



ANNUAL REPORT 2020



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Michelle Faysal
Chair, Board of Directors

The COVID-19 global health crisis created unprecedented challenges for airports and 2020 was an extremely difficult year for London International Airport (LIA)...

Our business declined by close to 90% as airline activity and air services were reduced to mere fractions of their pre-COVID-19 levels. Financial restraint and budget reductions mitigated the effect of the pandemic on the Airport's financial performance, but for the first time in our history we operated with a financial loss. The 2020 Annual Report will provide you insight into the global challenge that we faced as an airport and how through the dedication and commitment of our employees, we continue to provide world class services and facilities.

Airports are critical infrastructure and essential to the economic viability and prosperity of the Canadian economy. As this pandemic persists, our once flourishing aviation sector has been disproportionately impacted by border closures, travel bans, quarantine measures and increasing restrictions on travellers. In 2020 the Canadian aviation sector was decimated by a 90% drop in passenger volume and it is estimated by the Canadian Airports Council that \$2.8 billion in additional debt will be taken on by Canadian Airports to address the \$2.5 billion in lost revenue. Projections for 2021 suggest that there is little to no improvement in revenue expected.

The first ten weeks of 2020 started strong, and we were benefiting from the increased airline service and momentum that was created the previous year. Passenger traffic was up 55% over 2019 and the Airport was forecasting close to 900,000 passengers for the full year. When the impact of COVID-19 reached LIA in March our passenger traffic disappeared within weeks. In the first quarter of last year our passenger numbers totalled 158,415. The remaining nine months saw only 44,141 passengers pass through our facilities. Our low month in 2020 was May when we were down to four flights weekly and a total of only 353 passengers for the month. Similar results were experienced by airports in Canada and worldwide.

When the magnitude of the pandemic became apparent, LIA recognized the potential impact that the virus could have on the Airport's financial performance. Steps were taken immediately to prepare for the loss of revenue and to preserve cash flow for operations. These steps included a significant reduction in operating budgets resulting in the deferral of all capital projects, minimized expenditures and a reduction in staff. Revenue for the year was down 56% from budget and with the expense control measures in place, resulted in a \$2.97 million financial deficit. Given the devastation on the aviation sector, the measures taken were the right decisions to preserve the medium to long-term viability of the Airport.

Passenger and airline services are the main drivers of business at LIA, but there are many other sectors of our Airport that play a vital role. These sectors include freight operations, medivac, corporate aviation, post secondary education, general aviation and aircraft manufacturing. In 2020 these sectors had many positive developments that included a new flight training program at Fanshawe College, International Test Pilot School (ITPS) securing a training contract with the Royal Canadian Airforce, Diamond Aircraft began manufacturing a new aircraft type in the London facility and two new hangar developments. Freight volume increased in 2020, flight schools continued to train new pilots and medivac flights operated on a regular basis bringing patients to and from our community. Despite the significant decline in commercial passenger aviation, LIA's services were required to support these other sectors and we remained open for business and fully operational throughout all of 2020.



MESSAGE FROM THE CHAIR & PRESIDENT

Michael Seabrook
President and CEO

Team commitment was a central theme that was evident in the fabric of the Airport in 2020...

With reduced operating budgets and number of employees, we asked all our staff to “pitch in” and help when needed. Grass cutting, snow plowing, maintenance, cleaning and painting; these are just a sampling of the tasks that all our staff willingly undertook. We also adapted our processes and incorporated health and hygiene in all aspects of our passenger experience and daily operations. The dedication and commitment of our employees, day in and day out, was instrumental in allowing us to accomplish this. A big thank-you goes out to our entire Airport Team for their cooperation and commitment to LIA.

We would like to extend our sincere thank you to our Board of Directors for their guidance and input in 2020. It was an extremely trying year and the “steady hand” of the Board helped navigate these turbulent times.

As we enter 2021 there is renewed hope that the COVID-19 pandemic will end this year. There will be changes in our industry. New health standards and testing requirements will help bring back confidence in air travel and passengers will begin returning to the skies.

In preparation for this eventuality LIA has recently become accredited under the Airports Council International (ACI) Airport Health Accreditation program. ACI’s Airport Health Accreditation program assists airports by assessing new health measures and procedures introduced as a result of the COVID-19 pandemic. Areas of assessment for accreditation include cleaning and disinfection, physical distancing (where feasible and practical), staff protection, physical layout, passenger communications and passenger facilities. The restart and recovery of the aviation sector will require a consistent and harmonized approach with clear industry standards and good practices. The ACI Accreditation is a concrete step that LIA took to reaffirm their commitment to health and safety.

