

GREATER LONDON INTERNATIONAL AIRPORT AUTHORITY



**LONDON  
INTERNATIONAL  
AIRPORT**

2008 ANNUAL REPORT



*VISION: London International Airport will be recognized as the preferred Air Transportation Gateway for Southwestern Ontario.*



Gabe Valente  
Chairman of the Board

*VALUES: To provide quality, viable airport services and facilities while promoting sustainable economic development with the community.*

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## *Message from the Chair and President.*

On behalf of the entire team at the London International Airport, we would like to thank our customers, partners and stakeholders for their continued contribution to the success of the airport.

We have completed ten years of operation since July 31, 1998 when the Federal Government presented the ceremonial airport keys to the Greater London International Airport Authority. This transfer was based on our vision to transform the historic government facilities into the hub of aviation for Southwestern Ontario.

Based on that strategic vision in the ten years of local control and operation the Airport Authority has invested over \$35 million directly into customer focused facilities.

New air services with six airlines have been established linking London coast to coast within Canada, along with improved US and International connections. New airline service providers have been attracted to provide low cost direct jet services, passengers have increased more than 50% and aircraft landings more than 75%. A modern, efficient, passenger service designed air terminal building was completed and continues to be expanded to meet future needs.

Skyway Industrial Park has been established which provides 200 acres of new economic development for the region in manufacturing, freight logistics, research and development, aircraft servicing and corporate aircraft services. Diamond Aircraft has expanded from production of one aircraft model to five aircraft models and a full research and development centre for continued innovation.

International flight training was introduced and dramatically expanded with the attraction of students from China and India.

This success of these achievements is measured in terms of direct employment of 1700 jobs and direct economic activity of \$357m annually. Long term sustainable jobs have been created and expanded in support of London International Airport as a regional transportation gateway.

In 2008 an independent third party review was undertaken to assess the complete operations of the Airport Authority in the first ten years.

The review concluded:

*"We believe that the GLIAA has over the period of the review met its original objectives, as set out in its incorporating documents. It has received outstanding and substantial support from local interests and stakeholders in a manner that is consistent with the original intention of the transfer of responsibility to a local airport authority. With the construction and opening of the new terminal facility in Fall 2003, the GLIAA has demonstrated a commitment to continued high quality passenger and cargo service not only for the Greater London area but also for the entire region of southwest Ontario.*

*Over the period under review the GLIAA has developed and implemented a clear vision for successful operations. It has laid a solid foundation and continues to pursue the long term strategic objectives of the Airport. It has responded to external events consistent with its original mandate and developed an approach to service delivery consistent with the needs of the Greater London Area and the region of Southwestern Ontario.*

*This review concludes that the GLIAA has managed and operated the airport safely, efficiently and for the general benefit of the public. We believe the GLIAA during the period under review has shown a record of achievement.*

*The entire region of central Southwestern Ontario has directly benefited from the presence of a well run and well managed transportation asset such as the London International Airport. It facilitates service to a significant catchment area, including some foreign passengers as well as that population within a reasonable driving distance of London".*

The Greater London International Airport Authority is very proud of the achievements validated by the independent third party review of all operations coupled with the ongoing compliments and support from users.

These are clear and measurable values that have been delivered with the aim of establishing London as Southwestern Ontario's airport of choice.



## *Message from the Chair and President ... continued*



**Steve Baker**

*President and Chief  
Executive Officer*

It is our ambition to rank among Canada's leading airports. Our aim is to create sustainable value for our stakeholders and position the London International Airport as the gateway for Southwestern Ontario.

We have developed the airport terminal facilities based on the vision that an airport should provide a unique experience in the travel process where the visitor is offered value based customer services. This is a dynamic environment in which people, businesses, logistics and information come together and strengthen each other. Not only is it an efficient, transportation hub boasting air and efficient road links, it is also a location which offers its visitors and the businesses of Southwestern Ontario the services they require, 24 hours a day, 7 days a week.

This concept envisions that the Airport Authority designs, develops and manages based entirely on our own individual perspective of future market conditions. We view the airport as a key gateway to a broad range of users. The Authority coordinates a wide range of competing demands with expertise, taking into account the operating, safety, and economic conditions from a social perspective, and with a keen sense of quality.

We have taken a leading approach to connecting with the people we serve. This approach has guided us throughout our past, in our activities of today, and continues to lead us as we make plans for the airport's future.

Today, our leading approach is evident in the Airport Authority's accountability to the people and region we serve. We are committed to engaging our stakeholders by keeping them informed of our activities, and asking for their input and feedback. This annual report is a key element in our communications.

These are exciting times for our region. There is a transformation of historic industrial manufacturing strength in our region. We know how important it is to be ready to seize the opportunities that lie ahead, and we recognize that our success is tied to that of our region.

We are proud to continue the leading approach taken by those who came before us, and we are committed to continuing in the same direction. We have developed strategies in air services, international freight logistics and international flight training. The Airport Authority operates with an intention to lead. Whether it's customer service, safety and

security, or sustainable business practices, we strive to remain at the forefront.

We understand that maintaining our leadership position requires effective planning with a long term vision, not only for our airport, but also for the region. Our planning process takes into account the financial aspects of our business, as well as environmental and social facets.

Just as importantly, we are equally prepared, through past experience and our sound planning process, for potential challenges. Our development plans are driven by reasoned estimates of passenger demand for air services and a conservative approach in an industry that has, in past years, been buffeted by external forces beyond its control.

In this way, leading can also mean proceeding prudently. We monitor market conditions so we're able to adjust to external events with the potential to impact our business. Our development plans are phased, flexible and backed by sound financial planning.

Our successes this year are the result of the efforts of many. For their vision and guidance, we would like to thank each member of our community based Board of Directors. For their hard work and unwavering commitment to the Airport Authority's mission and values, we extend our gratitude to our employees.

A leading approach means always looking to improve, and we look to you, our stakeholders, for your feedback and input. We welcome your comments and hope you will continue to stay involved in creating greater success at the London International Airport, your gateway to the world.

