored asset-backed commercial paper ("ABCP"). Of this balance, $145.2 million, was held in reserve and other funds and $37.0 million (see Note 7, Other investments), which was originally held in cash and cash equivalents, was reclassified to non-current other investments on the consolidated balance sheet.

All of the trusts in which the GTAA's investments in ABCP are held were rated R-1 (high) by Dominion Bond Rating Service ("DBRS") at the time of the purchase, which is the highest possible rating for commercial paper and a permitted investment under the terms of the GTAA's Master Trust Indenture (the "Trust Indenture") which governs the GTAA's reserve funds. The maturity of the commercial paper held in these trusts ranged from August 28, 2007 to September 25, 2007, however, none were redeemed at maturity. As a result, no active market exists for these ABCPs requiring management to use valuation models as described below.

DBRS placed certain of the ABCPs "Under Review with Developing Implications" following the August 16, 2007 announcement that a group representing banks, asset providers and major investors had agreed in principle to a long-term proposal and interim agreement to convert the ABCPs into term floating-rate notes ("FRNs") maturing no earlier than the scheduled termination dates on the underlying assets (the "Montreal Proposal ABCPs").

On September 6, 2007, a Pan Canadian Committee, (the "Committee") consisting of a panel of major Montreal Proposal ABCP investors was formed. The Committee subsequently retained legal and financial advisors to oversee the proposed restructuring process.

On December 23, 2007, the Committee announced the approval of an agreement in principle to restructure the ABCP issued by 20 trusts, including all of the issuing trusts which issued ABCP held by the GTAA. While the terms of the restructuring have not been finalized, one of its fundamental components contemplates the replacement of the ABCP with notes having a term to maturity of greater than one year. To the extent that the replacement notes do not mature within a year of their issuance, they would not be qualified investments for the purpose of the Trust Indenture.

Under the proposed restructuring, the Committee has distinguished between trusts on the basis of the specific type of assets which support the ABCP issued by each trust. In doing so, the Committee identified three types of trusts: traditional securitized trusts, which are trusts with ABCP which is supported solely by traditional securitized assets; synthetic trusts, which are trusts with ABCP which is supported by synthetic assets, or a combination of synthetic and traditional securitized assets ("Synthetic Trusts"); and U.S. sub-prime mortgage related trusts which are trusts with ABCP which is supported by assets ("Ineligible Assets") characterized by uncertainties as to their credit quality and heightened volatility, principally as a result of exposure to United States sub-prime or home equity loan mortgages ("U.S. Sub-Prime Related Trusts"). Owing to a mixed asset base, certain of the trusts will participate in the restructuring as both a Synthetic Trust and a U.S. Sub-Prime Related Trust. These trusts include the Apsley Trust, the Planet Trust, in respect of which the GTAA currently holds an aggregate principal amount of $25.3 million of ABCP, and the Rocket Trust, in respect of which the GTAA currently holds an aggregate principal amount of $25.0 million of ABCP. Based on the percentages of Ineligible Assets held in each of the Apsley Trust, the Planet Trust and the Rocket Trust as determined by the Committee, the GTAA has quantified its exposure to the U.S. sub-prime or home equity loan mortgages market through the holding of ABCP issued by these trusts as being approximately $37.8 million.

As at December 31, 2007, the GTAA recognized a $37.2 million fair value impairment in respect of its ABCP holdings and charged that balance to interest and financing costs on the consolidated statement of operations. Of this balance, $29.0 million relates to ABCP within the reserve and other funds and $8.2 million relates to other investments (see Note 7, Other investments) all of which were classified as available-for-sale upon initial adoption of Section 3855. The impairment charge is based on valuation techniques and assumptions discussed below and is not supported by observable markets or rates as none exist at the current time. The GTAA as a result, has $145.0 million in ABCP at its estimated fair value consisting of $116.2 million within reserve and other funds and $28.8 million in other investments.

In determining the extent of the impairment, the GTAA estimated the fair value of the affected ABCPs by evaluating the components of each trust based on the proposed restructuring and applying a probability weighted approach to the discounted estimated cash flows, based on the best information then available to the GTAA. There continues to be considerable measurement uncertainty regarding valuation and regarding the outcome of the Committee's restructuring initiative. Key assumptions within the model including the components of the investments, discount rates, timing of cash flows of the investments and proposed restructuring are subject to variability until such time as the restructuring is complete. As a result, the GTAA may be required to recognize additional impairments in subsequent financial statements should the actual results of the restructuring differ from the significant assumptions made by the GTAA.

Significant assumptions used to value the affected ABCP include the timing of the restructuring, the discount rates used and the mix of senior and subordinated notes that the GTAA is likely to receive as a result of the restructuring. The Committee has indicated that the proposed restructuring will take place by March 31, 2008. Using the methodology described above, a three-month delay in closing the restructuring would result in a reduction in estimated fair value of $1.6 million; a 1% increase in the discount rates used in the valuation would result in a $6.8 million reduction in the estimated fair value of the affected ABCP and a corresponding increase in the ABCP impairment charge and a 10% increase in the proportion of subordinated notes received in the restructuring would result in a $5.2 million reduction in the estimated fair value of the affected ABCP and corresponding increase in the impairment charge as at December 31, 2007.

(b) Compliance with Trust Indenture

On November 6, 2007, DBRS downgraded one of the trusts, the Apsley Trust, which issued ABCP held by the GTAA. The GTAA currently holds an aggregate principal amount of $61.8 million of ABCP issued by this trust of which $51.8 million was held in reserve and other funds and $10.0 million in other investments (see Note 7, Other investments). As a result of the downgrade, the investments held with this trust no longer meet the definition of a qualified investment for the purpose of the Trust Indenture. Accordingly, the GTAA is not in compliance with the requirement in the Trust Indenture that all money held in any account, fund or reserve fund established under the Trust Indenture be held in cash or invested in qualified investments. The GTAA is of the view that the non-compliance is not of a nature which would give rise to an event of default for purpose of the Trust Indenture, which requires among other things, that any non-compliance must materially adversely affect bondholders. As of December 31, 2007, no event of default, as it is defined in the Trust Indenture, has occurred.

While it is premature to commit to a particular course of action until the restructuring is complete, to the extent that a viable liquid market develops which would allow the GTAA to divest itself of any non-qualified replacement notes on commercially reasonable terms, the GTAA expects that it would, at such time, initiate an orderly disposition of such notes.

The GTAA has sufficient cash and other sources of liquidity available to meet its reserve requirements, and to fund its operating, capital and financing obligations, and does not expect that its operations will be materially affected by the current uncertainty over the carrying value of its ABCP investments.

(c) Components of Reserve Funds:

Trust Funds

The GTAA is required to establish and maintain with the Trustee the Trust Funds in accordance with the terms of the Trust Indenture (see Note 13, Credit facility and long-term debt). The Trust Funds are held for the benefit of the bondholders and noteholders for use and application by the Trustee in accordance with the terms of the Trust Indenture.

(i) Debt Service Fund (principal and interest):

Amounts in the Debt Service Fund are allocated to either an Interest Account or a Principal Account. On a monthly basis, the GTAA is required to deposit into the Interest Account an amount equal to one-sixth of the semi-annual aggregate interest requirement due on all outstanding bonds and medium term notes. Also on a monthly basis, the GTAA is required to deposit into the Principal Account an amount equal to one-twelfth of the total principal amount included in annual debt service, during the term, for any bonds or notes due in such year. The principal requirements of the Debt Service Fund were funded from the

Notional Principal Fund during 2007 and has a balance of $8.7 million at December 31, 2007 (2006 – $17.1 million). Amounts in the Debt Service Fund are held by the Trustee for the benefit of the bondholders or noteholders and are disbursed by the Trustee to pay interest and principal as it becomes due.

Principal of $25.5 million was paid from the Debt Service Fund in 2007 (2006 – $9.0 million). During 2007, $17.1 million was deposited and/or allocated to the Principal Account of the Debt Service Fund by the GTAA for the principal of the Series 1997-2, Series 1999-1, Series 2003-1, Series 2005-2 and Series 2006-2 bonds (2006 – $22.4 million). The deposit to the Principal Account of the Debt Service Fund to fulfill principal requirements was funded from the Notional Principal Fund (see Operations, Capital and Financing Funds below) during the year.

