



London
International

2022 Annual Report



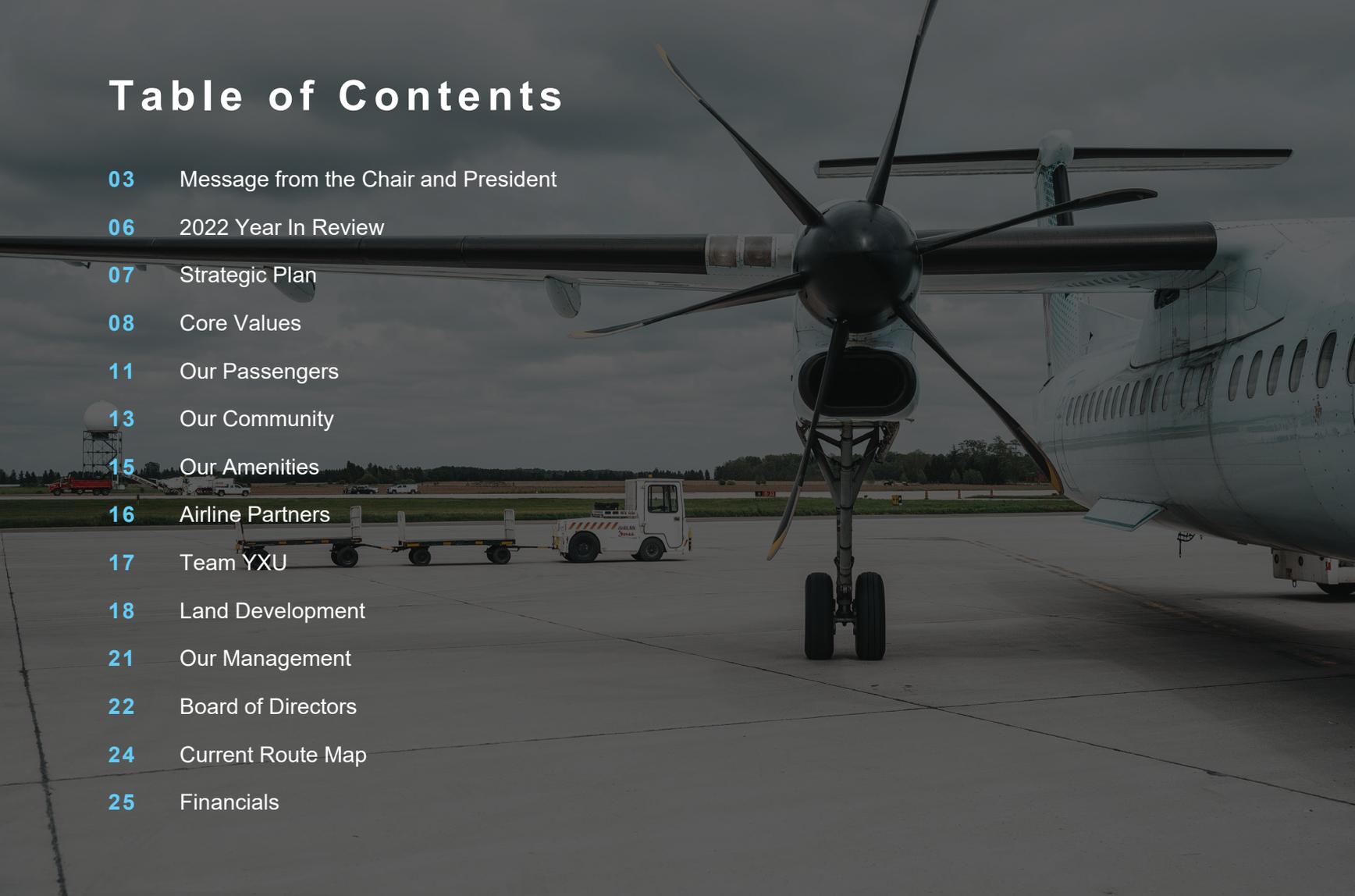


Our Airport

London International Airport (YXU) is Southwestern Ontario's easy and comfortable airport. Convenient flights and affordable parking provide an enjoyable, stress-free passenger experience.

Travel is easy when you fly YXU

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A large propeller airplane is the central focus, viewed from a low angle looking up at its propeller and fuselage. The aircraft is parked on a tarmac. In the background, a white ground service vehicle is visible, along with other airport infrastructure and a clear sky.

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Message from the Chair & President

While 2022 marked the beginning of the global aviation industry's return to growth, following the worst two financial years in aviation history, it is clear that the road to recovery remains long and winding.

The challenges of the global pandemic, combined with the levels of government financial support and slow recovery by airlines in 2022, continued to heavily impact airport operations and financial results across the country, including the Greater London International Airport Authority (GLIAA). While 2021 proved to have the lowest passenger volumes in airport history at 101,363 total passengers, even with passenger numbers growing by over 220% to 229,241 in 2022, recovery remains long, and those passenger numbers represent only 35% of 2019 passenger volumes. There continues to be an uneven recovery by airports across Canada and the world, with the larger "hub" airports recovering at a faster pace than the regional airports, like GLIAA.

Throughout the pandemic the GLIAA maintained diligent fiscal constraint, lean staffing, and aggressive cost control measures across the organization, while continuing to invest in the airport infrastructure with the assistance of the Canadian Governments Airport Capital Assistance Program (ACAP). The lean management of the organization in 2022 was evident in the actual results as compared to the budget forecast. The GLIAA was able to achieve an operating loss of (\$636 thousand) compared to the forecast of (\$1.14M) and maintained a strong cash position, ending the 2022 year with \$4.48M in cash.



Message from the Chair & President

In addition, the GLIAA continued to invest in critical capital and infrastructure projects. ACAP approved 100% funding for a new Aircraft Rescue and Fire Fighting Vehicle up to \$1.23M, which was delivered in Q1 2023. The GLIAA also received 50% ACAP approval for runway 15/33 rehabilitation project (\$11.47M), the acquisition of a plow truck (\$420 thousand) and a sweeper train (\$370 thousand), all of which were delivered and completed in 2022. These capital investments are crucial for the development and long-term operations of the airport and ensures the airport is well positioned for future growth and the ongoing needs of our tenants and stakeholders.

While passenger volumes remained well below pre-pandemic volumes, the GLIAA continued to set new records with respect to the number of aircraft movements, reaching a total of 91,103 movements in 2022. This activity was mainly driven by flight training, with both Western and Fanshawe College Aviation programs continuing to see strong growth. In addition to flight training, the GLIAA also saw increased volumes in both Air Cargo and Business Aviation traffic adding to the total movements. We continue to see opportunities in all of these sectors for increased growth at our airport in the years to come.

Another positive for the airport was the return of our entitlement to receive International flights on March 1st, 2022. While this was too late for our airline partners to benefit from the winter sun destination travel, it allowed us to start discussions with airlines regarding increased service for winter 2022/2023. We had all airlines that were operating prior to the pandemic return to service at GLIAA including Air Canada, WestJet, Swoop, Sunwing, and Air Transat. We were also very excited to announce Flair Airlines as a new airline partner in London. We look forward to continued growth with Flair and all our airline partners in the years to come.