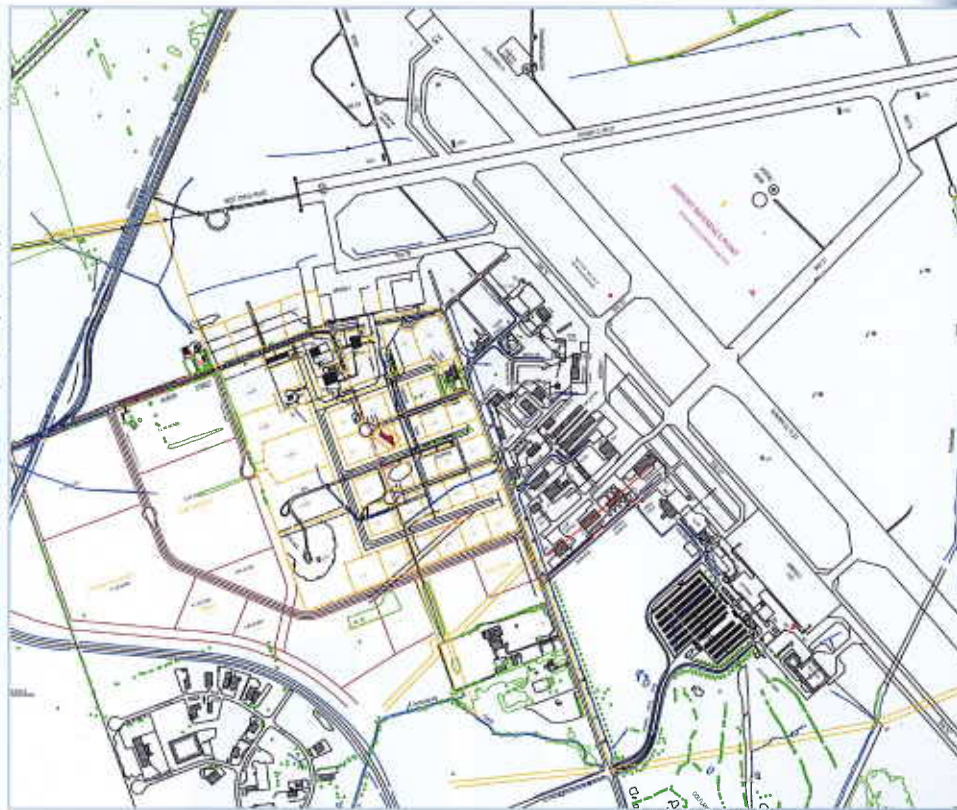
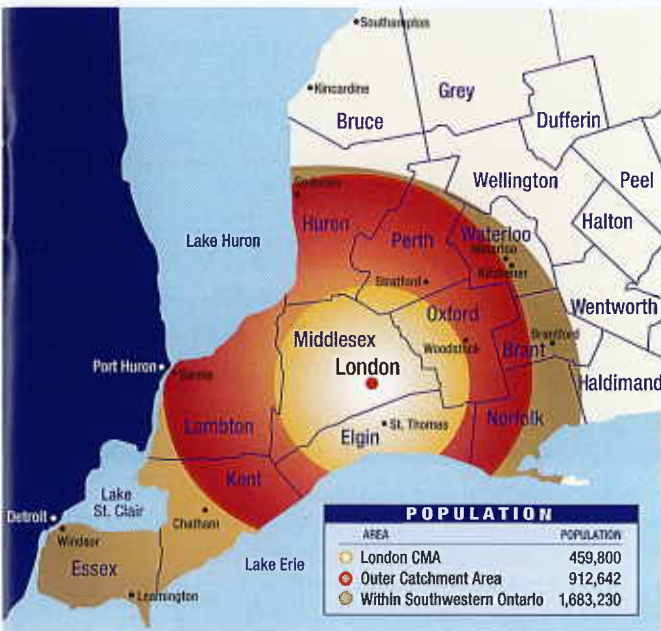
A handwritten signature in cursive script that reads "Gabe Valente".

**Gabe Valente**, *Chairman of the Board*

A handwritten signature in cursive script that reads "Steve Baker".

**Steve Baker**, *President and Chief Executive Officer*

Greater London International Airport Authority



### The next five years and beyond:

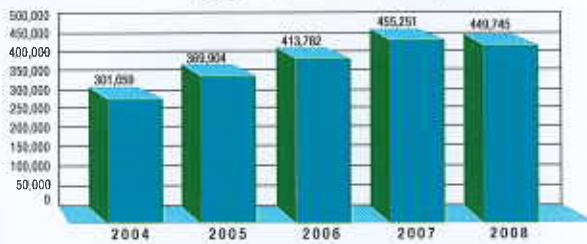
- **Stimulate Land development.** The servicing of Phase 1 of Skyway Industrial Park is complete and industrial development will continue to be a cornerstone of our business plan. The Airport currently supports 50 businesses and over 1,700 employees. In 2009 new industrial developments are planned with tenants that will anchor future development in this area. Our commitment to job creation and economic development is a key value.
- **Build and maintain infrastructure.** Continued investment in restoring and replacing the facilities and equipment at a minimum capital investment of \$1 million per year is planned.
- **Develop new air services.**
  - Passenger traffic continues to grow with new and additional flights recently announced for 2009. The attraction of additional direct flights to other destinations in Canada will continue as a goal for the upcoming year.
  - Sun flights to the Caribbean from London have significantly grown over the last several years. The attraction of new destinations and new services is a priority.
  - Leakage of passengers from the London catchment area to Detroit Metro and Pearson airports for flights to the United States is an opportunity. Efforts to attract new services to the U.S. from London will continue as a key goal.
- Taxes, surcharges and additional fees imposed on airline tickets in Canada are significantly higher than in the United States. These additional charges are added on to the ticket price and make travel from Canada more expensive than the U.S. and contribute to the high leakage from London to Detroit. Efforts will continue in concert with other Canadian airports to reduce these charges in Canada.
- Be an active partner in the Southwestern Economic Alliance to create a vision for the future.