(ii) Debt Service Reserve Fund:

To the extent provided in any Supplemental Indenture, the GTAA is required to set aside funds in the Debt Service Reserve Fund for each series of bonds or medium term notes. The required amount is established at the time of issue of each series of bonds or medium term notes and funded from the proceeds of each issue. Amounts held in the Debt Service Reserve Fund are held by the Trustee for the benefit of the bondholders or noteholders for use and application in accordance with the terms of the Trust Indenture. At the maturity of each series of bonds or medium term notes, funds not applied by the Trustee will be returned to the GTAA.

Operations, Capital and Financing Funds

The GTAA has established an Operating and Maintenance Reserve Fund and a Renewal and Replacement Reserve Fund pursuant to the Trust Indenture. The Operating and Maintenance Reserve Fund is equal to one-sixth of the projected operating and maintenance expenses for the following fiscal year. As at December 31, 2007 this fund had a balance of $61.2 million (2006 – $64.5 million). This amount is to be used only for operating and maintenance expenses or other purposes as required for the safe, ongoing operation and maintenance of the Airport as set out in the Trust Indenture. The Renewal and Replacement Reserve Fund of $3.0 million (2006 – $3.0 million) is to be used for unanticipated repairs to, or the replacement of property and equipment as set out in the Trust Indenture.

In conjunction with the airport improvement fee agreements with participating airlines, the GTAA has established an Airport Improvement Fee Reserve Fund for the deposit of fees collected and not yet utilized. As at December 31, 2007, this fund had an accumulated balance of $106.4 million (2006 – $119.1 million). During 2007, $270.0 million (2006 – $175.0 million) of accumulated Airport Improvement Fee Funds were utilized for some debt service payments.

Capital and financing funds include Notional Principal and Debt Service Coverage Funds, which are amounts that have been collected through airline rates and charges. The Notional Principal Fund may be used to reduce future debt obligations, when principal is due for any series of bonds or medium term notes. For non-amortizing debt, principal is deemed to be included in annual debt service, based on a 30-year amortization, commencing on the same date as interest is expensed. The Debt Service Coverage Fund is established to meet the coverage requirements set out in the Trust Indenture, and as at December 31, 2007 had a balance of $128.5 million (2006 – $85.9 million).

7. OTHER INVESTMENTS

As at December 31, 2007, the GTAA held $37.0 million of ABCP, classified as available-for-sale (see Note 5, Changes in accounting policy), which was originally held in cash and cash equivalents, was reclassified to non-current other investments on the consolidated balance sheet.

As at December 31, 2007, the GTAA recognized an $8.2 million fair value impairment in respect of its ABCP holdings and charged that balance to interest and financing costs on the consolidated statement of operations (see Note 6, Reserve and other funds).

8. ACCOUNTS RECEIVABLE

(in thousands)	**2007**
	$
Trade accounts receivable	**50,663**
Less: allowance for doubtful accounts	**(881)**
Trade accounts receivable, net	**49,782**
Other receivables	**4,812**
	54,594
Less: non-current portion	**–**
Total accounts receivable	**54,594**

The fair values of accounts receivables approximate their book values as at December 31, 2007.

There are no balances due from related parties.

Before accepting any new customer, the GTAA uses an external credit scoring system to assess the potential customer's credit quality as well as an internal credit rating system. The GTAA performs a detailed review of accounts on a customer by customer basis when assessing impairments. Each account is assessed based on factors surrounding the credit risk of specific customers including historical trends, the influence of the current economic environment and other information.

New customers are subject to credit checks and, also depending on perceived credit risk, may require prepayment or a deposit in the form of cash or a letter of credit. As such, the allowance for doubtful accounts is specific in nature. No amount is subject to write-off until all possible collection action has been taken by the GTAA.

Interest is charged on all overdue balances at a rate of prime plus 3% per annum unless otherwise stipulated in terms agreed upon by both parties of the contract.

As of December 31, 2007, accounts receivable of $1.4 million were considered past due but not considered impaired. These amounts relate to a number of customers with no recent history of default. The aging of these receivables past due at December 31, 2007 is as follows:

(in thousands)	**2007**
	$
1 to 5 days	**447**
6 to 15 days	**300**
16 to 30 days	**582**
31 to 60 days	**39**
61+ days	**8**
Total balance past due	**1,376**

As of December 31, 2007, total accounts receivable of $1.0 million were considered impaired and not included in the table above. A provision of $0.9 million was made against these related impaired accounts receivable balances.

The individually impaired receivables mainly relate to customers where collection is uncertain or amounts are being disputed by the GTAA's customers.

Movements in the allowance for doubtful accounts are as follows:

(in thousands)	**2007**
	$
Balance, beginning of year	**17,229**
Provision for new doubtful accounts	**725**
Amounts written off during the period	**(3,982)**
Amounts recovered during the period (i)	**(13,091)**
Balance, end of year	**881**

(i) Recoveries in the year consist primarily of funds received from Canada 3000 (see Note 19, Commitments and contingent liabilities).

Bad debt expense (recovery) has been included in goods and services expense in the consolidated statement of operations. Amounts included in the provision account are generally written off when there is no expectation of recovering amounts owing.

9. AIRPORT IMPROVEMENT FEES

Airport Improvement Fees ("AIF") reported in the consolidated statement of operations, are recorded net of airline administration charges of $10.6 million during 2007 (2006 – $7.5 million).

AIF revenue is remitted to the GTAA based on airlines self assessing their passenger counts. As a result of completing the annual reconciliation process with air carriers, the GTAA recorded an increase of $16.2 million in net AIF revenue in the year.

10. OTHER ASSETS

	December 31, 2007		
(in thousands)	**Cost**	**Accumulated Amortization**	**Net Book Value**
	$	$	$
Deferred leasehold inducements	**6,107**	**1,219**	**4,888**
Land acquisition costs	**26,139**	**631**	**25,508**
	32,246	**1,850**	**30,396**
Fair value of the OPA derivative			**39,291**
			69,687

	December 31, 2006		
(in thousands)	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Bond issue costs	53,401	22,728	30,673
Deferred leasehold inducements	4,600	507	4,093
Land acquisition costs	10,303	136	10,167
Deferred hedge loss on bond	17,953	8,373	9,580
Bond discount costs	18,392	5,008	13,384
	104,649	36,752	67,897

The aggregate amortization expense in respect of other assets for the year ended December 31, 2007 was $1.2 million (2006 – $7.6 million) and is included in goods and services expense. Additions to other assets during the year totalled approximately $56.6 million (2006 – $15.2 million) and consisted mainly of the fair value OPA derivative and the addition of land adjacent to the Airport.

In accordance with the adoption of CICA Section 3855 standards, certain balances previously classified as other assets, have now been reclassified on the consolidated balance sheet (see Note 5, Changes in accounting policy).

On February 1, 2006, the GTAA entered into a CES Contract with the OPA, pursuant to which the GTAA is obligated to have 90 MW of electrical energy available to the Ontario power grid. The term of the CES Contract is for 20 years, subject to early termination rights available to the GTAA. The contract allows for payments by either party, depending on whether net electricity market revenues that the GTAA is deemed to have earned are greater or less than a predetermined threshold, as defined in the CES Contract.

Under Section 3855, the contract has been determined to be a derivative to be carried at fair value and upon adoption the derivative was fair valued at $39.7 million. The fair value of the derivative as at December 31, 2007 was $39.3 million. The GTAA realized an increase in the fair value of the derivative during the year of $3.0 million which was recorded in goods and services expense, and received cash proceeds of $3.4 million which reduced the carrying value of the derivative.

Upon adoption of Section 3855, the GTAA also recorded a deferred credit of $42.0 million which is being amortized over the term of 20 years. The unamortized balance at December 31, 2007 was $39.8 million.