The GLIAA also welcomed more land development in 2022, with the grand opening of Riverdale Poultry in Q4 2022 which represents the largest new development this century at GLIAA. Construction also began on two new industrial warehouse facilities, which will be complete in Q1 2023.

The GLIAA also completed a new 5-year Strategic Plan, with a strong vision and aggressive approach to growth and business development across several strategic areas. With a mission to aggressively contribute to driving the region's economic prosperity through the relentless pursuit of aviation, academia, training, and commercial development, while focusing on first class customer service, the GLIAA is setting the stage for continued growth for the region. As Chair and on behalf of the Board we applaud the vision and direction our CEO has charted for the airport.

As we look back at 2022, the integrity, loyalty and cooperation of the entire GLIAA team and board of directors is sincerely appreciated and commended. The continued focus on recovery and diligent fiscal management while adhering to the GLIAA's new vision, mission and strategic objectives remains steadfast. As CEO and on behalf of the staff and board I would like to acknowledge the incredible leadership and guidance from our Board of Directors Chair, Don Bryant, who showed tremendous leadership and governance during his tenure as Chair. The difficult task of being Chair during the pandemic, combined with the need to find and onboard a new CEO could not have come at a better time under his leadership. Thank you.

As we look forward to 2023, we have a strong sense of optimism in the GLIAA's vision and growth plans. While we realize that the runway to recovery remains a drawn-out and challenging task, we are confident we are putting the right pieces and team in place to ensure continued success for the GLIAA. The airport team will continue to remain diligent with cost controls, while aggressively pursuing new opportunities that will benefit the airport, the City of London and the Region of Southwestern Ontario now and well into the future.



Scott McFadzean
President & CEO



Don Bryant
Board Chair

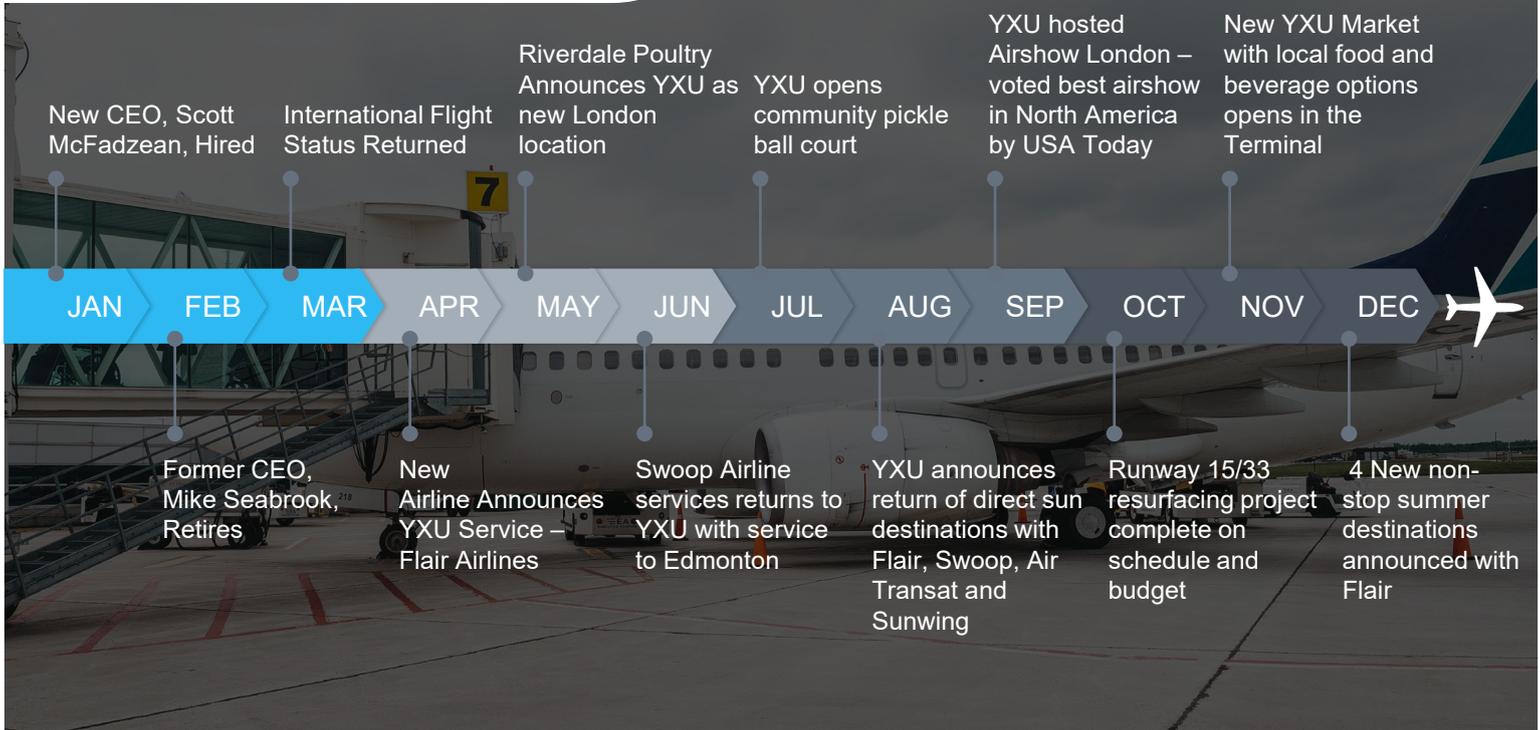


2022 marked a year of new beginnings for the Greater London International Airport. With a new CEO, a new Strategic Plan and new optimism for the future, YXU is positioning itself for strong growth in the years ahead.

- Scott McFadzean, *President & CEO*



2022 Year In Review



New Strategic Plan

OUR VISION

To aggressively develop London International Airport into Southwestern Ontario's premier aviation centre.

OUR MISSION

Aggressively contribute to driving the region's economic prosperity through the relentless pursuit of aviation, academia, training, and commercial development, while focusing on first class customer service.



Our Core Values

<p>Economic Growth and Community Partnership</p> <p>Grow our business and support community and tourism through partnerships, advocacy, Innovation, and communication.</p>	<p>Uncompromising Customer Experience</p> <p>Focus on a positive and “can do” attitude in all relationships and focus on understanding, engaging and responding to exceed all customer expectations.</p>	<p>Adaptability</p> <p>Understand underlying risks, proactively plan for the unexpected and adapt change to survive and grow</p>	<p>Safety and Security</p> <p>Ensure compliance with regulatory obligations, while focusing on the safety and security of airport users, airport assets and staff.</p>	<p>Sustainability</p> <p>Focus on the financial health of the airport and duty of care to the environment, the organization, and our families.</p>	<p>Teamwork</p> <p>We are stronger when we work together. Promote and act with fairness, integrity, dignity and respect for ourselves and others.</p>
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Strategic Pillars



2022 Airport Highlights

6 Airlines

Air Canada, WestJet,
Flair, Swoop, Air
Transat, Sunwing

\$11.2M

Airport Capital
Investments



Annual Passengers

229,241

Total Number of
Aircraft Movements

91,103

International NOTAM Lifted

For two years, the Government of Canada restricted/recommended Canadians avoid travel for non-essential purposes. In attempt to prioritize the health and safety of all people and prevent the further spread of COVID-19, a Notice to Airmen (NOTAM) was implemented, limiting the number of airports allowed to accept passenger flights from international destinations.