## 2008 Snapshot



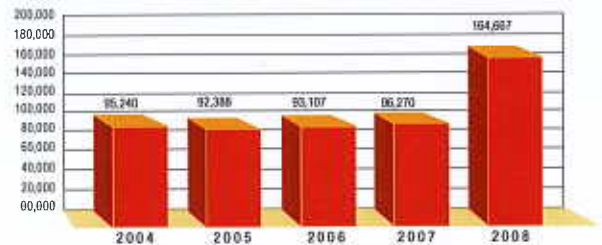
PASSENGER MOVEMENTS



The London International Airport saw passenger movements increase during the first half of 2008 by 25.5% over the same period in 2007. But, like other industries, the downturn in the economy was felt and at the end of the year passenger movements were down by 1.2%. In 2008 a total of 449,745 enplaning and deplaning passengers were served, representing a total increase of 49.4% in passenger loads since the airport expansion was completed in 2004.

Activity around the airport is continually growing. Flight schools serving both international and local students have propelled aircraft movements from 96,240 in 2007 to 164,667 in 2008. This represents a 71% increase of aircraft activity. Growth within the corporate/private aircraft along with regularly scheduled flights plays an important part in this unprecedented increase in activity.

AIRCRAFT MOVEMENTS

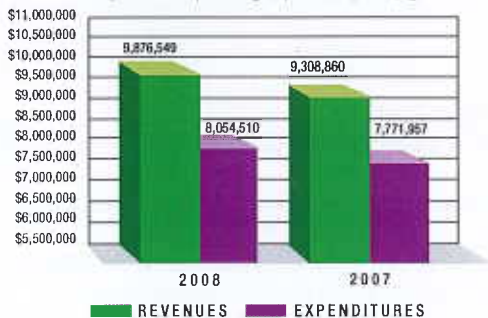


Throughout the year the GLIAA has effectively utilized its assets, (capital and operating) and maintained a financially viable operation. 2008 saw an overall surplus of \$2.06 million, which is reinvested into the infrastructure and improvement of customer services. Revenue was \$9.87 million compared to \$9.31 million in 2007. Operating expenditures were \$8.1 million compared to \$7.8 million in 2007.

The increase in aircraft movements contributed to a rise in landing and terminal fee revenue, whereas new tenant leases augmented rental income. Usage of the parking facilities, along with food and beverage services added to the overall increase in revenue of 6.1%.



AIRPORT REVENUES VERSUS EXPENSES



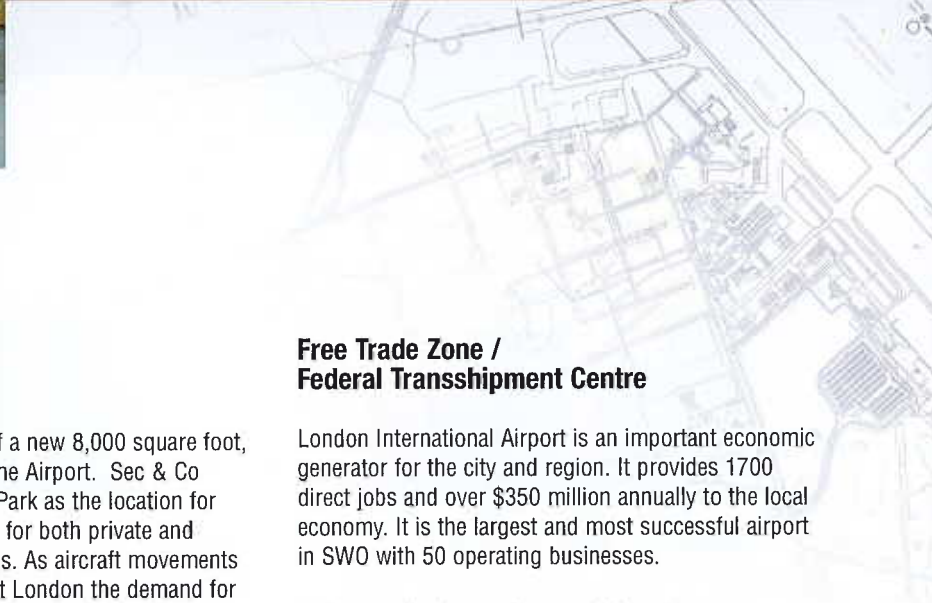
Expenditures increased 3.6%. The changes in expenses are related to customer service improvements, inflationary increases in mandated materials, utilities, supplies and services, personnel costs and municipal taxes.

In 2008, GLIAA tested two separate services for the enhancement of passenger service. During the summer months, dedicated Airport Ambassadors were available 7 days a week to answer questions, provide direction and assist where needed. This initiative was made possible with the assistance of Tourism London, LEDC and the London Convention Centre. A permanent booth is situated adjacent to the car rentals and is available to community groups when they are providing airport meet and greet services to their members and guests.

With the security restrictions related to liquids being taken into the hold room, GLIAA and Aramark set up a concession area within the hold room, providing several of the items that normally are purchased and consumed prior to passenger screening. While numerous positive comments resulted, having this service on a full time basis was not financially feasible.



## *Growth and Development*



### **Tenants**

2008 saw the development of a new 8,000 square foot, four bay hangar complex at the Airport. Sec & Co chose the Skyway Industrial Park as the location for their hangar that will be used for both private and commercial aircraft operations. As aircraft movements continue the steep increase at London the demand for infrastructure will increase and the Sec & Co hangar will help in satisfying this demand.

The University of Western Ontario's Insurance Research Lab for Better Homes also saw a modest expansion to their test facilities at the Airport. Known as the "Three Little Pigs" Research Project, the test facility is used for subjecting a full-scale specimen house (or other light-frame building) to realistic, simulated and extreme environmental loading due to wind, snow, and rain. In 2008 a new 1,200 square foot support building was added on to the facility.