There is optimism on the horizon and consumer studies suggest that there is pent up demand for travel. Business, friends and family, and vacationers want to travel, and the airlines are eager to reenergize the industry. We remain hopeful that we will see the beginning of recovery in 2021 and LIA is well positioned for this revival.

We look forward to brighter times.




Michael Seabrook, cleared for take off.

After dedicating 32 storied years to London International Airport and the aviation industry, President and CEO Michael Seabrook has announced his intention to retire at the end of 2021.





The Board of Directors, staff and Airport tenants and partners want to thank Mike for everything he has done to make the Airport the success that it is. In recognition of his many years of service to the Airport, Terminal Circle Rd is officially being renamed “Seabrook Way”!

Seabrook Way



MISSION & VALUES

There is no doubt that 2020 was a very challenging time for the airport, but despite the difficulties we faced, our team stayed true to our company's values in everything we did. We may not have had many passengers, but those that did pass through our doors continued to be treated with the same friendliness and proactive assistance that has come to be expected from the ACE program. While our finances were under stress, every member of the organization showed prudence in discretionary spending to ensure we could continue to be good stewards to our fiduciary responsibilities. Our airport remained a secure, safe place to fly and do business throughout the pandemic, as we introduced new programs and protocols.

CUSTOMER SERVICE

Placing our customer first expresses our commitment to the delivery of exceptional levels of customer service and values.

STEWARDSHIP

We will fulfill our corporate fiduciary responsibilities, work openly with our stakeholders and community and be good stewards of our environmental assets.

EMPLOYER OF CHOICE

We are committed to being an inclusive, team-oriented organization which treats all employees with fairness, dignity and respect and values their contributions.

SAFETY & SECURITY

The safety and security of airport users and the protection of airport assets are fundamental to our daily activities.

CREATIVITY & INNOVATION

We will continuously look for ways to improve our processes and services and to provide new sources of value for our customers.



“

Keeping busy has really helped us get through the past year. Everyone has really been pitching in and getting things done.

**KEVIN, Airfield
Operations Specialist**



“

It's been a tough year, but it's brought us together. I'm grateful that my family and coworkers stayed healthy and that we still have our jobs!

**JEREMY, Airfield
Operations Specialist**



FOCUSING ON THE FUTURE

Terminal Expansion Plan

Planning the expansion of a terminal building is an essential part of the long-term planning process for airports with commercial passenger services. In 2019 LIA processed close to 700,000 passengers, projections suggested that this could grow to more than one million in the next few years. Airbiz Aviation Strategies Ltd. was contracted to assist in the development of a Terminal Precinct Plan and it was completed in 2020. The new plan will guide the expansion of the terminal building, aircraft parking apron, and groundside road and parking system. The Precinct Plan is phased and will allow LIA to expand quickly in response to increase passenger demand.

New Website

One of the positive changes our organization saw in 2020 was the implementation of a new website. Our site was rebuilt on a modern and flexible platform that allows for the airport to have full control over updating content and news. It also came with a new appearance and improved ease of use, integrating the “easy and comfortable” brand throughout.

LONDON'S AVIATION COMMUNITY CONTINUES TO GROW

Fanshawe College's New Program

Fanshawe's Norton Wolf School of Aviation (a long-term tenant of the airport, located adjacent to the main terminal building) announced the province's first new pilot program in Ontario in more than 40 years. The Commercial Flight and Aviation Leadership program offers flight training through Diamond Flight Centre. The first class began in the fall of 2020, and Fanshawe projects that number of students in the program to grow to 1,500 by 2024. This supported their decision to invest \$6.2 million to upgrade their building here at the airport, creating state-of-the-art learning facilities and the space to house the expected increase in students and program offerings.

New Airport Tenants

LIA welcomed two new airport tenants: AirWrx and LondonHangars.com. AirWrx provides solutions for cost effective, unmanned aerial systems and sensors. Their facility will not only manufacture UAVs, but also train UAV operators for the future. LondonHangars.com offers hangar space for aircraft and other aviation businesses.



“

The silver lining of reduced flight operations caused by COVID was that we were able to get lots of things done in high traffic areas that would've otherwise been tough to complete.

**WADE, Airfield
Operations Specialist**



“

It was tough to see what was happening around us in 2020 but I'm grateful to have a job and I'm glad we were able to keep busy!

**ANDY, Airfield
Operations Specialist**





OUR AIRPORT



202,556

PASSENGERS PASSED THROUGH OUR AIRPORT

LIA experienced a catastrophic drop in passenger traffic in 2020 due to COVID-19 restrictions which impacted airline services and routes offered from London. While flights to Toronto with Air Canada and WestJet were available from London throughout 2020, many existing and anticipated routes were suspended. Flights to sun destinations were suspended, and Swoop paused servicing flights from LIA in March 2020.