On February 15th, 2022, Public Health Agency of Canada announced:

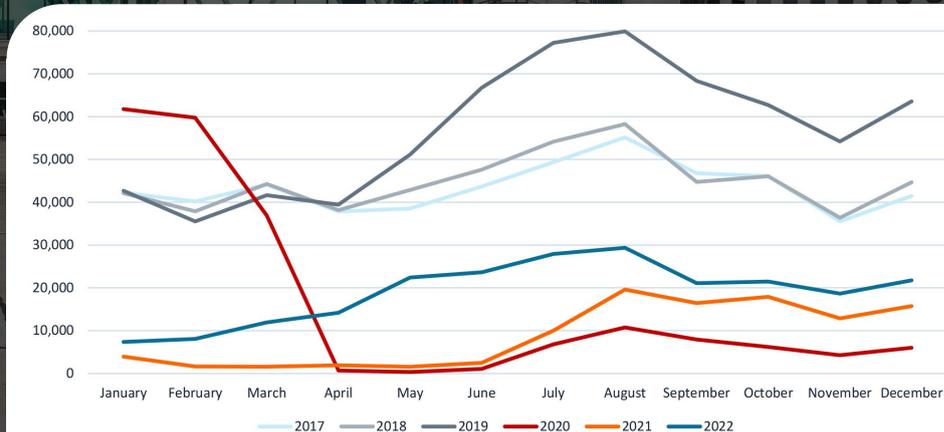
“On February 28, 2022, at 16:00 EST, Transport Canada’s Notice to Airmen (NOTAM) that restricts where international passenger flights can arrive in Canada will expire. This means that international flights carrying passengers will be permitted to land at all remaining Canadian airports that are designated by the Canada Border Services Agency to receive international passenger flights.”

Our Passengers

2022 marked the return to growth of our airline passenger service. With the International Notam lifted and a pent-up demand for leisure travel, our Airport Comfort Enhancers (ACE's) were excited to welcome friends and family back to our terminal. We'd like to express our sincere gratitude to all passengers who chose to fly YXU in 2022.

YXU Total Passenger Numbers

2022 vs. previous 5 years (Domestic, Transborder, International)



ACI Health Accreditation

As the world moved farther away from pandemic restrictions and started travelling again, London International continues to keep the safety of our passengers at the forefront of everything we do. London Airport was recertified as an Airport Council International Health Accredited airport in March of 2022. This globally recognized certification ensures through IATA's world health standards that London Airport maintains a high standard of safety measures to ensure our passengers take the necessary precautions to ensure a safe journey through our airport. The certification also validates London Airports measures throughout their facilities and processes and reassures the travelling public using the airport's facilities as well as promoting the recognition of professional excellence in maintaining safe hygienic facilities.



Our Community



In 2022, the Greater London International Airport was proud to participate and host several charity events. Jordan's Run the Runway held their 9th annual race on our runway with over 350 runners in support of the YMCA's Camp Queen Elizabeth. Western Aviation and Jet Aircraft Museum hosted the annual Pull-A-Plane event fundraising for Defeat Duchenne Canada. Over the holiday season, our team hosted a toy drive with the London Ukrainian Center, collecting over 300 toys for families new to Canada.



Airshow London



Airshow London, North America's best airshow returned to the skies over Southwestern Ontario again in September 2022, with the Thunderbirds headlining the show. The event marked the return of the popular static aircraft displays and the chance for guests to visit both aircraft and crew up close and in person. The drive-in format continues to be a big success as the show was completely sold out. Airshow London thanks all of their partners in helping to make this event a reality. The proceeds from the 2022 Airshow London went to supporting Children's Health Foundation, Parkwood Hospital and Veterans Elite Canines.



Skies Magazine



Photography by Patrick Cardinal

Our Amenities



The London International Airport started new recreation initiatives to give back to our community. Seasonally, we built a pickleball court and an ice rink. We also placed cornhole in our departure lounge and our Air Park is always popular for plane spotting. We opened our new YXU Market, to increase our food services alongside On the Fly.



Airline Partners

2022 was an exciting year for YXU and our Airline Partners. Swoop Airlines returned in June 2022, with non-stop service to Edmonton, Alberta, Cancun, Mexico and Orlando, Florida. Air Transat and Sunwing both returned to provide charter sun destination services for our regions, with flights to Cancun, Mexico, Punta Cana, Dominican Republic and Varadero, Cuba. A new airline also joined the YXU family in 2022, with the introduction of Flair Airlines and the launch of the new non-stop route to Tucson, Arizona.