11. PROPERTY AND EQUIPMENT

Property and equipment are comprised of:

	December 31, 2007		
(in thousands)	Cost	Accumulated Amortization	Net Book Value
	$	$	$
TERMINAL ASSETS			
Buildings and support facilities, parking structures, pedestrian bridges and approach systems and apron works	**5,173,809**	**492,199**	**4,681,610**
Baggage handling systems	**276,053**	**41,827**	**234,226**
	5,449,862	**534,026**	**4,915,836**
AIRSIDE ASSETS			
Improvements to leased land	**9,480**	**1,731**	**7,749**
Runways and taxiways	**383,431**	**41,349**	**342,082**
Deicing facilities	**29,906**	**5,813**	**24,093**
	422,817	**48,893**	**373,924**
OTHER ASSETS			
Utilities and stormwater management facilities	**342,003**	**40,901**	**301,102**
Operating assets	**589,682**	**336,740**	**252,942**
Capital leases	**11,329**	**7,951**	**3,378**
	943,014	**385,592**	**557,422**
	6,815,693	**968,511**	**5,847,182**

	December 31, 2006		
(in thousands)	Cost	Accumulated Amortization	Net Book Value
	$	$	$
TERMINAL ASSETS			
Buildings and support facilities, parking structures, pedestrian bridges and approach systems and apron works	4,426,794	470,421	3,956,373
Baggage handling systems	181,813	31,259	150,554
	4,608,607	501,680	4,106,927
AIRSIDE ASSETS			
Improvements to leased land	24,000	4,033	19,967
Runways and taxiways	362,738	34,224	328,514
Deicing facilities	29,906	5,195	24,711
	416,644	43,452	373,192
OTHER ASSETS			
Utilities and stormwater management facilities	342,252	31,655	310,597
Operating assets	579,308	342,062	237,246
Capital leases	11,935	9,445	2,490
	933,495	383,162	550,333
	5,958,746	928,294	5,030,452

On January 29, 2007, Terminal 2 was closed and its operations were relocated to Terminal 1. As a result, property and equipment with a cost and accumulated deprecation of approximately $151.0 million was retired during the year.

12. WORK IN PROGRESS

(in thousands)	Beginning of Year	Additions/ Adjustments	Transfers to Capital Assets	**End of Year**
	$	$	$	$
Airside Development Project	331	130	(461)	**–**
Terminal Development Project	926,444	122,632	(952,688)	**96,388**
Utilities and Area Support Facilities	4,886	(4,886)	–	**–**
	931,661	117,876	(953,149)	**96,388**
Restoration Projects	84,607	36,506	(80,611)	**40,502**
T3 Redevelopment	49,731	15,653	(25,715)	**39,669**
	1,065,999	170,035	(1,059,475)	**176,559**

As at December 31, 2007, work in progress included capitalized interest and financing costs in the amount of $16.6 million (2006 – $134.5 million).

13. CREDIT FACILITY AND LONG-TERM DEBT

During 2007, the GTAA redeemed the 1997-2 revenue bond with a face value of $375 million and the 2005-2 medium term note with a face value of $510 million. In addition, during 2007, the GTAA issued the 2007-1 medium term note with a face value of $450 million and the 2007-2 medium term note with a face value of $350 million for total gross proceeds of $800 million.

As at December 31, 2007, the long-term debt including accrued interest (for 2007) consists of:

(in thousands)

Series	Coupon Rate	Maturity Date	**2007**	2006
			$	$
Revenue Bonds, *See below*				
1997-2	5.95%	December 3, 2007	**–**	375,000
1997-3	6.45%	December 3, 2027	**371,404**	375,000
1999-1	6.45%	July 30, 2029	**473,363**	474,719
Medium Term Notes				
2000-1	7.05%	June 12, 2030	**550,019**	550,000
2000-2	6.70%	July 19, 2010	**619,965**	600,000
2001-1	7.10%	June 4, 2031	**497,698**	500,000
2002-1	6.25%	January 30, 2012	**511,859**	500,000
2002-2	6.25%	December 13, 2012	**474,364**	475,000
2002-3	6.98%	October 15, 2032	**558,270**	550,000
2003-1	5.17%	June 2, 2008	**375,762**	375,000
2004-1	6.47%	February 2, 2034	**609,285**	600,000
2004-2	4.45%	February 4, 2009	**253,734**	250,000
2005-1	5.00%	June 1, 2015	**347,763**	350,000
2005-2	floating	May 18, 2007	**–**	510,000
2005-3	4.70%	February 15, 2016	**353,990**	350,000
2006-1	4.40%	February 28, 2011	**251,269**	250,000
2006-2, *See below*	floating	October 24, 2008	**352,875**	350,000
2007-1	4.85%	June 1, 2017	**448,719**	–
2007-2, *See below*	floating	May 14, 2010	**351,178**	–
			7,401,517	7,434,719
Capital Leases *(Note 14)*			**2,527**	3,004
Province of Ontario				
Interest-free loan, payable in five equal annual installments commencing 2011			**17,995**	24,000
			7,422,039	7,461,723
Less current portion (including accrued interest)			**836,228**	895,706
			6,585,811	6,566,017

Interest expense from the GTAA's debt instruments amounted to $448.8 million (2006 – $428.6 million). Cash paid during 2007 for interest amounted to $443.4 million (2006 – $421.1 million).

For Series 2006-2 and 2007-2 the interest rates are adjusted quarterly at the three-month Bankers' Acceptance rate plus 14 basis points and 11 basis points, respectively. For Series 2006-2 interest rates ranged from 4.49% to 4.90% (2006 – 3.52% to 4.53%). For Series 2007-2 interest rates ranged for the period of May 14, 2007 to December 31, 2007 from 4.48% to 4.96% (2006 – n/a).

With the exception of Series 1999-1 revenue bonds, principal on each series of revenue bonds and medium term notes is payable on the maturity date. Series 1999-1 are amortizing revenue bonds repayable in scheduled annual installments of principal, payable on July 30 of each year. These payments commenced July 30, 2004 and continue until maturity.

Set out below is a comparison of the amounts that would be reported if long-term debts were reported at fair values. Fair values were based on quoted market rates for GTAA bonds as at December 31, 2007:

(in thousands)	**2007**		2006	
	Book Value	**Fair Value**	Book Value	Fair Value
	$	$	$	$
Long-term debt	**7,422,039**	**7,948,433**	7,461,723	8,212,365

Revenue Bonds and Medium Term Notes

The GTAA has the following Revenue Bonds and Medium Term Notes outstanding:

Series	Settlement Date	Principal Amount *(in thousands)*	Interest Payable Commencement Date
Revenue Bonds		$	
1997-3	December 2, 1997	375,000	June 3, 1998
1999-1	July 20, 1999	465,182	January 30, 2000
Medium Term Notes			
2000-1	June 12, 2000	250,000	December 12, 2000
2000-2	July 17, 2000	325,000	January 19, 2001
2000-2 reopen	January 9, 2001	275,000	January 19, 2001
2000-1 reopen	January 16, 2001	300,000	December 12, 2000
2001-1	June 4, 2001	500,000	December 4, 2001
2002-1	January 28, 2002	500,000	July 30, 2002
2002-2	June 13, 2002	475,000	December 13, 2002
2002-3	October 15, 2002	285,000	April 15, 2003
2002-3 reopen	November 22, 2002	265,000	April 15, 2003

Series	Settlement Date	Principal Amount *(in thousands)*	Interest Payable Commencement Date
2003-1	May 13, 2003	375,000	December 2, 2003
2004-1	February 2, 2004	350,000	August 2, 2004
2004-2	February 4, 2004	250,000	August 4, 2004
2004-1 reopen	September 2, 2004	250,000	August 2, 2004
2005-1	February 8, 2005	350,000	June 1, 2005
2005-3	October 26, 2005	350,000	February 15, 2006
2006-1	February 28, 2006	250,000	August 28, 2006
2006-2	October 24, 2006	350,000	January 24, 2007
2007-1	April 16, 2007	450,000	June 1, 2007
2007-2	May 14, 2007	350,000	August 14, 2007

With the exception of Series 2006-2 and 2007-2, interest is payable semi-annually from the Interest Payable Commencement Date, based on fixed rates. Series 2006-2 and 2007-2, interest is payable quarterly from the Interest Payable Commencement Date, based on floating rates.

With the exception of Series 2003-1, Series 2004-2, Series 2006-1, Series 2006-2, and Series 2007-2 medium term notes, which are not redeemable, the notes are redeemable in whole or in part at the option of the GTAA at any time at a redemption price based on yields over Government of Canada bonds with similar terms to maturity.

Credit Facility

The GTAA maintains a Credit Facility with a syndicate of six Canadian banks. The Credit Facility is secured by a $550 million pledge bond issued pursuant to the Trust Indenture. Indebtedness under the Credit Facility ranks *pari passu* with other indebtedness issued under the Trust Indenture. Under this Credit Facility, the GTAA is provided with a $500 million facility for general corporate purposes and capital expenditures, and a $50 million facility for interest rate and foreign exchange hedging activities. The facility was extended in the current year and is due November 22, 2010 and has a term of three years. The facility can also be extended annually for an additional year with the lenders' consent.

