

2007 ANNUAL REPORT

OVERVIEW

2007 continued the transition begun in 2006 for Air Serv International. The board had previously determined to reemphasize our identity as an aviation company by expanding our owned fleet, strengthening our financial and audit systems and controls and enhancing operations. We made significant progress on each of these items. One aircraft was acquired in 2007, and a purchase contract was executed for two more with delivery expected in early 2008. A new air service venture was initiated in The Democratic Republic of Congo (DRC) with a leased Beech 1900 turboprop airliner.

In 2007 our programs in Iraq/Jordan, Mozambique, DRC and Chad all continued. In Afghanistan, we continued to support USAID and UN development projects, including the crucial Ring Road Project and reconstruction at Kajaki Dam. We conducted a two-month special project in Sudan and continued exploring ongoing projects there.

We maintained our preparedness to meet needs in our areas of core competency, most importantly disaster response, rehabilitation, democracy building, development and environmental preservation and monitoring, as well as local and regional capacity building through our commercial subsidiary Reliance Air based in Entebbe, Uganda. We are committed to grow with evolving needs and to expand the scope of our humanitarian services into new regions and areas of involvement as circumstances evolve. We will be launching new capital campaigns, and seeking new partnerships with our traditional users, donors and suppliers throughout 2008..

We look forward to partnering with our board, staff, donors, customers, suppliers, host country nationals and fellow NGOs in saving and enhancing lives, relieving the needy and helping build foundations for strong and sustainable economic futures not only for victims of disaster and poverty, but also, as nations and peoples approach thresholds of self-sustaining growth, to address rising aspirations to make lives as rewarding and meaningful as individual talents and circumstances permit.

OUR PROGRAMS

Afghanistan

Air Serv has been serving the Afghan people since March, 2002, providing essential aviation support to the Louis Berger Group and the U.S. Agency for International Development (USAID) rehabilitation of the Afghan infrastructure. Objectives include repairing selected infrastructure to enhance access and stimulate trade and other conditions for growth, notably construction of the Kabul/Kandahar highway; enhancing water and sanitation services; supporting education, health and local government facilities; restoring electrical generation and distribution systems; and repairing and reconstructing irrigation systems, dams, diversions and canals critical to revitalize the essential agricultural sector. An air services contract with the United Nations concluded at the end of 2007, and two leased aircraft were returned.

Democratic Republic of the Congo (DRC)

Since February, 1999 Air Serv has been assuring relief workers safe access to remote locations in eastern DRC from Goma, with a DH-6C Twin Otter and two Cessna Caravans. Funded by the U.S. Office of Foreign Disaster Assistance (OFDA), Air Serv provided vital lifeline support, including emergency medical and security evacuations, to more than 40 humanitarian organizations.

Air Serv also operated Cessna Caravans in Lubumbashi, in a project funded by the British government's Department for International Development (DFID), UNDP (Pool Fund – see below) and Médecins Sans Frontières (MSF-Spain, MSF-Holland & MSF-France), assuring air access for the humanitarian community to vulnerable Katanga Province populations.

Under a Pool Fund system introduced in early 2006, UNDP had previously awarded Air Serv 1st and 3rd tranche funding from funds aggregated from different donor nations based on recommendations from regional representatives as prioritized by the National Cluster. The Pool Fund assured essential financial support for our Goma operations. We received additional Pool funding to operate an aircraft in Lubumbashi, further confirming our pre-eminence as the dominant humanitarian aviation organization in the DRC. Pool funding of our DRC programs continued throughout 2007.

Chad

An Air Serv Twin Otter based in Abeche has helped serve some 200,000 Darfur refugees along the Chad/Sudan border, in twelve refugee camps and an additional 40 gathering sites, supported by the Office of Foreign Disaster Assistance (OFDA) and the Department of State Bureau for Population and Refugee Migration (BPRM). These programs also continued throughout 2007.

Iraq

Since 2003 Air Serv has in partnership with USAID carried humanitarian workers to and from Baghdad with a leased Embraer 120 aircraft, assuring safe and reliable access to NGOs working to enhance democracy in Iraq. This air service continued through 2007 with occasional flights within Iraq to Erbil and Sulaymaniyah.

We continued to provide medical evacuations to a broad range of NGO personnel, as well as civilians requiring specialized care unavailable in Iraq.

Mozambique

In Mozambique, with a C208 Caravan continuing to be based in Beira, Air Serv supported USAID's fight against AIDS, health care initiatives, a rural income program designed to enhance rural production and food security, flying Save the Children, World Vision, Food for the Hungry, and Health Alliance International, among other NGOs.