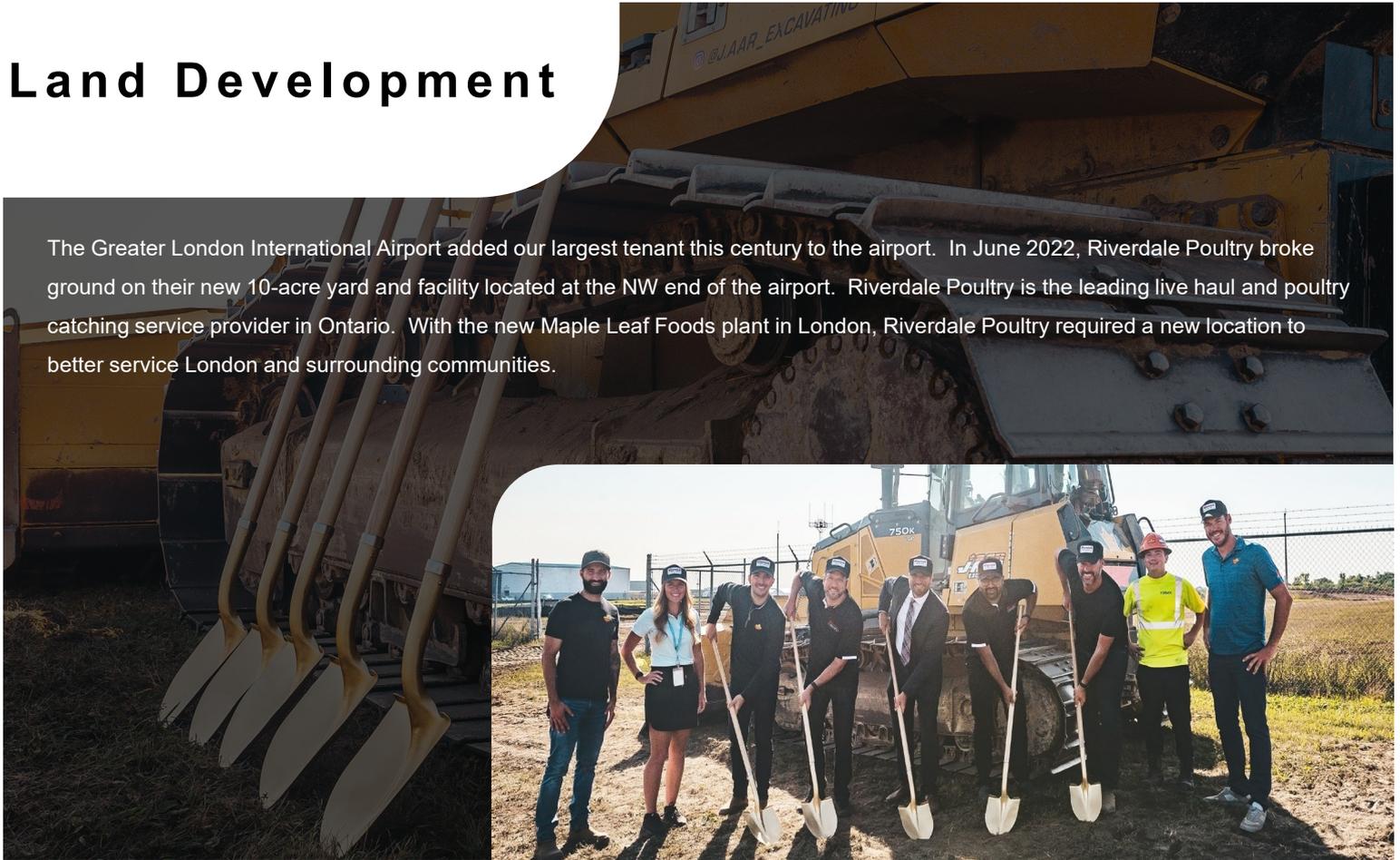


Team YXU

The team at London International Airport is comprised of hard working, dedicated and intelligent aviation enthusiasts! Their continued commitment to the airport and their ability to come together and improve the facility and operations has been incredible. We thrive to be the 'easy and comfortable' airport for all patrons, and team YXU ensures that experience. Thank you to all our staff for an excellent job all around in 2022 and looking forward to an even stronger year ahead in 2023.

Land Development

The Greater London International Airport added our largest tenant this century to the airport. In June 2022, Riverdale Poultry broke ground on their new 10-acre yard and facility located at the NW end of the airport. Riverdale Poultry is the leading live haul and poultry catching service provider in Ontario. With the new Maple Leaf Foods plant in London, Riverdale Poultry required a new location to better service London and surrounding communities.



Runway 15/33

Paving the way into the future! On our main runway, a fresh layer of new asphalt was laid down and low energy LED lighting installed, set to last through 2050 and beyond! Thanks to assistance from the Government of Canada's Airport Capital Assistance Program (ACAP), 50% of the costs of the runway project were funded through this program.



New Equipment

The Greater London International Airport continues to make investments in infrastructure and operational assets to ensure our airport remains effective and efficient. We want to thank Transport Canada and the Government of Canada for assistance through the ACAP funding program toward these capital investments.

Fire truck	\$1,100,735 ACAP Funding
Snow plow	\$210,000 ACAP Funding
Sweeper	\$185,000 ACAP Funding
Loader	<i>Not covered by ACAP</i>
Snowblower	<i>Not covered by ACAP</i>



Our Management



Scott McFadzean
President & CEO



Gerry Vanderhoek
Director, Commercial &
Air Services



Chris Ryan
Chief Financial Officer



Laura Shepherd
Manager, Compliance &
Project Management

The execution of the Airport's Strategic Plan resides with the senior management group at London International Airport. Goals and objectives are developed on an annual basis that ensures the continuing advancement and growth of the Airport's business.



Don Bryant
BA, LLB
Board Chair



Gus Kotsiomitis
BA, MBA, ICD GEP
Board Vice Chair, Governance and
Nominating Committee Chair



Michelle Campbell
BA, MPNL, FAHP, ICD.D
Governance and Nominating
Committee Member



Elizabeth Cormier
LLB
Advisory Committee on
Community and Area Issues Chair



John Stein
CPA, CA
Treasurer, Finance and Audit
Committee Chair



Bob Hammersley
Diploma Communication Arts
Finance and Audit Committee
Member



Maureen O'Leary-Pickard
BA, CHRL
Corporate Secretary, Human Resources
Committee Chair, Governance and
Nominating Committee Member



Stephene Ashikwe
BS, MBA
Governance and Finance
Committee Member

Board of Directors

The Greater London International Airport Authority (GLIAA) operates London International Airport. The not-for-profit Airport Authority has full operational and financial control of the Airport under the Federal Government's National Airport Policy

The Board of Directors of GLIAA provides governance to the Airport. Members are nominated by various entities representing the community at large including:

- | | |
|----------------------------------|----------------------------|
| Federal Government | Provincial Government |
| Municipal Government | London Chamber of Commerce |
| London & District Labour Council | GLIAA Board |