At December 31, 2007, no funds were drawn on the facility (2006 – n/a). As at December 31, 2007, a letter of credit for $2.25 million was outstanding against the facility (2006 – $2.25 million) (see Note 19, Commitments and contingent liabilities). Indebtedness under the Credit Facility bears interest at rates that vary with the lenders' prime rate, Bankers' Acceptance rates and LIBOR, as appropriate. If funds were drawn on the facility in the year, interest rates would have ranged from 4.69% to 6.25% (2006 – 3.72% to 6.00%).

14. LEASES

Capital Leases

The GTAA also leases certain equipment as part of its operations. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Amounts payable under these capital leases are as follows:

(in thousands)	Minimum Lease Payments	Present Value of Minimum Lease Payments
	$	$
Within one year	1,434	1,350
In the second to fifth years, inclusive	1,235	1,177
	2,669	2,527
Less: Future finance charges	(142)	–
Present value of minimum lease payments	2,527	2,527
Included in the consolidated balance sheets as:		
Current liabilities		1,350
Non-current liabilities		1,177
		2,527

As at December 31, 2007, the effective interest rates of the capital leases range from 0.00% to 7.93% (2006 – 0.74% to 7.93%).

Operating Leases

The future minimum lease payments under non-cancellable operating leases, excluding payments under the Ground Lease (see Note 19, Commitments and contingent liabilities) are as follows:

(in thousands)	
	$
2008	8,366
2009	5,848
2010	569
	14,783

15. INTEREST AND FINANCING COSTS

Interest and financing costs for long-term debt and bank facilities, net of interest earned on the Debt Service Reserve Fund and Capitalized interest is as follows:

(in thousands)	**2007**	2006
	$	$
Interest and financing costs incurred	**489,996**	436,335
Less:		
Interest earned on the Debt Service Reserve Fund	**(25,253)**	(23,383)
Capitalized interest	**(16,592)**	(57,925)
	448,151	**355,027**

Included in interest and financing costs incurred is a $37.2 million fair value impairment in respect of the GTAA's ABCP holdings (see Note 6, Reserve and other funds).

Included in other income on the consolidated statement of operations is $20.5 million (2006 – $15.1 million) in interest earned on cash and cash equivalents and other reserve funds.

16. EMPLOYEE BENEFITS

Defined Benefit Pension Plans

The GTAA maintains two defined benefit pension plans. One of these plans is for former Transport Canada employees who were eligible to elect to transfer their pension credits to the GTAA plan.

The GTAA measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2007 and the next required valuation will be as of January 1, 2008.

Aggregate information about the GTAA's defined benefit pension plans as at December 31 is as follows:

(in thousands)	**2007**	2006
	$	$
ACCRUED BENEFIT OBLIGATION		
Balance at beginning of year	**97,626**	90,390
Actuarial (gain) loss	**(1,823)**	173
Current service cost	**3,330**	3,196
Interest cost	**5,279**	4,805
Benefits paid	**(1,794)**	(1,883)
Employee contributions	**968**	945
Balance at end of year	**103,586**	97,626
PLAN ASSETS		
Fair value at beginning of year	**99,991**	82,399
Employee contributions	**968**	945
Employer contributions	**4,692**	7,016
Actual return on plan assets	**1,932**	11,514
Benefits paid	**(1,794)**	(1,883)
Fair value at end of year	**105,789**	99,991
Funded status – surplus (deficit)	**2,203**	2,365
Unamortized net actuarial loss	**9,400**	7,162
Unamortized past service costs	**543**	816
Unamortized transitional obligation	**119**	134
ACCRUED BENEFIT ASSET	**12,265**	**10,477**

As at December 31, 2007, one of the GTAA's two defined benefit pension plans is in a deficit position of $1.4 million (2006 – $0.8 million deficit), with an accrued obligation of $91.6 million (2006 – $86.1 million) and a fair value of plan assets of $90.2 million (2006 – $85.3 million). The other plan is in a surplus position of $3.6 million (2006 – $3.2 million surplus), with an accrued obligation of $12.0 million (2006 – $11.5 million) and a fair value of plan assets of $15.6 million (2006 – $14.7 million).

The GTAA's net defined benefit pension plan expense is as follows:

(in thousands)	**2007**	2006
	$	$
Current service cost	**3,330**	3,196
Interest cost	**5,279**	4,805
Actual return on plan assets	**(1,932)**	(11,514)
Actuarial (gain) loss	**(1,823)**	173
Costs arising in the period	**4,854**	(3,340)
Difference between costs arising in the period and costs recognized in respect of:		
Return on plan assets	**(4,201)**	6,410
Actuarial loss	**1,963**	583
Past service costs	**273**	273
Transitional obligations	**15**	15
NET DEFINED BENEFIT PENSION PLAN EXPENSE	**2,904**	**3,941**

Total cash payments for employee future benefits for 2007, consisting of cash contributed by the GTAA to its funded pension plans and cash contributed to the defined contribution plans was $6.8 million (2006 – $7.9 million).

The GTAA's plan assets consist of:

	Percentage of Plan Assets	
Asset Category	**2007**	2006
Equity securities	**48%**	48%
Fixed income	**32%**	32%
Real estate	**12%**	20%
Cash	**8%**	0%
Total	**100%**	100%

The significant actuarial assumptions used in measuring the GTAA's accrued defined benefit pension plan obligations are as follows (weighted-average assumptions as at December 31, 2007):

	2007	2006
Discount rate	**5.50%**	5.25%
Expected long-term rate of return on plan assets	**6.02%**	6.02%
Rate of compensation increase	**4.00%**	4.00%

Defined Contribution Pension Plan Expense

The GTAA maintains three defined contribution pension plans providing pension benefits to certain of its employees. The net expense for the defined contribution pension plans is as follows:

(in thousands)	**2007**	2006
	$	$
Defined contribution pension plan expense	**1,963**	1,752

The GTAA's contribution to the defined contribution pension plans is a maximum of 6% of the employee's gross earnings.

Other Employee Future Benefits

Certain employees are provided with paid-up life insurance at the time of retirement, the cost of which is recorded in the period in which the insurance is acquired. The estimated accumulated benefit obligation for this expected payment recorded in 2007 was $0.5 million and is included in accounts payable and accrued liabilities on the consolidated balance sheets.

17. TAXATION

The GTAA is exempt from federal and provincial income tax and Ontario capital tax.

The GTAA is exempt from real property tax under the *Assessment Act (Ontario)*. However, the GTAA is required to pay each of the Cities of Toronto and Mississauga an amount as calculated in accordance with regulations under the *Assessment Act (Ontario)* as a payment-in-lieu of real property taxes.

18. RELATED PARTY TRANSACTIONS

Directors' fees expense for the year ended December 31, 2007 was $767,250 (2006 – $670,625).

19. COMMITMENTS AND CONTINGENT LIABILITIES

Ground Lease

The GTAA's commitment in respect of annual Ground Lease Airport Rent based on the amendment signed on February 11, 2008 (see Note 23, Subsequent events), including ground rent deferral repayments is approximately $145.7 million for the year ending 2008, $142.8 million for the year ending 2009 and has been estimated at approximately $148.0 million for the year ending 2010, $148.0 million for the year ending 2011 and $150.6 million for the year ending 2012.

Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at December 31, 2007 of approximately $262.5 million (2006 – $140.1 million).

The GTAA would be required to pay a Deficiency Rent (see Note 3, Airport subject to ground lease) equal to any shortfall which may exist between actual eligible capital expenditures and target capital expenditure amounts established in the Ground Lease. Target capital expenditure amounts, subject to adjustments for inflation, were set at approximately $422 million by December 31, 2001 and $345 million by December 31, 2006, both of which the GTAA has met. Target capital expenditure amounts, subject to adjustments for inflation, have also been established for the five-year periods ending December 31, 2011 and 2016 at $313 million and $835 million, respectively, with total target capital expenditures aggregating $1.92 billion.

Letters of Credit

A letter of credit for $2.25 million was outstanding at December 31, 2007 (see Note 13, Credit facility and long-term debt), relating to the GTAA's Clean Energy Supply contract with the Ontario Power Authority. The letter of credit expires April 11, 2008.