### **Free Trade Zone / Federal Transshipment Centre**

London International Airport is an important economic generator for the city and region. It provides 1700 direct jobs and over \$350 million annually to the local economy. It is the largest and most successful airport in SWO with 50 operating businesses.

With recent upgrades to the Veterans Memorial Parkway link to 401 and servicing of the Skyway Industrial Park, the London International Airport is capitalizing on the development of a regional transportation and logistics cluster. London can develop this industry and become a North American logistics leader rather than a drive by and fly over region. The enhanced development will allow London International Airport to capture an opportunity to become an International Trade Centre that generates transportation, distribution and manufacturing jobs.

In December 2008 the Federal government designated the London International Airport as an approved Federal Transshipment Centre for International cargo. Aircraft from Europe or Asia can fly directly to London and shipments can be stored or broken down to smaller shipments for dispersal in a third country by air, land or rail.





## Flight Schools

The combined efficiency of front haul from Europe and back haul from SWO including agri foods and manufacturing provides tremendous cost efficiencies.

The London International Airport growth would also be further enhanced with the current Federal Transshipment Centre designation upgraded to a Free Trade Zone. This would allow value to be added to the shipment and create jobs in finish manufacturing, component integration, assembly and warranty and repair service.

As the industrial strength of southwestern Ontario changes in the near future the London International Airport will be centre stage offering opportunities in the next economy.

International Flight training has become a key component in the development of aviation services at the London International Airport. The combined strengths of Maylan Aviation, Aero Academy, Blue Bird Flight Academy and Diamond Flight Training are all offering dedicated International flight training.

London International Airport generated a 71% increase in local flight operations in 2008 with significant growth in this sector. The airport ascended to the second busiest in Canada with daily flights exceeding 800 per day in some periods.

Students are training to return to India and China to meet growing needs for qualified International English language trained students. The first graduates returned to China in November 2008. This success has promoted London as a cost effective and efficient base of operations for international flight operations.

Continued expansion of the current services and a greater variety of aircraft operated is expected in the next three years.



**W**inter Service to the South Continues to Expand!

Cold winters take their toll on Canadians and vacations to warmer climates are growing in popularity. For the 2008/09 winter season service to southern destinations increased out of London with the addition of Westjet Airlines service to Orlando, Florida. The weekly service proved to be successful and additional Florida destinations are being looked into for the future.

In addition to Westjet's Orlando flights, London International Airport had flights to Punta Cana, Dominican Republic and Varadero, Cuba with Sunwing Vacations as well as Cancun, Mexico and Varadero service with Sunquest Vacations and Transat Holidays.

To the sunny south from London we say "hola".

**J**une to August 2008 saw the administering of a Passenger Destination Study at London International Airport. The study asked travelers what additional destinations they would like served from London. The results were broken down into Domestic, U.S. and International destinations. The top two requested domestic destinations were Vancouver and Halifax and we are proud to report that new direct flights will start in 2009 from Westjet Airlines to these two destinations.

On the U.S. market top destinations included New York, Tampa, Chicago and Las Vegas. Internationally travelers requested London, England, Frankfurt, Germany and additional destinations in the Caribbean. London International Airport continues to talk to existing and new carriers regarding these destinations and as we continue to grow we hope to see some or all of these destinations added.



## Safety & Security



On April 11, 2008 the London International Airport took delivery of a Striker Oshkosh 3000. This crash truck was custom made based on the specifications provided by the dedicated fire fighting staff at the London International Airport. The manufacturing of this specialized vehicle took 365 days and cost one million dollars.

Not your standard, "run of the mill" vehicle!

With the rapid growth in air services and specifically the frequency of larger aircraft, regulatory requirements through Transport Canada are in place that provided for an increase in fire fighting coverage and the need for an additional fire truck. The fire fighting personnel were augmented with the introduction of the Airport Operation Specialists. This new group of employee assists with the coverage of the fire hall in conjunction to performing the duties associated with heavy equipment operators.

Our operations staff ensures the safety of our passengers, tenants and visitors to the London International Airport.

## Five Year Performance Review



GLIAA's Ground Lease agreement with the Federal Government mandates a performance review be undertaken every five years by an independent consultant. A review of the period from August 1, 2003 through July 31, 2008 was undertaken by David Langlois of Rideau Consultants Inc.

Mr. Langlois interviewed stakeholders, employees, tenants and board members as well as reviewed documents, agreements, legislation, reports and plans in order to complete the report. The 5 year performance report was presented to the Board of Directors for approval in November 2008 and submitted to the Landlord as required.

Highlights from the report are as follows:

- *The GLIAA has demonstrated an outstanding commitment to regional economic development and advancement of air transportation through its direct investment in the local economy and its teaming arrangements with strategic stakeholders.*

- *The GLIAA demonstrates its belief in customer service through its clear and honest relationships with its tenants and stakeholders.*
- *The GLIAA has effectively utilized its assets, (capital and operating) and maintained a financially viable operation. The GLIAA has operated the aerodrome in a safe and secure manner; contributed to regional economic development; enhanced customer service; developed/maintained Air Services.*
- *The GLIAA has developed and is using in a strategic fashion its Master Plan to situate the aerodrome as the place of choice in southwestern Ontario for business to locate. GLIAA has demonstrated its commitment to consistent, high quality strategic and business planning. It has a structure that is well understood, well documented and effective in guiding the GLIAA as an effective not-for-profit and not-for-loss corporation, run with due regard for its stakeholder communities.*