Our Destinations in 2022



Edmonton, Alberta



Calgary, Alberta



Tucson, Arizona



Orlando, Florida



Cancun, Mexico



Varadero, Cuba

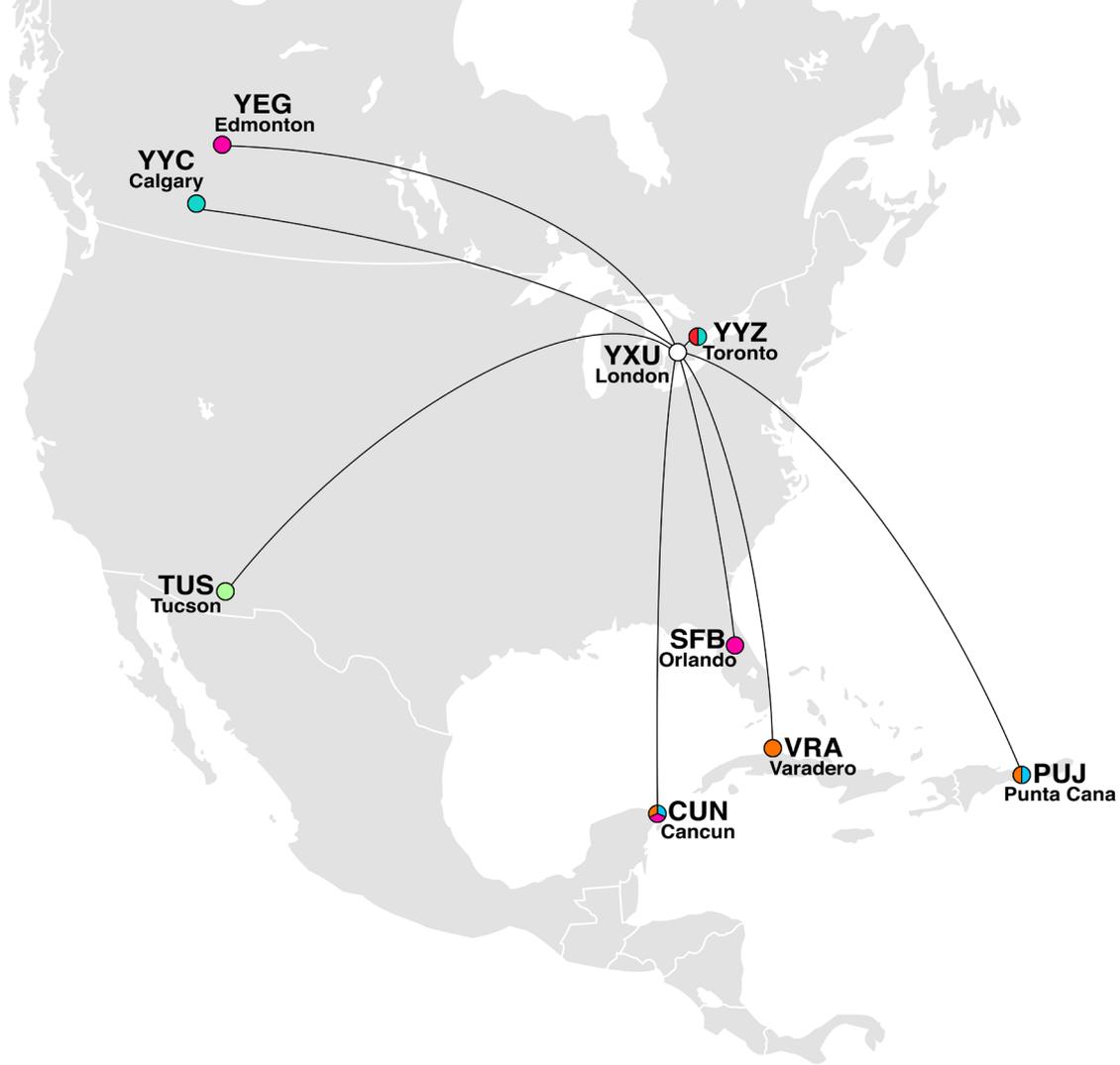


Punta Cana, Dominican Republic

NON-STOP Route Map

2022

-  sunwing
-  air transat
-  flair airlines
-  AIR CANADA
-  WESTJET
-  SWOOSH



Finance

HIGHLIGHTS

- The pandemic recovery has been slow to materialize. 2022 passenger traffic was 229 thousand, an increase of 220% from 2021.
- Revenue for the year increased 70% over 2021, however with no government support and offsetting expense control measures in place, resulted in a \$3.27 million deficit. Reductions for the impact of non-cash items like amortization resulted in an operating cash deficit of \$480 thousand.
- The \$7 Airport Improvement Fee remained among the lowest of all airports in the National Airport System.

CAPITAL INITIATIVES

More than \$76.39 million has been invested in capital improvements to the facility since GLIAA assumed operations of YXU in 1998. During the current year \$11.22 million was invested in capital assets.

SOLE SOURCE CONTRACTS OVER \$75,000

GLIAA is committed to doing business locally and in a competitive fashion. All projects with a value in excess of \$127 thousand (\$75 thousand, base year 1998 = 100 CPI annually adjusted) require a public tender or request for proposal. As a general practice contracts for goods, services, and construction services over \$127 thousand will be awarded through a competitive process to the lowest bidder or to the proposal offering the best overall value, except in specified circumstances.

Sole source contracts will only be entered into when there is good justification, such as:

- The goods or services are of a proprietary nature and there is only one qualified supplier.
- Compliance with a product, services or equipment standardization program is required.
- Only one qualified firm is available, when all factors are taken into account.
- Prior experience with a firm in a specialized area makes it beneficial to continue the relationship.
- Emergency situations preclude the normal competitive process.

No sole source contracts exceeding \$127 thousand were awarded in 2022.

REMUNERATION

The annual compensation for the Board of Directors, consisting of an annual retainer and per diem meeting fees for the year ending December 31, 2022 was \$201 thousand. The annual compensation for the management team for the year ending December 31, 2022 was \$713 thousand.

ETHICAL BUSINESS CONDUCT

GLIAA has established and maintains a comprehensive Code of Conduct. All Directors and Officers have completed Disclosure Statements and there were no instances of real or potential Conflicts of Interest brought forward to the Board during 2022.

Finance

RENT TO THE FEDERAL GOVERNMENT

Rent payments have been waived by the Federal government during the periods impacted by the pandemic.

2022 ACTUAL VS. BUSINESS PLAN (SHOWN IN THOUSANDS \$)

	Actual	Plan	Difference	Explanation
Revenue	\$5,515	\$7,636	\$(2,121)	Passenger traffic did not return as quickly as planned due to airline schedule restrictions.
(note 1)				This resulted in decreased Airport Improvement Fees and aeronautical revenue.
Expenses	\$6,151	\$6,095	\$(56)	Inflationary cost increases offset by cost reduction efforts
(note 2)				
Capital	\$11,222	\$18,492	\$(7,270)	Cost reduction efforts resulted in the deferral and cancellation of some projects

BUSINESS PLAN FORECAST 2023 – 2027

	2023	2024	2025	2026	2027
Revenue (note 1)	\$7,386	\$8,930	\$10,265	\$11,127	\$12,224
Expenses (note 2)	\$6,262	\$6,602	\$7,215	\$7,491	\$7,887
Capital	\$1,900	\$6,406	\$2,988	\$20,818	\$1,320

NOTES:

1. Revenue items do not include government subsidies or non-cash items such as deferred capital contributions
2. The pandemic recovery is forecasted to be gradual

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The most significant of these are set out in Note 2 to the statements.

Greater London International Airport Authority's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded, and its financial records are reliable. These financial statements include some amounts based upon management's best estimates and judgments. Recognizing that the Authority is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit and Finance Committee consisting of three Board directors. The Committee meets periodically throughout the year to review with management and the auditors any significant accounting, internal control and auditing matters. They also review and finalize the annual financial statements of the Authority together with the independent auditor's report before their submission to the Board of Directors for final approval.

The financial information throughout the text of the Annual Report is consistent with the information presented in the financial statements.

On behalf of the Greater London International Airport Authority



Scott McFadzean President and CEO
April 21, 2023

Independent auditor's report

To the Members of
Greater London International Airport Authority

Opinion

We have audited the financial statements of **Greater London International Airport Authority** [the "Authority"], which comprise the statement of financial position as at December 31, 2022, and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young LLP

London, Canada
March 21, 2023

Chartered Professional Accountants
Licensed Public Accountants

Greater London International Airport Authority

Incorporated without share capital under the laws of Canada

Statement of financial position

[in thousands of dollars]

As at December 31

	2022	2021
	\$	\$
Assets		
Current		
Cash and marketable securities <i>[note 3]</i>	4,482	4,758
Accounts receivable <i>[note 12]</i>	2,062	534
Grant receivable	—	900
Prepaid expenses and deposits	178	129
Total current assets	6,722	6,321
Accrued pension asset <i>[note 8]</i>	2,458	2,146
Capital assets, net <i>[note 4]</i>	53,188	45,222
	62,368	53,689
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 9]</i>	2,032	879
Demand instalment loan <i>[note 5]</i>	12,284	5,555
Total current liabilities	14,316	6,434
Deferred capital contributions <i>[note 4]</i>	18,544	14,682
Total liabilities	32,860	21,116
Net assets	29,508	32,573
	62,368	53,689