Environmental

As part of its obligations prior to the transfer of the Airport to the GTAA, Transport Canada commissioned an environmental baseline study report for the Airport. This report delineates the state of environmental contamination at the Airport and discloses processes and practices which were not in full compliance with environmental laws or accepted environmental practices at the time of transfer. Since the transfer, the GTAA has performed environmental assessments as part of its ongoing environmental management program and has achieved ISO 14001 certification.

The GTAA is committed to ensuring that activities undertaken at the Airport are carried out in an environmentally responsible manner, in compliance with applicable environmental laws and regulations, and with sensitivity to community and public concerns.

Roadway Infrastructure

In connection with receiving a deferral for the payment of land transfer tax to the Province of Ontario until 2011 (see Note 13, Credit facility and long-term debt), the GTAA has agreed to participate in the development of highway infrastructure and transit improvements related to the Airport. The timing and amount of funding participation has yet to be negotiated and agreed upon with the Province of Ontario and will be dependent upon the redevelopment process. The GTAA has undertaken significant transportation infrastructure work in meeting this requirement.

Boeing Lands

In July 2001, the GTAA and Boeing Canada Operations Ltd. (formerly Boeing Toronto, Ltd.) ("Boeing") signed an agreement, amended in June 2002, under which Boeing agreed to sell to the GTAA 45.73 hectares of land adjoining the Airport property for a total of $30 million. These lands will be transferred by Boeing in stages. The first parcel representing 16.1 hectares of land was conveyed on May 29, 2006 and the remaining lands will be conveyed from time to time over a maximum period of 20 years from that date. While the GTAA retains use of the land, title to the first parcel has been transferred to the federal government as required under the terms of the Ground Lease. Deposits totalling $4.7 million, which were recorded in work in process, have been made and will be applied to the purchase price of the future parcels.

Insurance

The Government of Canada has issued an Order in Council providing full indemnity to the Canadian aviation industry for any coverage that was lost due to the cancellation of war and terrorism insurance. The Order in Council has been approved for 2008. Official declarations of its status occur every 90 days to account for the potential of change in the insurance industry. As part of the original Order in Council of September 2001, the GTAA was required to purchase a $50 million primary layer of war and terrorist coverage from the commercial markets. This coverage is in place for 2008.

Cogeneration Plant

The GTAA has entered into certain contracts in order to secure the supply and delivery of natural gas necessary for anticipated future operations of the Cogeneration Plant. Under these contracts, the GTAA will be required to make payments relating to both the delivery of natural gas based on standard rate agreements and the cost of natural gas as determined by market rates. The delivery contract establishes a maximum volume of natural gas inventory that the GTAA is permitted to maintain, as of the anniversary date. The GTAA has the option to dispose of natural gas in excess of this maximum volume either through consumption or through the sale of natural gas to third parties.

Contingent Liabilities

The GTAA is subject to legal proceedings and claims, from time to time, which arise in the normal course of business. Where appropriate, the GTAA has recorded provisions or reserves while it actively pursues its position. Where it is the opinion of management that the ultimate outcome of these matters will not have a material effect upon the GTAA's financial position, results of operations, or cash flows, no reserves have been recorded.

Canada 3000

In June 2006, the Supreme Court of Canada released its decision unanimously upholding the rights of Canadian Airport Authorities, including the GTAA, to seize and detain leased aircraft operated by an air carrier who had defaulted in the payment of fees and charges to the Airport Authority. This decision arose from the insolvency of Canada 3000, which filed for bankruptcy in November 2001, owing the GTAA $12.8 million. The GTAA recovered the full amount owed by Canada 3000. As a result, $12.8 million was received in cash in 2007 and was recorded as a recovery of previously reserved receivables in goods and services expense in the consolidated statement of operations as at December 31, 2007.

Air France

Subsequent to the Air France incident on August 2, 2005, the GTAA, together with other parties, is a defendant in nine lawsuits, including a class action lawsuit involving most passengers and their family members. The GTAA's insurers are defending the lawsuits. It is the opinion of management that the GTAA's financial exposure is limited to its insurance deductible.

20. GUARANTEES

In the normal course of operations, the GTAA provides indemnification agreements to counterparties in a wide variety of transactions such as contracts for goods and services, maintenance agreements, design-build contracts, construction contracts, and information technology agreements. These indemnification agreements require the GTAA to indemnify the counterparties in respect of costs incurred as a result of certain changes in the underlying nature of the contracts (including, without limitation, changes in laws, delays caused by the GTAA, pre-existing environmental conditions) and in respect of costs incurred as a result of certain litigation claims that may result from the transaction (such as, by way of example, patent infringement or personal injury and property damage due to the GTAA's negligence). The terms of the indemnification agreements will vary based on the contract. The nature of the indemnification agreements prevents management from making a reasonable estimate of the maximum potential amount the GTAA may be required to pay to or expend on behalf of such counterparties because such limits are most commonly not set out in the said agreements and the events in question are themselves highly contingent and variable in nature. Management attempts to limit its liability in respect of the indemnifications provided to such counterparties through the purchase of liability and property insurance and the allocation of risk to other contractors.

21. FINANCIAL INSTRUMENTS

Reserve and other funds, other investments, accounts receivable, accounts payable and accrued liabilities and security deposits are reflected in the financial statements at values which approximate fair values because of the short-term maturities of these instruments except for ABCP which is fair valued using a valuation technique discussed in Note 6, Reserve and other funds, as no observable market exists.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. The GTAA's fair values are management's estimates and are generally determined using market conditions at a specific point in time and may not reflect future fair values. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgement.

The GTAA classified the short-term securities within these reserve funds as available-for-sale. On December 31, 2007, the GTAA re-measured all available-for-sale securities.

Risk Management

In the normal course of business, the GTAA is exposed to a number of financial risks that can affect its operating performance. The GTAA's overall risk management program focusses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the GTAA's financial performance.

The GTAA's central treasury function is responsible for the procurement of the Corporation's capital resources and for the management of financial risk. All treasury operations are conducted with policies and guidelines approved by the Board of Directors and are within the requirements set out in the Trust Indenture dated December 2, 1997. Compliance with these policies is monitored by the regular reporting of treasury activities to the Board.

The nature of financial risks relate to changes in market risk, credit risk and liquidity risk.

Market Risk

(a) Interest rate risk

The GTAA's exposure to interest rate risk relates to its floating rate bank indebtedness and medium term notes as described in Note 13, Credit facility and long-term debt. It should be noted that the majority of GTAA's debt is fixed rate debt and therefore changes in interest rates do not significantly impact interest payments but may impact the fair value of this debt. An increase of 100 bps in Bankers' Acceptance interest rates applied to the average floating rate bank indebtedness and medium term notes outstanding during 2007 would have increased interest expense by approximately $7.7 million. The Debt Service Reserve Fund for bank indebtedness is adjusted annually on December 2nd based on the prevailing Bankers' Acceptance rate.

In addition to the floating rate debt discussed above, the GTAA also has exposure to floating rate assets through its reserves and other funds (see Note 6, Reserve and other funds). Movements in the reference rates for floating rate debt and assets are highly correlated. Movements in interest rates which have the effect of increasing borrowing costs will also increase interest income from the floating rate assets. To the extent that the amount of floating rate debt is similar to the amount of floating rate assets, the effect of the changes in interest rates on the GTAA is mitigated.

(b) Commodity price risk

The GTAA's exposure to commodity price risk relates to its Clean Energy Supply Contract with the Ontario Power Authority. The impact of a 1% increase in the 2007 average price of electricity holding natural gas prices constant would result in a $1.8 million decrease in the fair value of the OPA derivative. The impact of a 1% increase in the 2007 average price of natural gas holding the price of electricity constant would result in a $1.2 million increase in the fair value of the OPA derivative.

(c) Foreign currency rate risk

The GTAA undertakes certain transactions denominated in foreign currencies, primarily the U.S. dollar. The GTAA's exposure, however, to any foreign currency risk, is not significant.

Credit Risk

The GTAA is subject to credit risk through its financial assets. The GTAA performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about the customer:

(in thousands)	2007
	$
Accounts receivable	
Customers with external credit rating:	
BBB	739
BBB–	716
B+	619
B	10,565
B–	1,745
	14,384
Customers without external credit rating:	
Existing customers with no history of default	40,210
	54,594
Cash and cash equivalents	
A-1+	98,430
A-1	59,000
	157,430
Reserve and other funds	
A-1+	475,910
A-1	315,049
ABCP (see Note 6, Reserve and other funds)	116,161
	907,120
Other investments	
ABCP (see Note 7, Other investments)	28,802
OPA Derivative	
A-1	39,291

None of the financial assets that are fully performing have been renegotiated during the year except ABCP which are currently being restructured (see Note 6, Reserve and other funds).