## **Greater London International Airport Authority**

### **B O A R D O F D I R E C T O R S**



**Gabe Valente** *(Chair)*  
*Valente & Theocharis C.A.*



**Janet Stewart, Q.C.**  
*(Vice Chair)*  
*Lerners LLP*



**Bernle Bierbaum**  
*Bluestone Properties*



**Gary Blazak**  
*University of Western  
Ontario*



**Jeff Brown**  
*Highstreet Management*



**Ann Campbell**  
*Ingersoll District  
Chamber of Commerce*



**Rick Coates**  
*Pacific & Western  
Bank of Canada*



**Robert Flack**  
*Masterfeeds Inc.*



**Ken Kalopsis**  
*StarTech.com Ltd*



**Sandi Parachuk**  
*Delta London Armouries*



**Rick Witherspoon**  
*Retired*

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
- Provincial Government
- Municipal Government
- London Chamber of Commerce
- GLIAA Board

In addition to the regular meetings, Board members serve on Standing and Adhoc Committees:

*Executive Committee, Finance/Audit Committee, Advisory Committee on Community and Area Issues, Nominating Committee*

## *Executive Team*



**Steve Baker**  
*President and  
Chief Executive Officer*



**Michael Seabrook**  
*Vice President*



**Janet Carr**  
*Director, Finance &  
Human Resources*



**Gerry Holden**  
*Director of Operations*



**John Lee**  
*Director of Operations*

### ***Director and Executive Team Compensation***

*Directors' Compensation (Annual Retainer)*

*Chairman: \$20,000 Director: \$10,000*

*Fees:*

*Board Meeting and Committee Meetings (over 2 hours) \$800 and \$300 per meeting respectively.*

*Executive Team's Compensation*

*The compensation for the five senior managers for the year ending December 31, 2008 was \$611,771.*

#### ***Corporate Offices***

*Greater London International Airport Authority  
1750 Crumlin Road, London, Ontario, N5V 3B6  
Phone: (519) 452-4015 Fax: (519) 453-6219  
[www.londonairport.on.ca](http://www.londonairport.on.ca)*

#### ***Legal Counsel***

*Miller Thompson LLP  
One London Place, Suite 2010  
255 Queens Avenue  
London, ON N6A 5R8*

#### ***Auditors***

*Ernst & Young  
One London Place, Suite 1800  
255 Queens Avenue  
London, ON N6A 5S7*





***Greater London International Airport Authority***

*December 31, 2008*

**AUDITORS' REPORT**

To the Members of the  
**Greater London International Airport Authority**

We have audited the statement of financial position of the **Greater London International Airport Authority** as at December 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2008 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

London, Canada,  
February 13, 2009.

*Greater London International Airport Authority*  
*Incorporated without share capital under the laws of Canada*

**STATEMENT OF FINANCIAL POSITION**

As at December 31

	2008 \$	2007 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and marketable securities <i>[note 4]</i>	1,198,346	2,107,495
Accounts receivable	920,843	836,488
Prepaid expenses and deposits	149,486	155,507
<b>Total current assets</b>	<b>2,268,675</b>	<b>3,099,490</b>
Accrued pension asset <i>[note 9]</i>	794,000	536,000
Capital assets, net <i>[note 5]</i>	31,186,978	29,854,283
Cash and marketable securities restricted for capital purposes <i>[note 4]</i>	1,000,000	710,223
	<b>35,249,653</b>	<b>34,199,996</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	617,239	763,912
Construction holdback payable	—	6,000
Current portion of long-term debt <i>[note 6]</i>	744,444	718,518
Deferred revenue	16,828	18,620
<b>Total current liabilities</b>	<b>1,378,511</b>	<b>1,507,050</b>
Long-term debt <i>[note 6]</i>	14,211,400	14,955,844
Deferred federal grants <i>[note 7]</i>	2,482,940	2,616,420
Interest rate swap <i>[note 6]</i>	3,243,100	1,296,566
<b>Total liabilities</b>	<b>21,315,951</b>	<b>20,375,880</b>
<b>NET ASSETS</b>		
Restricted for capital purposes	1,000,000	710,223
Unrestricted	12,933,702	13,113,893
<b>Total net assets</b>	<b>13,933,702</b>	<b>13,824,116</b>
	<b>35,249,653</b>	<b>34,199,996</b>

See accompanying notes

On behalf of the Board:

Director



Director





## STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2008			2007
	Restricted for capital purposes \$	Unrestricted \$	Total \$	Total \$
	<i>[note 3]</i>			
<b>Balance, beginning of year</b>	<b>710,223</b>	<b>13,113,893</b>	<b>13,824,116</b>	6,814,849
Change in accounting policy for AIF revenue <i>[note 2]</i>				6,542,587
Transition adjustment on adoption of financial instruments standards	—	—	—	(1,504,954)
Surplus for the year	<b>289,777</b>	<b>1,766,343</b>	<b>2,056,120</b>	1,736,257
Net gain (loss) on derivative instrument designated as cash flow hedge <i>[note 6]</i>	—	<b>(1,946,534)</b>	<b>(1,946,534)</b>	235,377
<b>Balance, end of year</b>	<b>1,000,000</b>	<b>12,933,702</b>	<b>13,933,702</b>	13,824,116

See accompanying notes

## STATEMENT OF OPERATIONS

Year ended December 31

	2008	2007
	\$	\$
<b>REVENUES</b>		
Landing and terminal fees	2,547,766	2,278,248
Concessions	2,714,548	2,556,957
Rentals	642,071	570,290
Airport improvement fees <i>[note 2]</i>	3,191,177	3,170,061
Security	681,481	658,572
Other	99,506	74,732
	9,876,549	9,308,860
<b>EXPENDITURES</b>		
Salaries and wages	1,886,022	1,703,756
Interest expense <i>[note 6]</i>	902,639	1,007,203
Municipal taxes	527,052	501,956
Amortization of capital assets	1,431,640	1,305,175
Benefits	335,876	458,084
Contracted services	767,079	728,887
Utilities	481,657	499,527
Directors' fees and expenses	168,514	156,973
Office and administration	263,016	264,467
Materials and supplies	245,574	145,334
Contracted maintenance	282,532	283,770
Professional fees	98,203	85,025
Vehicle	226,995	201,957
Insurance	165,582	175,504
Advertising and promotions	41,170	23,947
Repairs, maintenance and equipment rentals	230,959	230,392
	8,054,510	7,771,957
<b>Surplus of revenues over expenditures before the following</b>	<b>1,822,039</b>	<b>1,536,903</b>
Investment income	104,562	97,929
Amortization of federal grants <i>[note 7]</i>	133,480	139,508
Loss on disposal of capital assets	(3,961)	(38,084)
<b>Surplus for the year</b>	<b>2,056,120</b>	<b>1,736,256</b>