See accompanying notes



Statement of operations and changes in net assets

[in thousands of dollars]

Year ended December 31

	2022 \$	2021 \$
Revenue		
Aeronautical [note 6]	1,650	877
Airport [note 6]	<u>3,082</u>	<u>2,006</u>
	4,732	2,883
Airport Improvement Fees [note 4]	<u>783</u>	<u>356</u>
	<u>5,515</u>	<u>3,239</u>
Expenses		
Salaries and employee benefits [note 6]	3,371	2,143
Other operating and administration [note 6]	<u>2,780</u>	<u>2,816</u>
	6,151	4,959
Deficit of revenue over expenses before the following	<u>(636)</u>	<u>(1,720)</u>
Government assistance [note 6]	—	6,077
Amortization [note 4]	(2,418)	(2,430)
Interest and financing charges	(240)	(62)
Investment income	45	84
Loss on disposal of capital assets	(3)	—
Other expenses due to tornado, net [note 12]	(20)	—
Surplus (deficit) for the year	<u>(3,272)</u>	<u>1,949</u>
Net assets, beginning of year [as previously reported]	32,573	30,532
Change in accounting policy [note 2]	<u>(102)</u>	<u>—</u>
	32,471	30,532
Remeasurement gain (loss) on pension valuation allowance [note 8[a]]	2,365	(762)
Actuarial gain (loss) on accrued pension asset [note 8[a] and note 8[b]]	(2,056)	854
Surplus (deficiency) for the year	<u>(3,272)</u>	<u>1,949</u>
Net assets, end of year	<u>29,508</u>	<u>32,573</u>

Statement of cash flows

[in thousands of dollars]

Year ended December 31

	2022 \$	2021 \$
Operating activities		
Surplus (deficit) for the year	(3,272)	1,949
Add (deduct) items not involving cash		
Amortization of capital assets and deferred capital contributions	2,418	2,430
Loss on disposal of capital assets	3	—
Net pension expense (recovery)	(74)	(5)
Pension contributions and benefits paid	<u>(31)</u>	<u>(10)</u>
	(956)	4,364
Net change in non-cash working capital balances related to operations [note 7]	<u>476</u>	<u>(550)</u>
Cash provided by (used in) operating activities	<u>(480)</u>	<u>3,814</u>
Investing activities		
Purchase of capital assets	(11,222)	(268)
Proceeds on disposal of capital assets	40	6
Deferred contributions received	<u>4,657</u>	<u>—</u>
Cash used in investing activities	<u>(6,525)</u>	<u>(262)</u>
Financing activities		
Refund of the repayment of demand instalment loan	—	360
Repayment of demand instalment loan	(1,439)	—
Advances from demand instalment loan	<u>8,168</u>	<u>—</u>
Cash provided by financing activities	<u>6,729</u>	<u>360</u>
Net increase (decrease) in cash during the year	<u>(276)</u>	<u>3,912</u>
Cash and marketable securities, beginning of year	4,758	846
Cash and marketable securities, end of year	<u>4,482</u>	<u>4,758</u>

See accompanying notes

Greater London International Airport Authority

Notes to financial statements

[in thousands of dollars]

December 31, 2022

1. Description of business

The Greater London International Airport Authority [the “Authority”] was continued under the *Canada Not-for-profit Corporations Act* as a corporation without share capital.

The objectives of the Authority are as follows:

- To manage, operate and develop the Greater London International Airport [the “Airport”], the premises of which are leased to the Authority by Transport Canada, in a safe, secure, efficient, cost-effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;
- To undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities; and
- To expand transportation facilities and generate economic activity in ways that are compatible with air transportation activities.

On August 1, 1998, the Authority signed a 60-year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Airport. On March 5, 2015, Transport Canada approved a 20-year extension to the ground lease with an expiry date of July 31, 2078.

The Authority is exempt from federal and provincial income taxes as it is a not-for-profit organization under Section 149[1] of the *Income Tax Act* (Canada).

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared by management in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations”, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada.

The significant accounting policies are as follows:

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimations and assumptions include the useful lives of capital assets, allowance for doubtful accounts, the timing and amount of future cash flows, and pension valuation adjustments. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

Greater London International Airport Authority

Notes to financial statements

[in thousands of dollars]

December 31, 2022

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Externally restricted contributions, including government grants, are initially deferred when recorded in the accounts and recognized in operations in the year in which the related expenses are incurred.

Unrestricted contributions that are available for the operations of the Authority are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Airport Improvement Fees ["AIF"] are to be used to fund Airport infrastructure projects and associated financing costs that relate primarily to the passenger-handling functions of the Airport. Revenue from AIF is recognized when departing passengers board their aircraft.

Investment income, which consists of interest and realized and unrealized gains and losses, is recognized when earned. Aeronautical and airport revenue are recognized when the related services are provided.

Government assistance is recognized when receivable if the amount can be reasonably estimated and collection is reasonably assured.

Financial instruments

Marketable securities reported at fair value consist of investments in fixed income securities that the Authority designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations and changes in net assets in the period during which they are incurred.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value adjusted for transaction costs and are subsequently measured at cost, net of any provisions for impairment.

Capital assets

Capital assets are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred.

Amortization is provided on a straight-line basis from the month following the date the asset was first put into use. It is expected that the total cost of capital assets, net of their estimated salvage values, will be charged to operations over the assets' estimated useful lives by following these procedures. The costs associated with construction in progress, including interest, if any, are capitalized during the construction phase. Upon completion of the project, the assets will be allocated to their respective classes and amortized at the rates provided in the schedule below.

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Capital assets are amortized on a straight-line basis as follows:

Office furniture and equipment	4–10 years
Terminal furniture and fixtures	5–20 years
Shop equipment	5–10 years
Mobile equipment	6–20 years
Computer software	3–5 years
Computer hardware	3–5 years
Pavement leasehold improvements	15 years
Structural leasehold improvements	5–40 years
Security equipment	6–40 years
Baggage system	20 years
Gateway project	40 years
Land leasehold improvements	20–60 years

Gain or loss on disposal of individual assets is recognized in income in the year of disposal.

Capital assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Pension obligations

The Authority sponsors a registered pension plan ["RPP"] with defined benefit and defined contribution portions, as well as a non-registered defined benefit supplemental employee retirement plan ["SERP"]. These plans cover all full-time employees.

The Authority accounts for its defined benefit plan in accordance with *CPA Canada Handbook – Accounting*, Section 3463, *Reporting Employee Future Benefits by Not-For-Profit Organizations*. The Authority measures the defined benefit obligations using a valuation for funding purposes for the RPP and an accounting valuation for the SERP. The cost of defined benefit pensions comprises remeasurements and other items, current service cost and finance cost. Remeasurements and other items, which include the difference between actual return on plan assets and the return calculated using the discount rate used in determining the defined benefit obligation, actuarial gains and losses, the effect of any valuation allowance in the case of a defined benefit asset, past service costs, and gains or losses arising from plan curtailments and settlements are recognized directly in net assets in the statement of financial position rather than in the statement of operations and changes in net assets. Current service cost and finance cost for the period are recognized as an expense in the statement of operations and changes in net assets.