The GTAA derives a substantial portion of its operating revenues from air carriers through landing fees and general terminal charges. There is a concentration of service with one air carrier which represents approximately 49% of these fees and 6% of the account receivable balance at December 31, 2007.

Liquidity Risk
The GTAA manages liquidity risk by maintaining adequate cash, reserves and available credit facilities. Quarterly cash flow projections are prepared and reviewed by the Audit Committee to ensure a sufficient continuity of funding. To maintain a flexible program, debt maturities are spread over a range of dates thereby ensuring that the Corporation is not exposed to excessive refinancing risk in any one year.

The table below analyses the GTAA's financial liabilities by relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The table has been prepared based on the contractual undiscounted cash flows based on the earliest date on which the GTAA can be required to pay. It includes both principal and interest cash flows.

(in thousands)	December 31. 2007			
	Less than 1 month	1 month to 12 months	1 year to 5 years	6 years to 10 years
	$	$	$	$
Accounts payable and accrued liabilities	40,928	36,250	–	–
Province of Ontario	–	–	14,400	9,600
Long-term debt	55,049	1,106,840	4,150,141	2,372,906
	95,977	1,143,090	4,164,541	2,382,506

Additional disclosure about the GTAA's credit facility, long-term debt, and OPA derivative can be found in note 13, Credit facility and long-term debt and note 10, Other assets.

22. CAPITAL RISK MANAGEMENT

The GTAA is a non-share corporation and, accordingly, is funded through operating revenues, AIF revenue, reserve funds, the debt capital markets and its syndicated bank credit facility. Aeronautical charges are set each year to cover the projected operating costs, including debt service and reserve requirements, after consideration of the projected air traffic and passenger activity and non-aeronautical revenues. Consistent with its residual approach, any funds generated by the GTAA are used to cover costs within its mandate.

As at December 31, 2007, the net deficiency amounted to $352.9 million. The GTAA has established within its net assets (deficiency), funds for operational requirements and debt-related obligations. The net assets (deficiency) consists of three components: externally restricted, internally restricted and unrestricted.

Externally Restricted

A portion of the net assets has been allocated for operational purposes pursuant to the Operating and Maintenance Reserve Fund, the Renewal and Replacement Reserve Fund and the Debt Service Fund – Principal (see Note 6, Reserve and other funds) set out in the Trust Indenture (see Note 13, Credit facility and long-term debt).

Internally Restricted

A portion of the fees that have been collected in revenue has been allocated for capital projects and for debt-related obligations of notional principal and debt service coverage requirements (see Note 6, Reserve and other funds). In conjunction with the airport improvement fee agreement with the airlines, a portion of the fee that has been collected has been allocated to a reserve fund. The internally restricted net assets are held in separate investment accounts by the GTAA and are disbursed in accordance with its policies or commitments for these funds.

Unrestricted

Unrestricted net assets represents the cumulative revenue under expenses, including amortization, interest expense incurred and required to fund the Debt Service Fund – Interest, and the cumulative unrealized changes in net assets, which remains after externally and internally restricted reserve fund cash commitments described above have been made.

Capital Markets Platform

As a corporation without share capital, the GTAA's ongoing capital requirements are financed with debt. The GTAA developed a financing plan referred to as the Capital Markets Platform, capable of accommodating a variety of corporate debt instruments. All indebtedness incurred under the Capital Markets Platform is secured under the Trust Indenture dated December 2, 1997, and supplemented from time to time, which establishes common security and a set of common covenants by the GTAA for the benefit of its lenders. The security comprises an assignment of the revenues of the GTAA, a specific charge on certain funds, reserve funds and accounts, an unregistered first leasehold mortgage of the GTAA's leasehold interest in the Airport and a guarantee and related collateral security of subsidiaries as designated from time to time. The Debt Service Reserve Funds are funded from the proceeds of each bond or medium term note issue (see Note 6, Reserve and other funds). The covenants that the GTAA must meet include two specific coverage tests for operating expenses and debt payments. The operating covenant states that the total revenue must at least cover all operating expenses, including interest and financing costs. The debt service covenant states that the net revenues, which may include available credit, must be at least 1.25 times the total interest and financing costs, including notional principal.

23. SUBSEQUENT EVENTS

Ground Lease

On February 11, 2008 the GTAA executed an amendment to the Ground Lease which replaces the previous calculation that was largely based on passenger traffic with one that is based on revenue. The new formula will be phased in such that in 2008 and 2009 ground rent will be $141.5 million and $138.7 million, respectively. Beginning in 2010, ground rent will be calculated as a percentage of revenue using an escalating percentage of Airport Revenue which has the following ranges; 0% for revenue below $5 million, 1% for revenue between $5 and $10 million, 5% for revenue between $10 and $25 million, 8% for revenue between $25 and $100 million, 10% for revenue between $100 and $250 million, and 12% for revenue in excess of $250 million. The GTAA will continue to be required to repay ground rent deferred in the 2003 to 2005 period (see Note 3, Airport subject to ground lease).

Shelf Prospectus

On February 13, 2008 the GTAA filed a short-form base shelf prospectus in the amount of $2.0 billion. The proceeds of debt issued under this prospectus will be used to fund capital expenditures, reserve funds and to repay existing debt.

DISCLOSURE REQUIREMENTS OF THE GROUND LEASE

Subsection 9.01.07, paragraphs (a) to (g) of the Ground Lease requires the GTAA to publish an annual report that discusses the matters listed below.

A) AUDITED FINANCIAL STATEMENTS

The Auditors' Report and the audited consolidated financial statements are found on pages 62 to 103 and the summary of affairs (Management's Discussion and Analysis or "MD&A") is found on pages 36 to 61 of the Annual Report.

B) REPORT ON THE BUSINESS PLAN AND OBJECTIVES FOR 2007

The projected cash flows in any year constitute the business plan for that year. The business plan for 2007 is the 2007 summary of projected cash flows which is found below in Paragraph C (the "2007 Business Plan"). A report on the GTAA's performance relating to the 2007 Business Plan is discussed in the MD&A and in Paragraph C, below.

Further, in the Annual Reports for the previous five years, comparisons to the respective business plans and the overall corporate performance are discussed in the respective MD&A and Ground Lease Disclosures.

C) VARIANCES AND CORRECTIVE MEASURES WITH RESPECT TO THE REPORT ON THE 2007 BUSINESS PLAN

The following table provides a comparison between the 2007 actual operating results and the 2007 Business Plan. The results are presented on a modified cash basis consistent with the projected summary of cash flows and the GTAA's rate setting methodology. This presentation does not include certain non-cash items such as amortization, but does include other items such as the funding of reserve accounts, notional principal, and the payment of deferred ground rent to the federal government, which are not included as expenses in the statement of operations.

(millions of dollars)	**2007 Actual**	*(Unaudited)* 2007 Business Plan	Variance
Revenues			
Landing fees	**451.2**	458.6	(7.4)
General terminal charges	**185.0**	193.5	(8.5)
Airport improvement fee	**257.5**	229.1	28.4
Car parking and ground transportation	**114.3**	102.6	11.7
Concessions, rentals and other	**175.4**	169.3	6.1
	1,183.4	1,153.1	30.3
Expenses			
Ground rent	**153.6**	154.9	(1.3)
Goods and services	**272.7**	312.4	(39.7)
Salaries, wages and benefits	**107.1**	108.6	(1.5)
PILT	22.7	25.2	(2.5)
Debt service	**566.7**	538.5	28.2
	1,122.8	1,139.6	(16.8)
Debt Service Coverage	**48.7**	48.7	–
Fund Deposits	**(6.9)**	(35.2)	28.3
Net Cash Surplus/(Deficit)	**18.8**	–	18.8

A detailed discussion of the 2007 financial results is contained in the MD&A.