63,836

AIRCRAFT MOVEMENTS

The effects of the pandemic had ruinous effects on air traffic worldwide, and unfortunately LIA was no exception. However, there were some positive indicators that general aviation was ready to thrive here in Southwestern Ontario. A review of the three-year traffic trends showed that during the periods of loosened restrictions outside of the COVID-related shutdowns, the number of aircraft using our airport rebounded to at or above pre-COVID levels. This flight traffic could be attributed to increased activity from local flight schools, charters and more. It also suggests that once restrictions are lifted, we should see a similar rebound in commercial passenger traffic.



“

I believe we are all keeping our heads up high to the sky, and hoping for things to get back to business!!!

**SARA, Airport
Comfort Enhancer**



“

There were definitely a lot of realizations and rough days in 2020, but it made me really grateful for the team we have here at LIA.

**LANCE, Airport
Comfort Enhancer**



OUR PASSENGERS

2020 ANNUAL REPORT

Providing passengers with an easy and comfortable experience continued to be a priority for LIA. Airport Comfort Enhancers (ACEs) greeted passengers at curbside and provided information and directions to keep passengers informed as safety protocols changed throughout the pandemic. To provide passengers with peace of mind, a COVID-19 safety measures marketing campaign was implemented to communicate the measures in place to keep passengers safe as they passed through our airport.



To communicate safety measures to passengers in our terminal and those seeking information online ahead of their flight, we implemented Flight Path to Recovery, a COVID-19 communications initiative. The consistent branding of Flight Path to Recovery in our terminal with signage and digital content helped maintain clarity on our safety measures for passengers flying during the pandemic.



A Service Pet Relief Area was built past security screening for passengers travelling with their service pets. The area comes complete with a rubber fire hydrant and absorbant flooring! This new amenity at the Airport is one of the many accessibility enhancements we have implemented at LIA over the past year to ensure all passengers can access and use our airport comfortably.



Numerous enhancements were made throughout the terminal to improve passenger experience. Some areas were coated with new paint colours, and a new baggage claim was built for Air Canada. A living wall was installed in collaboration with Start.ca and more. As the travel industry begins to recover, passengers will be welcomed to an enhanced terminal environment at LIA.





“

What drew me to this role was the social aspect and the opportunity to interact with passengers to help enhance the travel experience for people. So it's safe to say not seeing as many passengers was tough!

JEFF, Airport Comfort Enhancer



“

2020 was challenging, but I'm ultimately grateful that I still have a job and on top of that, had the opportunity to try various types of jobs at the airport.

TORI, Airport Comfort Enhancer



OUR TEAM



Throughout 2020, the team at LIA faced the challenges brought on by COVID-19 with a positive attitude, perseverance and determination. Reduced airport operations caused by the pandemic allowed for more opportunities to complete projects and find new and innovative ways to enhance the airport and passenger experience. Training exercises were adjusted to meet COVID best practices, allowing the team to continue to practice and develop skills.



In search of an employee recognition tool that would allow our entire staff to communicate freely with each other and spread messages of praise and positivity, we introduced the Blue Skies Board. This digital message board functions similarly to Facebook, where each employee has their own profile, profile picture, bio and ability to share messages and other content. The Blue Skies board became a destination for our employees to visit and is now home to great memories and recognition of our team's efforts throughout the year.



As operations were impacted by the pandemic, all departments worked collaboratively to complete various projects that would have otherwise been difficult to complete. We held three Work Blitz days where staff had the opportunity to work with colleagues from different departments to complete projects such as planting flowers, painting, and airside clean up.

Security Operations Centre



Fortunately for me, when it comes to my work experience during COVID, it was mostly business as usual since I work night shifts and there typically isn't as much activity at night anyways. I was even able to get 30,000 steps in some nights!!

JEFF, Security Operations Coordinator



While night shifts weren't as exciting in 2020, I'm grateful that I still have a job! I'm looking forward to seeing more flights and passengers soon.

NOAH, Security Operations Coordinator





OUR TEAM



During a time where isolation was a common feeling, ensuring we kept the lines of communication open to our employees and stakeholders was a priority. We accomplished this with our newsletters Plane Talk and What's Up YXU (the former formatted for external stakeholders and the latter for internal staff and tenants). These newsletters included important updates and other information to keep readers abreast of the projects and other news at the airport. Plane Talk, our external newsletter, was also made available for the first time publicly on-demand on our new website under Publications.



Fanshawe College graciously donated a fuselage to our airport fire fighters, which allowed our firefighting team to conduct training exercises year round. Additionally, we received a 727 aircraft for fire and rescue training in the summer months.