The cost of defined contribution benefits is expensed when paid. The Authority makes contributions in accordance with plan agreements.



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Change in accounting policy

Employee future benefits

Effective January 1, 2022, the Authority adopted the amendments to Section 3462, *Employee Future Benefits*.

The amended standard clarifies the measurement of the defined benefit obligation for plans with a legislative, regulatory or contractual requirement to prepare a funding valuation and removes the accommodation to allow the use of a funding valuation for defined benefit plans without a funding valuation requirement.

The Authority adopted the amendments to Section 3462 retrospectively without restatement of the comparative financial statements. The Authority has a completed funding valuation for the RPP determined in accordance with all requirements in effect at January 1, 2022, and has a completed accounting valuation for the SERP as at the same date. As such, as part of the transitional provisions included in these amendments, the Authority used the most recently completed funding valuation or accounting valuation and applied the roll-forward technique as required by Section 3462, with the cumulative effect of applying these amendments recorded in net assets as at January 1, 2022, resulting in a reduction of \$102.

COVID-19 Recovery

The COVID-19 pandemic has had a significant adverse impact on the Authority's passenger volumes, the duration of which we are unable to predict with any degree of accuracy. The Authority's total revenue is substantially dependent on and directly related to the number of passengers that use the Airport facilities.

The extent of such negative effects on the Authority's business, financial, operational performance and recovery will depend on future developments, such as overall demand for personal and business travel, airlines recovery performance, and infrastructure performance all of which are highly uncertain and cannot be predicted with any degree of accuracy. The extent to which the recovery affects the Authority's operating results will depend in part on the Authority's ability to continue to implement various measures intended to reduce expenses.

Impact on estimates

As discussed above, the preparation of the financial statements requires management to make estimates and assumptions that affect assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The COVID-19 pandemic recovery gives rise to heightened uncertainty as it relates to accounting estimates and increases the need to apply judgment in evaluating the economic and market environment and its impact on significant estimates. Examples of such estimations and assumptions include the allowance for doubtful accounts and the timing and amount of future cash flows, an input to the assessment of the Authority's ability to continue as a going concern. The Authority's estimates and assumptions associated with future cash flows required the application of heightened judgment in light of the uncertainty regarding the ultimate economic impact of the COVID-19 pandemic, particularly in evaluating the impact on forecasted earnings resulting from estimated passenger volumes. Implicit in the Authority's economic outlook is the assumption that the manner in which governments and lenders respond to subsequent waves of the virus will allow the Canadian economy to continue to recover and return to pre-pandemic levels of activity. Actual experience may differ materially from these expectations, including in relation to the duration and severity of economic contraction and the ultimate timing and extent of a future recovery.

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Notes to financial statements

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December 31, 2022

3. Cash and marketable securities

Cash and marketable securities consist of the following:

	2022 \$	2021 \$
Cash	4,482	671
Marketable securities	—	4,087
	4,482	4,758

As at December 31, 2021, marketable securities consisted of a principal protected note with a market value of \$587 and a maturity date on December 20, 2022 and two term deposits, one for \$1,000 with an interest rate of 0.5% and a maturity date on November 30, 2022 and the other for \$2,500 with an interest rate of 0.6% and a maturity date on December 23, 2022. All marketable securities were redeemed at market value for cash during the year.

4. Capital assets and deferred capital contributions

Capital assets consist of the following:

	2022		2021	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Office furniture and equipment	142	118	142	113
Terminal furniture and fixtures	1,083	858	989	789
Shop equipment	459	423	459	407
Mobile equipment	8,086	4,596	6,555	4,352
Computer software	86	82	86	80
Computer hardware	249	234	239	221
Pavement leasehold improvements	20,553	4,497	11,262	3,790
Structural leasehold improvements	39,828	20,132	39,631	18,732
Security equipment	674	475	905	687
Baggage system	6,710	3,184	6,710	2,865
Gateway project	11,044	2,761	11,044	2,485
Land leasehold improvements	2,956	1,322	2,956	1,235
	91,870	38,682	80,978	35,756
Less accumulated amortization	38,682		35,756	
Net book value	53,188		45,222	

Cumulative expenditures on qualifying Airport infrastructure projects, from inception of the AIF, including eligible debt service costs, amount to \$76,385 [2021 – \$65,045]. During the same period, cumulative AIF revenue amounted to \$58,671 [2021 – \$57,888].

The costs of certain capital assets were funded through external contributions as set out below:

	Contribution \$	2022	2021	2021
		Accumulated amortization \$	Unamortized contribution \$	Unamortized contribution \$
Security grant	451	256	195	201
Canadian Air Transport Security Authority ["CATSA"]	2,643	2,071	572	690
Gateway	10,500	2,699	7,801	8,062
Nav Canada	13	10	3	4
Non-passenger screening vehicle – CATSA	3,425	627	2,798	2,971
Taxiway rehabilitation	3,169	626	2,543	2,754
Airport Rescue and Fire Fighting [ARFF] vehicle	73	—	73	—
Plow truck and sweeper	395	2	393	—
Runway 15/33 rehabilitation	4,189	23	4,166	—
	24,858	6,314	18,544	14,682

These deferred contributions are amortized on the same basis as the amortization of the related assets as follows:

	2022 \$	2021 \$
Amortization of capital assets	3,213	3,217
Amortization of related deferred contributions	(795)	(787)
Amortization	2,418	2,430

5. Demand instalment loan

The Authority has the following credit facilities with the Canadian Imperial Bank of Commerce ["CIBC"]:

- An undrawn demand revolving operating line of credit of \$500 [2021 – \$1,000] bearing interest at the prime rate minus 0.15%.
- A demand instalment loan of \$4,117 bearing interest at 5.28% and resetting every 90 days based on the banker's acceptance market. Annual principal repayments amount to \$1,439, payable monthly.
- A demand construction line of credit of \$8,167 bearing interest at 5.28% and resetting every 90 days based on the banker's acceptance market, convertible to a term loan on completion of the runway rehabilitation project and purchase of related equipment. Upon conversion to a term loan, partial repayment may be required based on receipt of related capital grants from Transport Canada. This settlement and conversion to a term loan is scheduled in 2023.

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The facilities are subject to a financial covenant in the form of a modified fixed charge coverage ratio. The Authority was in compliance at year-end. The modified fixed charge coverage ratio was waived for fiscal 2021, however resumed for fiscal 2022. The lender has taken as collateral a first charge mortgage for \$18,000 over property at 10 Seabrook Way, which is included in structural leasehold improvements [note 4].

In response to the COVID-19 pandemic, the Authority was granted a principal payment deferral by CIBC for the period from January to December 2021 on the demand instalment loan. In addition, the non-revolving demand operating facility was arranged during the year to fund principal payments on the demand instalment loan.