Total revenues were $30.3 million over the projected revenues. Maximum Takeoff Weight ("MTOW") and the number of arrived seats, which are the basis for the calculation of landing fees and general terminal charges respectively, were below projections as a result of the high load factors experienced by many of the airlines operating at the Airport resulting from increased passenger activity without a corresponding increase in aircraft size or flight frequency. Therefore, these two revenue sources were below projections. While passenger traffic was slightly below target, a higher mix of originating passengers and the recovery of $16.2 million as a result of the completion of the annual reconciliation process with air carriers resulted in AIF revenue being $28.4 million above the 2007 Business Plan. Car parking and ground transportation revenues were $11.7 million over the 2007 Business Plan due to higher usage of the parking facilities. New non-aeronautical revenue initiatives and higher than anticipated interest income resulted in concession, rental and other revenues being above the 2007 Business Plan.

Total operating expenses, including debt service, were $16.8 million below expectations. Goods and services were lower than projected by approximately $39.7 million. This is the result of numerous cost and efficiency initiatives and the recovery of $14.2 million related to the bankruptcies of

Jetsgo Corporation and Canada 3000. Debt service was $28.2 million above the 2007 Business Plan as lower borrowing costs were offset by a provision for certain asset-backed commercial paper held in reserve funds. Other expense categories were generally in line with the expectations of the 2007 Business Plan.

The deposits to the debt service coverage fund, and the operations and maintenance fund were as projected. As a result of the positive variance in AIF collected, the draw on the AIF reserve fund was smaller than planned.

None of the variances to the 2007 Business Plan discussed above were of a nature that caused the GTAA to take specific corrective actions.

D) SUMMARY OF THE FIVE-YEAR BUSINESS PLAN

The five-year Business Plan (2008 to 2012) is based on assumptions underlying the GTAA's assessment of various external factors. During 2008, the GTAA will be focused on capitalizing on the recent investment in new facilities, especially Terminal 1 as the focus of the corporation changes from rebuilding Toronto Pearson to operating these new assets as efficiently and effectively as possible.

The economic and operating assumptions for 2008 include:

- Inflation as measured by the CPI index of 2.0%;
- 32.2 million total passengers;
- Landed MTOW of 12.4 million tonnes; and
- 20.7 million landed seats.

Future capital development at the Airport includes the completion of the Terminal 3 Redevelopment project and the Post-ADP development project. Both of these projects have been approved by the GTAA Board of Directors. The GTAA also anticipates spending approximately $50 million per year on operations, maintenance and restoration capital projects. The 2008 expenditure has been approved by the Board of Directors. In addition to these expenditures, the GTAA has identified a number of projects that are anticipated to be required to meet growing passenger demand. These other airport development projects total $854 million over the forecast period. None of these expenditures have been approved by the GTAA Board of Directors. The timing and amount of these expenditures are subject to change as demand and operating conditions evolve and plans are finalized.

Over the forecast horizon, the primary drivers for the GTAA's Business Plan are the growth in Airport activity and inflation. Specific revenue or cost containment initiatives carried out over this period may also impact revenues and expenses. The forecast average annual passenger growth rate from 2008 to 2012 is 2.9%. Aircraft movements and landed MTOW are expected to grow at a 2.5% and a 3.1% rate, respectively.

The projected Business Plan includes principal repayment amounts, but does not include amortization. In some years, it is anticipated that AIF revenue will be used to pay for both debt service expense and capital expenditures, as allowed under the AIF Agreement with the airlines. Historically, the GTAA has used AIF revenue to pay for debt service expense only. The amount shown in the Business Plan is the amount applied against debt service. The reader is cautioned that some assumptions used may not materialize and unanticipated events and circumstances may occur subsequent to the date that this summary was prepared. Therefore, the actual results achieved on a cash basis during the period may vary and the variations may be material. For a more complete discussion of the risks and uncertainties and caution regarding forward-looking statements, see the MD&A and the Annual Information Form, copies of which may be accessed at www.sedar.com ("SEDAR").

Projected Business Plan

(in millions)	2008	2009	2010	2011	2012
	$	$	$	$	$
Revenues					
Aeronautical revenues	613.1	628.1	616.1	617.2	622.5
Airport improvement fees, net	219.5	236.8	239.1	242.8	248.4
Non-aeronautical revenues	303.6	307.7	323.4	340.0	357.5
	1,136.2	1,172.6	1,178.6	1,200.1	1,228.4
Expenses					
Ground rent	146.2	142.9	139.0	144.0	148.1
Operating and maintenance expenses	393.5	394.3	396.1	397.9	399.8
Real property taxes and payments-in-lieu of taxes	24.0	27.2	28.9	30.2	31.3
Debt service (net of interest income)	570.3	607.9	614.4	627.7	648.9
	1,134.0	1,172.3	1,178.3	1,199.8	1,228.1
Reserve funds	2.2	0.3	0.3	0.3	0.3
Net Cash surplus (Deficit)	–	–	–	–	–

Projected Capital Expenditures

(in millions)	2008	2009	2010	2011	2012	Total
	$	$	$	$	$	$
Operating, Maintenance and Restoration Capital	50.0	50.0	50.0	51.0	53.0	254.0
T3 Redevelopment	23.5	12.0	1.0	–	–	36.5
Other Airport Development	14.0	32.0	49.0	257.0	502.0	854.0
Post ADP	150.0	103.0	103.0	–	–	356.0
Total	237.5	197.0	203.0	308.0	555.0	1,500.5

E) REMUNERATION TO BOARD AND SALARY OF SENIOR OFFICERS

For 2007, the Chair of the Board of Directors received remuneration in the amount of $150,000, while the other Directors received remuneration ranging from $38,000 to $53,000. For 2007, salaries for the Corporation's Senior Officers ranged from $154,293 to $316,734. Senior Officers are also eligible for a performance-based bonus.

Additional information regarding the remuneration paid to the Directors and the Senior Officers is available in the Annual Information Form, which is available on SEDAR.

F) ETHICAL BUSINESS CONDUCT

In December 2006, the Board of Directors approved a new "Code of Business Conduct and Ethics" (the "Code"). The Code complies with the requirements of the Canadian Securities Administrators' National Policy 58-201 and represents a comprehensive approach to addressing, among other matters, conflicts of interest and promoting fair, honest and ethical behaviour by all GTAA Directors, officers, employees and contracted staff. A copy of the Code may be accessed at www.sedar.com.

The Code replaces the Conflict of Interest and Code of Conduct provisions found in Sections 6.12 and 6.13 of the GTAA's Amended and Restated General Operating Bylaw.

The Board monitors compliance with the Code and requires that each Director and officer sign an Annual Declaration advising that the Director or officer has read the Code and either declares that the Director or officer is in compliance or not in compliance with the Code and to declare the reasons for the non-compliance. In addition, the Board has implemented an "Ethics Line" which permits the anonymous reporting of an employee, officer or Director's unethical behaviour.

All Directors and officers indicated that they were in compliance with the Code.

G) REPORT ON CONTRACTS OVER $75,000 NOT TENDERED

The Bylaws of the GTAA, the Public Accountability Principles for Canadian Airport Authorities and the Ground Lease provide that all contracts in excess of $75,000 (as adjusted annually by CPI) must be awarded through a public tendering process, except as may be otherwise determined by the Board of Directors having regard for what may be efficient and practicable. The contracts that are not awarded through a public tendering process must be described in the GTAA's Annual Report.