Emergency response exercises were conducted with COVID measures in place. In November, an Evacuation Drill was successfully completed. Additionally, an Airside Emergency Response exercise was conducted with assistance from our partners, NavCanada and Diamond Aircraft. The exercise included a simulated DA20 aircraft accident, which tested the Airport Emergency Response Plan.



“

When it comes to terminal maintenance it was challenging to go from being constantly on the go with projects to having to slow down and make changes to what we can do plus having to wait a lot longer for material due to COVID. It's been nice to get to work with different staff though and get the extra help when we need it!

RYAN, Terminal Electrician



“

To be honest, I just can't wait for COVID to be done and over with. Not being able to socialize much anymore has been a challenge but hopefully we've gone through the worst of it!

JOE, Terminal Structural Service Technician



London International Airport's long-time commitment to serving the local community did not waver in 2020. During a time where events were cancelled and social gatherings were limited, we had the opportunity to team up with community event organizers to host innovative and socially-distanced events at the Airport.



Not only did Airshow London organize Canada's first drive-in airshow, they also delivered a historic experience with six military demonstration teams (which included the USAF Thunderbirds). LIA was proud to host this event, which won the Innovation Award from Southwestern Ontario Tourism Corporation.



In collaboration with organizers of London's Santa Claus Parade, we were able to continue the 65 year old parade tradition by hosting its first drive-by event format. The parade spread cheer to over 1,000 vehicles that drove through the parade to see Old Saint Nick.



Over \$50,000 was raised at the annual Jordan's Run the Runway. The 5-kilometer race on the airport taxiways and runways supports the YMCA Camp Queen Elizabeth. This charity run has raised over \$600,000 since its inauguration. The winning time for completing the run was just over 24 minutes which is very similar to a jet aircraft... it's fast!



Together with airport partners, we participated in a friendly "Top Gun" flour bombing competition. Each participant had one mission - to hit a marked target on the airfield with their flour "bomb" from an altitude of 200 feet. This event offered an opportunity for our aviation community to safely gather and socialize.

OUR COMMUNITY

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 Airports 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
Municipal Government
London & District Labour Council

Provincial Government
London Chamber of Commerce
GLIAA Board



Michelle T. Faysal
Chair



Don Bryant
Vice Chair



Elizabeth Cormier
Federal



Gus Kotsiomitis
Municipal



Maureen O'Leary-Pickard
Municipal



Bob Hammersley
Provincial



Bill Graham
Municipal



John Stein
Chamber



Mike Parkinson
Labour



Michelle Campbell
Federal

BOARD COMMITTEES

The board has four standing committees:

Governance and Nominating Committee

The objectives of the Committee are to provide oversight of all matters related to the corporate governance and to report to the Board with respect to these matters.

Committee Members: Don Bryant (Chair), Michelle Campbell, Maureen O'Leary Pickard, Gus Kotsiomititis, Michelle Faysal (Ex-Officio).

Human Resources Committee

This committee is accountable to assist the Greater London International Airport Authority (GLIAA) Board to fulfill its responsibility for providing oversight for the execution of Human Resources priorities in alignment with the strategic directions of the GLIAA. In carrying out its mandate, the Committee is expected to act in an advisory capacity to review the GLIAA's human resources policies and practices.

Committee Members: Maureen O'Leary Pickard (Chair), Mike Parkinson, Elizabeth Cormier, Michelle Faysal (Ex-Officio).

Finance Committee

Functioning as an audit committee of GLIAA, the objectives of the Committee are to review the financial results of the corporation, including the capital and operating budget, and to advise the Board on financial matters affecting GLIAA.

Committee Members: John Stein (Chair), Bob Hammersley, Bill Graham, Michelle Faysal (Ex-Officio).

Advisory Committee on Community & Area Issues

The objectives of the Committee are to facilitate effective dialogue and consultation with the community on matters related to the GLIAA and airport operations.

Committee Members: Bill Graham (Chair), Elizabeth Cormier, Michelle Faysal (Ex-Officio).





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.