Annual scheduled principal repayment terms are approximately as follows:

	\$
2023	1,439
2024	1,439
2025	1,239
	<u>4,117</u>



6. Statement of operations and changes in net assets

	2022 \$	2021 \$
Aeronautical revenue		
Landing fees	834	460
Terminal fees	630	318
Security	186	99
	<u>1,650</u>	<u>877</u>
Airport revenue		
Parking	900	364
Concessions	745	445
Rentals [note 11]	964	951
Other	473	246
	<u>3,082</u>	<u>2,006</u>
Government assistance		
Airport Relief Fund – Transport Canada	—	1,577
Regional Airport Transportation Initiative – FedDev	—	4,500
	<u>—</u>	<u>6,077</u>
	2022 \$	2021 \$
Salaries and employee benefits		
Salaries and wages	2,919	2,752
Government assistance	—	(1,123)
Benefits [note 8]	452	514
	<u>3,371</u>	<u>2,143</u>
Other operating and administration expenses		
Municipal taxes	331	936
Utilities and Transport Canada rent [note 11]	626	463
Office and administration	365	221
Repairs, maintenance and equipment rentals	362	280
Contracted maintenance	230	165
Materials and supplies	152	121
Advertising and business development	66	12
Directors' fees and expenses	231	234
Bad debts	4	4
Professional fees	75	125
Vehicle maintenance	160	95
Insurance	178	160
	<u>2,780</u>	<u>2,816</u>

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7. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2022 \$	2021 \$
Decrease in current assets		
Accounts and grant receivable	(628)	(526)
Prepaid expenses and deposits	(49)	(25)
	<u>(677)</u>	<u>(551)</u>
Increase in current liabilities		
Accounts payable and accrued liabilities	1,153	1
	<u>476</u>	<u>(550)</u>

8. Employee benefit plans

	2022 \$	2021 \$
Defined benefit pension plan asset [a]	3,087	2,707
Supplemental pension plan obligation [b]	(629)	(561)
Accrued pension asset, net	<u>2,458</u>	<u>2,146</u>

[a] Defined benefit pension plan asset

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit [all members of defined benefit plan are now retired and the plan is closed to new employees] and defined contribution components. This plan is administered as part of the Canadian Airport Authorities and Canadian Port Authorities Pension Plan [the "Plan"]. The most recent actuarial valuation was determined using membership data as at January 1, 2022 and was extrapolated to December 31, 2022.

i. Pension expense for the defined contribution plan is \$109 [2021 – \$103].

ii. Information about the Authority's defined benefit plan is as follows:

	2022 \$	2021 \$
Fair value of plan assets	11,400	13,464
Benefit obligation	(7,664)	(7,743)
Funded status – plan surplus	<u>3,736</u>	<u>5,721</u>
Valuation allowance	(649)	(3,014)
Defined benefit pension plan asset	<u>3,087</u>	<u>2,707</u>

The valuation allowance represents the amount by which the defined benefit plan surplus exceeds the expected future benefit that the Authority expects to realize from that surplus.

The asset allocation of the Plan is as follows:

	2022 \$	2021 \$
Equity securities	58.5	63.1
Debt securities	29.1	33.1
Other	12.5	3.8
	<u>100.0</u>	<u>100.0</u>

The following table provides a reconciliation of the accrued benefit asset :

	2022 \$	2021 \$
Defined benefit asset, beginning of year	2,707	2,599
Pension recovery for the year	96	48
Authority contributions	—	—
Increase (decrease) in valuation allowance	2,365	(762)
Actuarial gain (loss)	(2,081)	822
Defined benefit asset, end of year	<u>3,087</u>	<u>2,707</u>

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit asset under the defined benefit pension plan as at December 31, 2022 are as follows:

	2022 \$	2021 \$
Discount rate – RPP	4.50	4.50
Rate of compensation increase	2.50	2.50
Inflation rate	<u>2.00</u>	<u>2.00</u>

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[b] Supplemental pension plan obligation

Information about the unfunded supplemental pension plan obligation is as follows:

	2022	2021
	\$	\$
Defined benefit obligation, beginning of year	(561)	(560)
Adoption of new accounting standard [note 2]	(102)	—
Pension expense for the year	(22)	(43)
Benefits paid	31	10
Actuarial gain	25	32
Defined benefit obligation, end of year	(629)	(561)

The Authority contributed \$31 [2021 – \$10] to the supplemental pension plan to fund the benefits paid.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligation under the SERP as at December 31, 2022 are as follows:

	2022	2021
	\$	\$
Discount rate – SERP	5.10	4.50
Inflation rate	2.00	2.00

9. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$41 [2021 – \$31] relating to Harmonized Sales Tax.

10. Financial instruments and risk management

Financial assets create a risk that counterparties will fail to discharge an obligation, causing a financial loss. As at December 31, 2022, other than accounts receivable, there were no significant concentrations of credit risk with respect to any class of financial assets. While the Authority deals with several customers in North America, five customers represent 72% [2021 – 61%] of the trade accounts receivable balance as at December 31, 2022. The maximum credit risk represents the full amount of the accounts receivable. The Authority anticipates receiving payments in full from these customers.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to interest rate risk on its floating interest rate financial instruments.

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with its financial liabilities. The Authority is exposed to liquidity risk on its demand instalment loan and accounts payable and accrued liabilities. This risk has been mitigated by amendments to the Authority's demand instalment loan, including principal payment deferral [note 5], participation in government assistance programs [note 6] and amendments to the Authority's ground lease with Transport Canada [note 11].

11. Operating leases

The Authority as lessee

The Authority's ground lease with Transport Canada expires in 2078. At the end of the term, unless otherwise extended, the Authority is obligated to return control of the Airport to the Government of Canada.

In 2005, Transport Canada announced the adoption of a new rent policy that has resulted in reduced rent for Canadian airport authorities, including the Authority. Under this formula, rent is calculated as a royalty based on a percentage of gross annual revenue on a progressive scale. During the year, in response to the COVID-19 pandemic, the ground lease was amended to waive the rent payable for 2020, 2021, 2022 and 2023 lease years subject to passenger volumes remaining below one million during this period.

Based on forecasts of future revenue [which are subject to change depending on economic conditions and changes in the Authority's rates and fees], estimated rent payments for the next five years are approximately as follows:

	\$
2023	—
2024	—
2025	72
2026	116
2027	172

The Authority as lessor

The Authority leases out, under operating leases, land and certain assets that are included in capital assets. Many leases include renewal options, in which case they are subject to market price revision. The lessee does not have the possibility of acquiring the leased assets at the end of the lease.

The estimated lease revenue for the next five years is approximately as follows:

	\$
2023	1,050
2024	1,050
2025	1,050
2026	1,050
2027	1,050

12. Extraordinary event

During the year, the Authority experienced a tornado that destroyed and damaged part of the facility. The Authority has recorded a receivable for the anticipated insurance proceeds related to costs incurred to date to repair the damage. The amount of expenses incurred to date is \$138 and insurance proceeds accrued are \$118, which is net of a proportion of the deductible payable for the claim. The Authority has not yet finalized the claim with the insurance company as costs to replace a destroyed structure are still being determined. The Authority will record the remaining proceeds in income in the year in which the amount of proceeds become known and their collection is reasonably assured.

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