*See accompanying notes*



## STATEMENT OF CASH FLOWS

Year ended December 31

	2008 \$	2007 \$
<b>OPERATING ACTIVITIES</b>		
Surplus for the year	2,056,120	1,736,256
Add (deduct) items not involving cash		
Amortization of capital assets	1,431,640	1,305,175
Loss on disposal of capital assets	3,961	38,084
Amortization of federal grants	(133,480)	(139,508)
Financial instrument adjustment unrestricted	—	16,714
Increase in accrued pension obligation	(258,000)	(91,000)
	<b>3,100,241</b>	<b>2,865,721</b>
Net change in non-cash working capital balances related to operations <i>[note 8]</i>	(226,799)	(529,105)
<b>Cash provided by operating activities</b>	<b>2,873,442</b>	<b>2,336,616</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(2,769,383)	(1,456,366)
Proceeds of disposal of capital assets	1,087	25,000
<b>Cash used in investing activities</b>	<b>(2,768,296)</b>	<b>(1,431,366)</b>
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in construction holdback payable	(6,000)	6,000
Repayment of long-term debt	(718,518)	(588,888)
Decrease in severance costs	—	(34,067)
Increase in cash restricted for capital purposes	(289,777)	—
<b>Cash used in financing activities</b>	<b>(1,014,295)</b>	<b>(616,955)</b>
<b>Net increase (decrease) in cash and marketable securities during the year</b>	<b>(909,149)</b>	<b>288,295</b>
Cash and marketable securities, beginning of year	2,107,495	1,819,200
<b>Cash and marketable securities, end of year</b>	<b>1,198,346</b>	<b>2,107,495</b>

See accompanying notes

# NOTES TO FINANCIAL STATEMENTS

December 31, 2008

## 1. DESCRIPTION OF BUSINESS

The Greater London International Airport Authority [the "Authority"] was incorporated on December 4, 1995 as a corporation without share capital under Part II of the Canada Corporations Act.

**The objectives of the Authority are:**

- [a] 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;
- [b] to undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities; and
- [c] to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.

On August 1, 1998, the Authority signed a 60 year ground lease, together with a renewal term of 20 years, with Transport Canada and assumed responsibility for the management, operation and development of the Airport. The lease provides for a rent-free period to December 31, 2010.

The Authority is exempt from federal and provincial income taxes, federal Large Corporations Tax, and Ontario capital tax.

## 2. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Authority adopted, retroactively, the changes to the recommendations in The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 4400: *Financial Statement Presentation for Not-For-Profit Organizations* that eliminate the requirement to separately disclose the amount of net assets invested in capital assets. As a result, the Authority has combined the amount of net assets invested in capital assets with the unrestricted net assets and has eliminated the details and the calculation of this amount from the financial statements.

During the year, the Authority retroactively changed its method of recognizing Airport Improvement Fees ["AIF"], which are used entirely to finance the construction and improvement of infrastructure and any other investment in property, plant and equipment serving airport passengers. These fees, net of airline administration fees, are accrued upon the emplanement of the passenger and are subject to reconciliation with the air carriers. Previously, the fees were deferred and amortized on the same basis as the capital assets acquired.

This change results in consistency with the industry sector. The comparative amounts have been restated to give retroactive effect to the new policy. As a result, previously reported AIF revenues of \$1,007,203 were increased to \$3,170,061. Amortization of deferred AIF of \$991,369 was eliminated and previously deferred AIF of \$5,358,525 has been included in the opening balance of unrestricted net assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

### [a] Basis of presentation

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, commitments and contingencies at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of such estimations and assumptions include the useful lives of capital assets, valuation adjustments, and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

### [b] Income and revenue recognition

The Authority follows the deferral method of accounting for contributions. Externally restricted contributions such as federal grants are deferred and recognized in operations in the year in which the related expenses are incurred. Funds restricted for capital purposes represent amounts internally restricted by the Board of Directors for specific purposes.

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

AIF may only 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, landing and terminal fees, concessions and rental revenues are recognized when earned.



### [c] Financial Instruments

#### *Financial Assets and Liabilities*

In accordance with CICA 3861: *Financial Instruments – Disclosure and Presentation*, all financial instruments are classified into one of the following five categories: [i] held-to-maturity investments, [ii] loans and receivables, [iii] held-for-trading, [iv] other liabilities or [v] available-for-sale. All financial instruments, including derivatives, are carried at fair value on the Statement of Financial Position except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in investment income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in net assets until the instrument is derecognized or impaired. The Authority has classified its financial instruments as follows:

Marketable securities	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable	Other liabilities
Long-term debt	Other liabilities

All financial instrument transactions are recorded at the trade date.

Income on investments is recognized on the accrual basis. Gains and losses on disposition are determined on an individual basis.

#### *Derivatives and Hedge Accounting*

All derivative instruments are carried at fair value on the Statement of Financial Position unless exempted from derivative treatment as a normal purchase and sale. All changes in fair value are recorded in investment income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in net assets to the extent that the hedge is effective.

The Authority does not engage in derivative trading or speculative activities.

The Authority periodically develops hedging strategies for execution taking into account risk management objectives. At the inception of a hedging relationship, the Authority documents the relationship between the hedging instrument and the hedged item. This would include linking all derivatives to specific assets and liabilities on the Statement of Financial Position or to specific firm commitments or forecasted transactions. The Authority would also assess, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used are effective in offsetting changes in fair values or cash flows of hedged items.