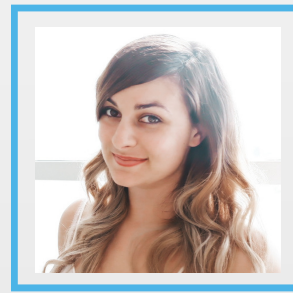
Michael Seabrook
President & CEO



Chris Ryan
Chief Financial Officer



Gerry Vanderhoek
Manager of Commercial
Services & Passenger
Experience



Lauren Stafford
Manager of Business
Development & Marketing



Steve Faulkner
Manager of Operations

FINANCE

HIGHLIGHTS

- Covid19 has reduced 2020 passenger traffic to 203 thousand, a drop of 70% from 2019.
- Revenue for the year was down 56% from Plan and with expense control measures in place, resulted in a \$2.97 million deficit. Reductions for the impact of non-cash items like amortization resulted in an operating cash deficit of \$417 thousand.
- The Canada Employment Wage Subsidy provided \$1.22 million in payroll assistance.
- During the year the Demand Installment Loan was renegotiated to provide principal payment deferral for six months, subsequently deferral was extended to December 31, 2021.
- The \$7 Airport Improvement Fee remains among the lowest of all airports in the National Airport System

CAPITAL INITIATIVES

More than \$65.09 million has been invested in capital improvements to the facility since GLIAA assumed operations of YXU in 1998. During the year \$1.17 million was invested in capital assets such as completing the Taxiway Golf Rehabilitation .

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 \$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 \$75 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:

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

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, 2020 was \$189 thousand. The annual compensation for the management team for the year ending December 31, 2020 was \$663 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 2020.

RENT TO THE FEDERAL GOVERNMENT

In 2020, GLIAA paid approximately \$50 thousand to the Federal government for rent of airport grounds. The total is based on a progressive scale that is calculated as a percentage of revenue. Rent payments have been waived by the Federal government during the period impacted by the pandemic.

2020 ACTUAL VS. BUSINESS PLAN (SHOWN IN THOUSANDS \$)

| | Actual | Plan | Difference | Explanation |
|-------------------|---------|----------|------------|--|
| Revenue (note 1) | \$5,209 | \$14,111 | \$(8,902) | Passengers decreased by 70% in The pandemic. This resulted in decreased Airport Improvement Fees and aeronautical revenue. |
| Expenses (note 2) | \$5,661 | \$8,928 | \$3,267 | Cost reduction efforts coupled with the Federal government wage subsidy |
| Capital | \$1,167 | \$1,906 | \$739 | Cost reduction efforts resulted in the deferral and cancellation of some projects |

BUSINESS PLAN FORECAST 2021 – 2025

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------|---------|---------|----------|----------|----------|
| Revenue (note 1) | \$4,072 | \$9,880 | \$10,078 | \$10,279 | \$10,484 |
| Expenses (note 2) | \$7,922 | \$6,933 | \$7,061 | \$7,171 | \$7,314 |
| Capital | \$500 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |

NOTES:

- 1.Revenue items do not include non-cash items such as deferred capital contributions
- 2.Expense items do not include non-cash items such as amortization
- 3.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

A handwritten signature in black ink, appearing to read 'Michael Seabrook', with a stylized flourish at the end.

Michael Seabrook President and CEO
March 18, 2021

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, 2020, 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, 2020, 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.

London, Canada
March 18, 2021

The logo for Ernst & Young LLP is written in a black, cursive script font.

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

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash and marketable securities <i>[note 3]</i> | 846 | 1,262 |
| Accounts receivable | 577 | 2,832 |
| Grant receivable | 331 | 800 |
| Prepaid expenses and deposits | 104 | 124 |
| Total current assets | 1,858 | 5,018 |
| Accrued pension asset <i>[note 8]</i> | 2,039 | 1,728 |
| Capital assets, net <i>[note 4]</i> | 48,177 | 50,305 |
| Cash and marketable securities restricted for capital purposes <i>[note 3]</i> | — | 1,500 |
| | 52,074 | 58,551 |
| Liabilities and net assets | | |
| Current | | |
| Accounts payable and accrued liabilities <i>[note 9]</i> | 878 | 3,553 |
| Demand instalment loan <i>[note 5]</i> | 5,195 | 5,886 |
| Total current liabilities | 6,073 | 9,439 |
| Deferred capital contributions <i>[note 4]</i> | 15,469 | 15,887 |
| Total liabilities | 21,542 | 25,326 |
| Net assets | 30,532 | 33,225 |
| | 52,074 | 58,551 |

See accompanying notes

On behalf of the Board:



Director



Director

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended December 31

| | 2020 | 2019 |
|--|----------------|--------|
| | \$ | \$ |
| Revenue | | |
| Aeronautical <i>[note 6]</i> | 1,654 | 4,112 |
| Airport <i>[note 6]</i> | 2,868 | 5,376 |
| | 4,522 | 9,488 |
| Airport Improvement Fees <i>[note 4]</i> | 687 | 3,207 |
| | 5,209 | 12,695 |
| Expenses | | |
| Salaries and employee benefits <i>[note 6]</i> | 2,390 | 3,839 |
| Other operating and administration <i>[note 6]</i> | 3,164 | 4,295 |
| Transport Canada rent <i>[note 11]</i> | 50 | 189 |
| | 5,604 | 8,323 |
| Surplus (deficiency) of revenue over expenses before amortization and interest | (395) | 4,372 |
| Amortization <i>[note 4]</i> | 2,518 | 2,253 |
| Interest and financing charges | 85 | 177 |
| Surplus (deficiency) of revenue over expenses before the following | (2,998) | 1,942 |
| Investment income | 28 | 123 |
| Gain on disposal of capital assets | — | 12 |
| Surplus (deficiency) for the year | (2,970) | 2,077 |
| Net assets, beginning of year | 33,225 | 31,283 |
| Remeasurement loss on pension valuation allowance <i>[note 8[a]]</i> | (597) | (909) |
| Actuarial gain on accrued pension asset <i>[note 8[a] and note 8[b]]</i> | 874 | 774 |
| Surplus (deficiency) for the year | (2,970) | 2,077 |
| Net assets, end of year | 30,532 | 33,225 |

See accompanying notes

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended December 31

| | 2020 \$ | 2019 \$ |
|---|--------------|----------------|
| Operating activities | | |
| Surplus (deficiency) for the year | (2,970) | 2,077 |
| Add (deduct) items not involving cash | | |
| Amortization of capital assets and deferred capital contributions | 2,518 | 2,253 |
| Loss on disposal of capital assets | — | (12) |
| Net pension expense | 13 | 2 |
| Pension contributions and benefits paid | (47) | (38) |
| | (486) | 4,282 |
| Net change in non-cash working capital balances related to operations <i>[note 7]</i> | 69 | 673 |
| Cash provided by (used in) operating activities | (417) | 4,955 |
| Investing activities | | |
| Purchase of capital assets | (1,167) | (11,005) |
| Proceeds on disposal of capital assets | — | 59 |
| Deferred contributions received | 359 | 5,255 |
| Cash used in investing activities | (808) | (5,691) |
| Financing activities | | |
| Repayment of demand instalment loan | (691) | (1,439) |
| Internally restricted cash released for use in operating activities <i>[note 3]</i> | 394 | — |
| Internally restricted cash used for capital purposes <i>[note 3]</i> | 1,106 | 1,500 |
| Cash provided by financing activities | 809 | 61 |
| Net decrease in cash during the year | (416) | (675) |
| Cash and marketable securities, beginning of year | 1,262 | 1,937 |
| Cash and marketable securities, end of year | 846 | 1,262 |

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

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:

- 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.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

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.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

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 with defined benefit and defined contribution portions, as well as a non-registered defined benefit supplemental employee retirement plan. 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. 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.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

Impact of COVID-19

The ongoing COVID-19 pandemic has caused the Canadian government to institute travel restrictions both within Canada and internationally, which has had, and is expected to continue to have, 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 demand for both business and leisure airline travel has declined significantly on a global basis, and airlines are responding by cancelling international and domestic flights.

The extent of such negative effects on the Authority's business and financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of COVID-19 on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted with any degree of accuracy. The extent to which the outbreak 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 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, and the dissemination of an effective mass-produced vaccine, will allow the Canadian economy to continue to recover during 2021, with the economy returning to pre-pandemic levels of activity in 2022. 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.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

3. Cash and marketable securities

Cash and marketable securities consist of the following:

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Cash | 337 | 1,175 |
| Marketable securities | 509 | 1,587 |
| | 846 | 2,762 |
| Less internally restricted for capital purposes | — | 1,500 |
| Unrestricted cash and marketable securities | 846 | 1,262 |

Marketable securities consist of a principal protected note [and high interest savings account in 2019 – 1.6%] with a maturity date on December 20, 2022 [2019 – December 20, 2022].

The Board of Directors has undertaken measures to provide for the funding of approved capital projects designed to maintain and improve the facilities, equipment and structures of the Airport. The amounts restricted for this purpose are shown as long-term and are subject to change at the discretion of the Board of Directors. In 2020, the Board of Directors has restricted nil [2019 – \$1.5 million] for future capital projects. In addition, funds previously restricted by the Board of Directors for capital purposes totaling \$394 were released for use in operating activities.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