Contract Value Range	Contractor	Description of Contract	Reason for Award without Public Tender
\$92,000 – \$174,000	Hewlett Packard (Canada) Co.	Hewlett Packard openview software management.	A
	IBM Canada Ltd.	Three IBM Websphere Message Broker with software programs and licenses.	A
	Hewlett Packard (Canada) Co.	Openview software licenses and support.	C
	Microsoft Canada Inc.	Microsoft premier support services.	C
	Capital Planning Solutions Inc.	Support program for facility asset management system and ReCAPP© validation survey software.	B
	BDI Canada Inc.	CO_2 blast cleaning services for Tilted Spheres Exhibit (Richard Serra).	A
	ARINC International of Canada, ULC	Maintenance services for TWX-1200 Lightning Warning System.	C
\$175,000 – \$274,000	Hewlett Packard (Canada) Co.	Data protector software with support and hardware.	C
	Thomson Canada Limited	Treasura subscription.	B
	Saturn Scale Systems Inc.	Monthly preventive maintenance and ad-hoc repairs on all scales in T1 and T3.	A
	Hart-Well Electrical Company Limited	Expansion to the Legacy Access Control and RAIC systems at Terminal 3.	C
	Johnson Controls L.P.	Supply and installation of Restricted Area Identification Card ("RAIC") biometric readers at Terminal 1.	C

Contract Value Range	Contractor	Description of Contract	Reason for Award without Public Tender
$275,000 – $374,000	Brook Laker Associates	Audit/operational review assignments for Airport Development Program.	A
	Electrical Safety Authority	Continuous safety services on an as requested basis.	B
	MSA Canada A Branch of Mine Safety Appliances Co.	Supply of equipment to the Fire and Emergency Services Training Institute.	C
$375,000 – $474,000	Cushman & Wakefield LePage Inc.	Market opportunity assessment and RFP support services for South 409 lands and for other land parcels in Area 2A.	A
	Safegate Airport Systems Inc.	Supply and installation of 5 interactive type Visual Docking Guiding Systems (VDGS) and relocation of 3 existing VDGS from the Infield Terminal to Terminal 3.	A, B & C
	Bell Canada	Business internet dedicated service.	A
$475,000 – $574,000	Hewlett Packard (Canada) Co.	Support and maintenance for various Hewlett Packard servers.	C
$575,000 – $774,000	Glidepath Systems Limited	T3 baggage controls software maintenance and offsite support services.	B
$775,000 – $874,000	–	–	–
$875,000 – $974,000	Promark-Telecon Inc.	Utility locating services.	A
$975,000 +	Revay and Associates Limited	Construction claim support.	A
	Black & McDonald Limited	Manage IT & T Operations Centre and cable management systems.	A

REASON FOR AWARD GLOSSARY

A. Where the Corporation determines that in connection with an existing contract for the supply of goods or services which is expiring, it is most efficient and practicable to award a new contract to the existing contractor or services supplier where such contractor or services supplier has developed a specific skill set or knowledge base in respect of that contract, or where the circumstances of the redevelopment program dictate that efficiency, time, cost or safety concerns dictate such action.

B. Where there is limited number (or just one) contractor, or services supplier who can provide the required goods or services.

C. Where warranty, patent or copyright requirements or technical compatibility factors dictate a specific supplier.

D. In any other circumstances where the President and Chief Executive Officer determines it is necessary to do so having regard to the safe, efficient and practicable operation of LBPIA.

BOARD OF DIRECTORS









1. **Warren C. Hurren, Chair**
Warren Hurren is a Chartered Accountant, a founding partner of the accounting firm Hurren, Sinclair, MacIntyre, and is an active community member with the Ajax Rotary Club and the Ajax-Pickering Board of Trade.
Nominated by the GTA Boards of Trade/Chambers of Commerce

2. **Stanley G. Archdekin**
Stanley Archdekin is the President and CEO of Centerfire Capital Management Inc., a company that specializes in the formation and distribution of creative value-added products for Canadian investors.
Nominated by the Regional Municipality of Peel

3. **Shaun C. Francis**
Shaun Francis is President and Chief Executive Officer of Medcan Health Management Inc., a leading Canadian health management company.
Appointed by the Government of Canada

4. **Dale E. Richmond**
Dale Richmond recently retired as the President and Chief Executive Officer of OMERS (Ontario Municipal Employees Retirement System) and is a former Chief Administrative Officer (CAO) for the Municipality of Metropolitan Toronto.
Nominated by the GTAA Board as a Member-at-Large

5. **Bruce McKelvey**
Bruce McKelvey sits on the board of the Merry Go Round Foundation, an organization enabling at-risk students to have home access to computer technology, and is the Past Chairman and CEO of CDI Education Corporation.
Nominated by the City of Toronto

6. **Patrick S. Brigham**
Patrick Brigham is Chairman of Edenview Investments and is a director of several boards.
Nominated by the GTAA Board as a Member-at-Large

7. **Richard M. Soberman**
Richard Soberman is an associate of Trimap Communications Inc., and former Chair of Civil Engineering at the University of Toronto. He is a transportation specialist.
Nominated by the GTA Boards of Trade/Chambers of Commerce and the Professional Engineers of Ontario

8. **Vijay J. Kanwar**
Vijay Kanwar is the President and Chief Financial Officer of K.M.H. Cardiology and Diagnostic Centres Inc., North America's largest provider of nuclear cardiology services.
Appointed by the Province of Ontario

9. **Catherine J. Knipe**
Catherine Knipe is the principal of Meadow Group Consulting Inc. and has held numerous senior management positions in the healthcare field.
Nominated by the Regional Municipality of Halton

1	2	3	4	5
6	7	8	9	10
11	12	13	14	15

10. **Scott R. Cole**
Scott Cole, P.Eng. is President of Cole Engineering Group Ltd., a civil engineering company with over 60 professional and technical staff providing services in the municipal engineering, transportation, and water/wastewater areas to Regions, Municipalities, and the private development industry.

Nominated by the Regional Municipality of York

11. **W. Douglas Armstrong**
Douglas Armstrong is a retired executive and served as a Board member for a number of professional and community service committees.

Appointed by the Government of Canada

12. **Marilynne E. Day-Linton**
Marilynne Day-Linton is a Chartered Accountant with a background in the travel industry.

Nominated by the Chartered Accountants of Ontario

13. **B. Mac Cosburn**
Mac Cosburn is President of B. McGregor Developments Limited ("BMDL"). BMDL specializes in land development, building and engineering consulting services. Mr. Cosburn is a Professional Engineer with 33 years of consulting and business experience. He is a current and past member of several professional, hospital and charitable boards.

Nominated by the GTA Boards of Trade/ Chambers of Commerce

14. **Norman B. Loberg**
Norman Loberg is a retired Enbridge Inc. senior executive, Chairman of the Credit Valley Board of Directors, past Chairman of Tourism Toronto and is a director of several public and private sector boards.

Nominated by the GTAA Board as a Member-at-Large

15. **Lawrence D. Worrall**
Lawrence Worrall is currently a Director of several boards. These include Magna International Inc. and PIC Group Holdings Limited.

Nominated by the Regional Municipality of Durham

CORPORATE INFORMATION

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SENIOR OFFICERS

Lloyd A. McCoomb
President and Chief Executive Officer

J. Howard Bohan
Vice President, Operations and Customer Experience

Brian Gabel
Vice President and Chief Financial Officer

Brian R. Lackey
Vice President, Strategic Planning and Airport Development

Toby C.O. Lennox
Vice President, Corporate Affairs and Communications

Gary K. Long
Vice President and Chief Information Officer

Vito Lotito
Vice President, Human Resources and Administration

Douglas A. Love
Vice President, General Counsel and Secretary

Patrick C. Neville
Vice President, Facilities

Stephen A. Shaw
Vice President of Marketing and Business Development

ANNUAL PUBLIC MEETING

The GTAA's Annual Public Meeting will be held on May 7, 2008 at 1:30 p.m. at the
Toronto Marriott Airport Hotel
Salon A
901 Dixon Road
Toronto, Ontario

PUBLIC INFORMATION

Requests for general information should be directed to:
Customer Service
Telephone: 416-776-9892
email: customer_service@gtaa.com

AUDITORS

PricewaterhouseCoopers LLP
Mississauga, Ontario
(effective March 7, 2007)

LEAD BANK

Canadian Imperial Bank of Commerce
Toronto, Ontario

PRINCIPAL LEGAL COUNSEL

Osler, Hoskin & Harcourt
Toronto, Ontario

PUBLICATIONS AVAILABLE

Newsletters

GTAA Today Employee Newsletter
Toronto Pearson Today

Brochures and Miscellaneous Publications

Airport Development

Art, Architecture and the Airport – The Visual and the Visionary

Central Deicing Facility Annual Report

Financial Report

Committed to Serving You Better

Customer Assistance Guide for Airport Employees

Customer Service at Toronto Pearson

Delivering Value – Aeronautical Fees

Environmental Management

IT&T Business Services

Noise Management Annual Report

Nominators' Report

Sustainability Report

Transportation and Parking

The Value of Building With a Vision

88 trees preserved for the future	8,835 lbs. solid waste not generated	32,022 gallons wastewater flow saved	6,733 lbs. net greenhouse gases prevented	61,000,00 BTUs energy not consumed

The GTAA incorporates sustainable development practises within our corporation. This document was printed in Canada using vegetable inks on FSC certified paper.

STRATEGIC DIRECTION & PRODUCTION
S.D. Corporate Communications

CONCEPT & DESIGN
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