### [d] 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.

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
Land leasehold improvements and land transfer tax	20 - 60 years

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

### [e] Pension obligations

The Authority sponsors both defined benefit and defined contribution pension plans covering substantially all employees.

The cost of defined benefit pensions is determined using the projected benefit method prorated on employment services and is expensed as the employees provide services. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lifetime of the employee group. Gains or losses arising from plan curtailments and settlements are recognized in the year in which they occur. For purposes of calculating the expected return on plan assets, pension assets are revalued at fair value.

The cost of defined contribution benefits is expensed as earned by employees. The Authority makes contributions in accordance with plan agreements.

#### 4. CASH AND MARKETABLE SECURITIES

Cash and marketable securities consist of the following:

	2008			2007		
	Cash	Marketable Securities [at market]	Total	Cash	Marketable Securities [at market]	Total
	\$	\$	\$	\$	\$	\$
Unrestricted	1,095,656	102,690	1,198,346	886,015	1,221,480	2,107,495
Restricted for capital purposes [a]	—	1,000,000	1,000,000	—	710,223	710,223
	<b>1,095,656</b>	<b>1,102,690</b>	<b>2,198,346</b>	<b>886,015</b>	<b>1,931,703</b>	<b>2,817,718</b>

Marketable securities consist of fixed income, government and corporate bonds bearing interest at rates ranging from 3.75% to 4.90% and having maturity dates ranging from June 1, 2010 to December 3, 2015.

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 subject to change at the discretion of the Board of Directors. In 2008, the Board of Directors increased the amount restricted for capital purposes by \$289,777 [2007 - nil].

#### 5. CAPITAL ASSETS

Capital assets consist of the following:

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Office furniture and equipment	71,892	32,266	63,638	25,280
Terminal furniture and fixtures	94,982	46,055	86,203	37,261
Shop equipment	229,897	126,365	188,484	100,494
Mobile equipment	4,210,405	1,383,249	2,435,950	1,139,822
Computer software	35,726	26,777	35,726	20,337
Computer hardware	120,861	76,842	107,646	62,254
Pavement leasehold improvements	1,859,656	660,855	1,471,301	558,669
Structural leasehold improvements	25,582,280	3,402,276	25,023,090	2,639,708
Security equipment	621,071	191,791	610,606	153,105
Baggage system	3,367,646	542,889	3,367,647	391,023
Land leasehold improvements and land transfer tax	1,747,868	265,941	1,737,368	205,423
	<b>37,942,284</b>	<b>6,755,306</b>	<b>35,127,659</b>	<b>5,333,376</b>
Less accumulated amortization	<b>6,755,306</b>		<b>5,333,376</b>	
	<b>31,186,978</b>		<b>29,766,176</b>	
Construction in progress	—		60,000	
<b>Net book value</b>	<b>31,186,978</b>		<b>29,854,283</b>	

Cumulative expenditures on Airport infrastructure projects, from inception of the AIF, including eligible debt service costs, amounts to \$21,161,494.

During the same period, cumulative AIF revenue was \$18,734,550.



## 6. LONG-TERM DEBT

Long-term debt consists of the following:

	2008 \$	2007 \$
Promissory note [a]	403,985	403,985
Demand installment loan [b]	14,551,859	15,270,377
	<b>14,955,844</b>	15,674,362
Less current portion	744,444	718,518
	<b>14,211,400</b>	14,955,844

[a] The promissory note payable to the Minister of Finance for Ontario relating to the land transfer tax bears no interest and is repayable in five equal annual installments of \$80,797 commencing 2011.

[b] The demand instalment loan is comprised of two non-revolving credit facilities to assist in financing the Air Terminal Building expansion. The first facility, having an outstanding balance of \$11,601,880 [2007 - \$12,120,394], bears interest at prime minus 75 basis points and is repayable in monthly principal payments based on the following installment schedule:

	\$
March 2004 - February 2008	32,407
March 2008 - February 2013	45,370
March 2013 - February 2018	64,815
March 2018 - February 2023	90,741

The Authority has entered into an interest rate swap agreement linked to the amortizing balance of this facility, with the lender as counterparty, to swap its floating rate obligation of prime minus 75 basis points for a fixed rate of 6.09%. As at December 31, 2008, the fair value of this swap agreement represented a liability of \$3,243,100 [2007 - \$1,296,566]. The fair value of derivative financial

instruments reflects the estimated amount that the Authority, if required to settle the outstanding contract, would be required to pay or would be entitled to receive at year-end.

The second non-revolving facility having a balance outstanding of \$2,949,979 [2007 - \$3,149,983] bears interest at prime minus 75 basis points, and is payable in monthly payments of principal of \$16,667 plus interest.

Although the terms of the facilities include a demand feature, the Authority has negotiated a specific repayment schedule, as described above, to repay the debt over a 20-year period. Based on this schedule, and the Authority's compliance with the terms of the facility, the loan has been classified as long-term. As at December 31, 2008, the fair value of these facilities approximate book value.

The Authority also has a revolving operating line of credit in the amount of \$500,000, with interest payable at the bank's prime rate.

The facilities are subject to a financial covenant with which the Authority is in compliance. The lender has taken as collateral a first charge mortgage for \$18,000,000 over property at 1750 Crumlin Road.

## 7. DEFERRED REVENUES

### Federal grants

Federal Grants consist of the following:

	2008 \$	2007 \$
[i] Security grant	295,716	312,260
[ii] Canadian Air Transport Security Authority ('CATSA')	2,187,224	2,304,160
<b>Total federal grants</b>	<b>2,482,940</b>	<b>2,616,420</b>

#### [i] Security grant

In 2002, the Authority received a security grant to fund capital projects associated with the Security and Policing Program. This contribution was deferred and is amortized to income on the same basis as the amortization of the related security improvements.