4. Capital assets and deferred capital contributions

Capital assets consist of the following:

| | 2020 | | 2019 | |
|-----------------------------------|---------------|-----------------------------|---------------|-----------------------------|
| | Cost | Accumulated amortization | Cost | Accumulated amortization |
| | \$ | \$ | \$ | \$ |
| Office furniture and equipment | 142 | 107 | 142 | 100 |
| Terminal furniture and fixtures | 927 | 727 | 888 | 661 |
| Shop equipment | 467 | 389 | 460 | 363 |
| Mobile equipment | 6,555 | 4,038 | 6,337 | 3,672 |
| Computer software | 84 | 77 | 81 | 74 |
| Computer hardware | 231 | 211 | 217 | 197 |
| Pavement leasehold improvements | 11,262 | 3,130 | 4,924 | 2,480 |
| Structural leasehold improvements | 39,442 | 17,321 | 39,167 | 15,887 |
| Security equipment | 905 | 639 | 894 | 589 |
| Baggage system | 6,710 | 2,546 | 3,405 | 2,229 |
| Gateway project | 11,044 | 2,208 | 11,044 | 1,932 |
| Land leasehold improvements | 2,950 | 1,149 | 2,950 | 1,063 |
| Construction in progress | — | — | 9,043 | — |
| | 80,719 | 32,542 | 79,552 | 29,247 |
| Less accumulated amortization | 32,542 | | 29,247 | |
| Net book value | 48,177 | | 50,305 | |

Cumulative expenditures on qualifying Airport infrastructure projects, from inception of the AIF, including eligible debt service costs, amount to \$65,085 [2019 – \$63,532]. During the same period, cumulative AIF revenue amounted to \$57,532 [2019 – \$56,845].

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

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

| | | 2020 | | 2019 |
|---|---------------|--------------------------|--------------------------|--------------------------|
| | Contribution | Accumulated amortization | Unamortized contribution | Unamortized contribution |
| | \$ | \$ | \$ | \$ |
| Security grant | 451 | 245 | 206 | 212 |
| Canadian Air Transport Security Authority ["CATSA"] | 2,643 | 1,835 | 808 | 926 |
| Gateway | 10,500 | 2,177 | 8,323 | 8,584 |
| Nav Canada | 13 | 8 | 5 | 6 |
| Non-passenger screening vehicle – CATSA | 3,425 | 264 | 3,161 | 3,217 |
| Taxiway rehabilitation | 3,169 | 203 | 2,966 | 2,942 |
| | 20,201 | 4,732 | 15,469 | 15,887 |

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

| | 2020 | 2019 |
|--|--------------|--------------|
| | \$ | \$ |
| Amortization of capital assets | 3,295 | 2,665 |
| Amortization of related deferred contributions | (777) | (412) |
| Amortization | 2,518 | 2,253 |

In 2020, the Authority received a contribution of \$162 [2019 – \$3,113] from CATSA for 100% of the engineering and construction costs related to the Hold Baggage System Project. This contribution was deferred and will be amortized to income on the same basis as the amortization of the related asset. No contributions were unspent as at December 31, 2020 and the project reached substantial completion during the year.

In 2020, the Authority received a contribution of \$227 [2019 – \$2,942] from Transport Canada for 50% of the engineering and construction costs related to the Taxiway Golf Rehabilitation Project. This contribution was deferred and will be amortized to income on the same basis as the amortization of the related asset. No contributions were unspent as at December 31, 2020 and the project reached substantial completion during the year.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

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 \$1,000 until December 31, 2021 reducing to \$500 thereafter [2019 – \$500] bearing interest at the Prime Rate minus 0.15%.
- A demand instalment loan bearing interest at an average floating rate of 1.62% and resetting every 90 days based on the banker's acceptance market. Annual principal repayments amount to \$1,439 payable monthly.
- A non-revolving demand operating facility of \$1,799 bearing interest at an average floating rate of 1.62% and resetting every 90 days based on the banker's acceptance market. Interest-only payments are due monthly and on January 3, 2022 the facility will be repaid or converted to a demand instalment loan with terms matching the demand instalment loan.

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 is waived for fiscal 2021, to resume for fiscal 2022. The lender has taken as collateral a first charge mortgage for \$18,000 over property at 1750 Crumlin Road, 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 March to September 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.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

6. Statement of operations and changes in net assets

| | 2020 | 2019 |
|--|--------------|--------------|
| | \$ | \$ |
| Aeronautical revenue | | |
| Landing fees | 778 | 1,812 |
| Terminal fees | 679 | 1,779 |
| Security | 197 | 521 |
| | <u>1,654</u> | <u>4,112</u> |
| Airport revenue | | |
| Parking | 892 | 2,656 |
| Concessions | 817 | 1,590 |
| Rentals <i>[note 11]</i> | 953 | 932 |
| Other | 206 | 198 |
| | <u>2,868</u> | <u>5,376</u> |
| Salaries and employee benefits | | |
| Salaries and wages | 3,037 | 3,336 |
| Government assistance <i>[note 9]</i> | (1,218) | — |
| Benefits <i>[note 8]</i> | 571 | 503 |
| | <u>2,390</u> | <u>3,839</u> |
| Other operating and administration expenses | | |
| Municipal taxes | 892 | 857 |
| Utilities | 583 | 695 |
| Office and administration | 340 | 471 |
| Repairs, maintenance and equipment rentals | 285 | 454 |
| Contracted maintenance | 240 | 444 |
| Materials and supplies | 267 | 374 |
| Advertising and business development | 66 | 311 |
| Directors' fees and expenses | 189 | 238 |
| Professional fees | 70 | 169 |
| Vehicle maintenance | 91 | 151 |
| Insurance | 141 | 131 |
| | <u>3,164</u> | <u>4,295</u> |