	2008 \$	2007 \$
<b>Security grant, beginning of year</b>	<b>312,260</b>	<b>334,832</b>
Amortization during the year	(16,544)	(22,572)
<b>Security grant, end of year</b>	<b>295,716</b>	<b>312,260</b>

#### [ii] CATSA funding

In 2004 and 2005, the Authority received funding from CATSA to partially fund the capital costs associated with the construction of the new hold baggage system. These contributions were deferred and are being amortized to income on the same basis as the amortization of the related hold baggage system as of June 2005 when the assets were put into use. The remaining costs were funded through cash and marketable securities restricted for capital purposes [note 4], as approved by the Board of Directors.

	2008 \$	2007 \$
<b>CATSA funding, beginning of year</b>	<b>2,304,160</b>	<b>2,421,097</b>
Amortization during the year	(116,936)	(116,937)
<b>CATSA funding, end of year</b>	<b>2,187,224</b>	<b>2,304,160</b>

## 8. STATEMENT OF CASH FLOWS

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

	2008 \$	2007 \$
<b>Decrease (increase) in current assets</b>		
Accounts receivable	(84,355)	(203,799)
Prepaid expenses and deposits	6,021	9,056
	<b>(78,334)</b>	<b>(194,743)</b>
<b>Increase (decrease) in current liabilities</b>		
Accounts payable and accrued liabilities	(146,673)	(329,879)
Deferred revenue	(1,792)	(4,483)
	<b>(148,465)</b>	<b>(334,362)</b>
	<b>(226,799)</b>	<b>(529,105)</b>



## 9. EMPLOYEE BENEFIT PLANS

	2008 \$	2007 \$
[a] Defined benefit pension plan asset	(1,010,000)	(705,000)
[b] Supplemental pension plan obligation	216,000	169,000
Accrued pension asset, net	(794,000)	(536,000)

### [a] Defined benefit pension plan

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, 2008 and extrapolated to December 31, 2008.

(i) Pension expense for the defined contribution plan is \$38,700 [2007 - \$29,279].

(ii) The defined benefit component is for personnel who were employees of the Authority on the date of transfer, including former Transport Canada employees who elected to transfer their entitlements under the Public Service Superannuation Plan to the Authority's plan. As of December 31, 2002, these assets, totaling \$2,787,090, were transferred from Transport Canada to the Plan.

The following tables provide a reconciliation of the changes in the plan's benefit obligation and fair value of assets:

	2008 \$	2007 \$
<b>CHANGE IN BENEFIT OBLIGATION</b>		
<b>Benefit obligation, beginning of year</b>	<b>6,354,000</b>	6,333,000
Authority service cost	84,000	123,000
Employee service cost	22,000	29,000
Interest cost	346,000	335,000
Benefit payments	(298,000)	(192,000)
Actuarial gains	(1,383,000)	(274,000)
<b>Benefit obligation, end of year</b>	<b>5,125,000</b>	6,354,000
<b>CHANGE IN PLAN ASSETS</b>		
<b>Fair value of plan assets, beginning of year</b>	<b>6,186,000</b>	6,014,000
Actual return on plan assets	(1,334,000)	54,000
Authority contributions	392,000	281,000
Employee contributions	22,000	29,000
Benefit payments	(298,000)	(192,000)
<b>Fair value of plan assets, end of year</b>	<b>4,968,000</b>	6,186,000

The asset allocation under the Superannuation Plan in respect of the Authority is as follows:

	2008 %	2007 %
Equity securities	65.8	66.9
Debt securities	34.2	33.1

The following table provides the components of net pension expense:

	2008 \$	2007 \$
Authority service cost	84,000	123,000
Interest cost	346,000	335,000
Expected return on plan assets	(406,000)	(380,000)
Amortization of unamortized net actuarial loss	63,000	51,000
<b>Net pension expense</b>	<b>87,000</b>	129,000

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

	2008 \$	2007 \$
<b>Accrued benefit asset, beginning of year</b>	(705,000)	(553,000)
Pension expense for the year	87,000	129,000
Authority contributions	(392,000)	(281,000)
<b>Accrued benefit asset, end of year</b>	<b>(1,010,000)</b>	<b>(705,000)</b>

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations under the defined benefit plan as at December 31, 2007 are as follows:

	2008 %	2007 %
Discount rate	7.50	5.50
Expected long-term rate of return on plan assets	6.50	6.50

### [b] Supplemental pension plan

The following table provides a reconciliation of the changes in the plan's benefit obligation. The plan is unfunded.

	2008 \$	2007 \$
<b>CHANGE IN BENEFIT OBLIGATION</b>		
<b>Benefit obligation, beginning of year</b>	<b>319,000</b>	317,000
Service cost	3,000	9,000
Interest cost	18,000	17,000
Benefit payments	(5,000)	—
Gain recognized during the year	(202,000)	(24,000)
<b>Benefit obligation, end of year</b>	<b>133,000</b>	319,000

The following table provides the components of net pension expense:

	2008 \$	2007 \$
Service cost	3,000	9,000
Interest cost	18,000	17,000
<b>Net pension expense</b>	<b>21,000</b>	26,000

The following table provides a reconciliation of accrued benefit (asset) obligation:

	2008 \$	2007 \$
<b>Accrued benefit obligation, beginning of year</b>	<b>169,000</b>	108,000
Pension expense for the year	21,000	26,000
Contributions by the Authority	(5,000)	—
Amortization for current period	31,000	35,000
<b>Accrued benefit obligation, end of year</b>	<b>216,000</b>	169,000

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations for the supplemental plan are the same as for the defined benefit plan.



## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. As at December 31, 2008, 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, four customers represent 86% of the trade accounts receivable balance at December 31, 2008. The Authority anticipates receiving payments in full from these customers.

The Authority will continue to use derivative instruments to manage interest rate risk. Derivative financial instruments result in exposure to credit risk, since there is a risk of counterparty default. The Authority monitors and minimizes credit risk through various techniques including dealing with highly rated counterparties, limiting total exposure levels with individual counterparties and entering into master agreements which enable net settlement.





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