During the year, the Authority received \$1,113 in financial assistance from government subsidy programs and recorded an additional \$105 as receivable. These amounts have been included in salaries and employee benefits

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

7. Statement of cash flows

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

| | 2020 \$ | 2019 \$ |
|---|--------------|----------------|
| Decrease (increase) in current assets | | |
| Accounts and grant receivable | 2,724 | (1,824) |
| Prepaid expenses and deposits | 20 | — |
| | 2,744 | (1,824) |
| Increase (decrease) in current liabilities | | |
| Accounts payable and accrued liabilities | (2,675) | 2,497 |
| | 69 | 673 |

8. Employee benefit plans

| | 2020 \$ | 2019 \$ |
|--|--------------|--------------|
| [a] Defined benefit pension plan asset | 2,599 | 2,257 |
| [b] Supplemental pension plan obligation | (560) | (529) |
| Accrued pension asset, net | 2,039 | 1,728 |

[a] Defined benefit pension plan asset

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit 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 valuation was determined using membership data as at January 1, 2020 and was extrapolated to December 31, 2020.

[i] Pension expense for the defined contribution plan is \$104 [2019 – \$97].

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

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$ | \$ |
| Fair value of plan assets | 12,579 | 11,628 |
| Benefit obligation | (7,729) | (7,716) |
| Funded status – plan surplus | 4,850 | 3,912 |
| Valuation allowance | (2,251) | (1,655) |
| Defined benefit pension plan asset | 2,599 | 2,257 |

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

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:

| | 2020 % | 2019 % |
|-------------------|--------------|--------------|
| Equity securities | 63.7 | 59.9 |
| Debt securities | 33.2 | 32.5 |
| Other | 3.1 | 7.6 |
| | 100.0 | 100.0 |

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

| | 2020 \$ | 2019 \$ |
|---|--------------|--------------|
| Defined benefit asset, beginning of year | 2,257 | 2,292 |
| Pension recovery for the year | 28 | 34 |
| Authority contributions | 37 | 29 |
| Increase in valuation allowance | (597) | (909) |
| Actuarial gain | 874 | 811 |
| Defined benefit asset, end of year | 2,599 | 2,257 |

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit asset [obligation] under the defined benefit pension plan as at December 31, 2020 are as follows:

| | 2020 % | 2019 % |
|-------------------------------|-----------|-----------|
| Discount rate | 4.50 | 4.50 |
| Rate of compensation increase | 2.50 | 2.50 |
| Inflation rate | 2.00 | 2.00 |

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

[b] Supplemental pension plan obligation

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

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Defined benefit obligation, beginning of year | (529) | (465) |
| Pension expense for the year | (41) | (36) |
| Benefits paid | 10 | 9 |
| Actuarial loss | — | (37) |
| Defined benefit obligation, end of year | (560) | (529) |

The Authority contributed \$10 [2019 – \$9] to the supplemental pension plan to fund the benefits paid. The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligation for the supplemental pension plan are the same as for the defined benefit pension plan.

9. Government remittances and assistance

Included in accounts payable and accrued liabilities are government remittances payable of \$7 [2019 – \$81] 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, 2020, 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 51% [2019 – 82%] of the trade accounts receivable balance as at December 31, 2020. 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 charges. This risk has been mitigated by amendments to the Authority's demand instalment loan, including principal payment deferral [note 5], participation in government subsidy programs [note 9] and, amendments to the Authority's ground lease with Transport Canada [note 11].

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2020

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 revenues 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 a portion of 2020 and the entire 2021, 2022 and 2023 lease years subject to passenger volumes remaining below one million during this period.

Based on forecasts of future revenues [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:

| | \$ |
|------|-----|
| 2021 | — |
| 2022 | — |
| 2023 | — |
| 2024 | 90 |
| 2025 | 155 |

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:

| | \$ |
|------|-----|
| 2021 | 953 |
| 2022 | 953 |
| 2023 | 953 |
| 2024 | 953 |
| 2025 | 953 |

