

2011 ANNUAL REPORT



GREATER LONDON INTERNATIONAL AIRPORT AUTHORITY

VISION

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

VALUES

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

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Janet Stewart
Chair of the Board

London International Airport had exceptional performance in 2011 including the completion of new facilities, acquisition of advanced equipment and the addition of direct air services to more destinations. Each of these strategic initiatives was timed to meet emerging needs and opportunities.

The blueprint of developing affordable and convenient services continues to be embraced by our air service providers and customers. This led to another year of profitability, in terms of financial success, service expansion and economic opportunities to support area development.

A major task of the Airport Authority this year was the recruitment and selection of a new CEO to replace Steve Baker who is retiring after twenty years at London and thirty nine years in airport leadership.

On behalf of the Board of Directors, airport staff, and customers throughout Southwestern Ontario I thank Steve Baker for his vision in transforming our airport to a modern, efficient hub of air transportation. His success in job creation and sustainable transportation services has been recognized throughout our region and country.

The airport has changed immeasurably under Steve Baker's guidance and it was an exceptional challenge to replace him. An extensive process was undertaken first to evaluate the strategic direction of the Airport Authority for the next decade, then to determine the attributes of a leader that will develop the airport within those predicted challenges and opportunities.

Candidates from Europe, the USA and across Canada were considered. The Board of Directors was very pleased to select Mike Seabrook as our new President & CEO effective May 1, 2012.

As President/CEO, Mike Seabrook brings to the London International Airport twenty one years of air transportation experience and a combination of senior management, business development, operations, customer service and airport expertise. Mike was born and raised in London, has strong academic fundamentals including an MBA from the Ivey School of Business and experience as Vice President of the London International Airport.

Mike Seabrook has had the mentorship of our current CEO and the Board of Directors. Combined with his track record at London International Airport and his broad strategic planning experience Mike was a natural choice to be our next leader.

Mike's management style, his familiarity with the airport and the community and his passion for the industry will allow for a seamless transition. We look forward to the future growth of the Gateway to Southwestern Ontario - the London International Airport.

In 2012 we will continue in the same strategic direction of linking London to the World in air passenger services and air cargo. Recent new routes to Las Vegas and Orlando have performed exceptionally well. A strong emphasis on enhancing international air freight will continue. New post security food and beverage services will be introduced to provide higher levels of service for our customers.

Our airport remains strongly positioned for the future with experienced leadership, hassle free convenient services, direct flights to major North American centres and a plan to capitalize on emerging opportunities.

Janet E. Stewart, QC
Chair of the Board

Message from the President



Steve Baker

President and Chief Executive Officer

As announced at the 2011 Annual General Meeting of the Greater London International Airport Authority I am retiring as President & CEO effective April 30, 2012. This will conclude 20 years of leadership in London and an airport career of 39 years starting at Pearson International Airport in 1973.

My reflection of the past year and past twenty years provides some amazing results from the combined team at the London International Airport.

I came to London from a position of Deputy Airport General Manager in Calgary in 1992. My impressions were of an inefficient 1963 air terminal building, outdated crumbling runways and taxiways, obsolete equipment and lack of a defined plan. For some this would have been described as a lost cause but I also saw an enthusiastic staff, supportive community and the opportunity to shape a vision to support area economic development for the City of London and the region of Southwestern Ontario.

The idea of airport privatization from the Federal Government to a local authority was just starting to be reviewed. A group of dedicated volunteers had formed based on the inspiration from the London Chamber of Commerce. Ironically it was the members of the London Chamber of Commerce in 1928 that, after being rejected for Federal, Provincial and Municipal funding, raised the capital to form London Airport Company Ltd and buy the first piece of airport land.

The task of orchestrating the volunteers and forming a single vision was daunting but essential. An airport planning group was formed and later the founding of the Federal Airport Authority. This provided a team of volunteer Directors recognized by the Federal Government to accept transfer of their obsolete airport asset. Following several years of negotiating and due diligence the airport transferred from a federal service to an independent airport authority on August 1, 1998.

While this activity took six years to fruition we also used this period to prepare a strategic plan, capital development plan and foster a community united and supportive of local control. Local people making local decisions about our future.

Day one was a celebration but we were essentially starting a new business with no funding and huge costs ahead if we wanted to make a difference. Just a cash register and a dream. The dream was actually the strategic vision of the Airport Authority that London International Airport will be recognized as the preferred Air Transportation Gateway for Southwestern Ontario. Certainly ambitious based on the undercapitalized asset that was acquired and the untested emergence of a new independent airport authority.

I am pleased to review the results that the airport team of Board members and our incredible staff has achieved over the twenty year period.

- Now recognized as the preferred air transport gateway for SWO.
- The hub of aviation for SWO.
- Modern efficient facilities

- Direct passenger services within Canada, USA and International sun services
- Over \$50 million of direct investment in capital improvements
- Economic impact to the region with 1,700 airport jobs and 1,000 Skyway Industrial Park jobs

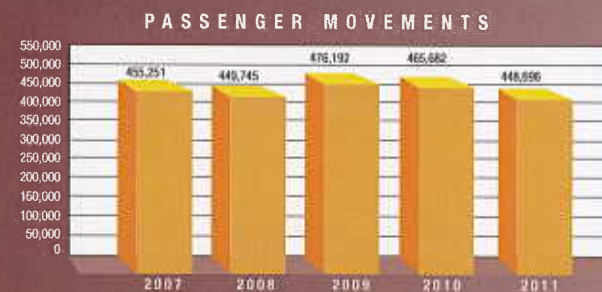
The Greater London international Airport Authority has achieved remarkable and measurable success. The airport is operated as a business and an essential contributor to the region. The vision of the early Chamber of Commerce pioneers of linking London to the World is now a reality.

The airport is poised for continued growth with a new CEO prepared to lead the airport through the next decade. I am proud to have worked collaboratively with Mike Seabrook and the entire airport team for the past twenty years and look forward to watching the continued development and evolution of the London International Airport.

My final thanks are to the customers of the airport and the businesses that operate here. Your continued support and use of services has been critical to our success and will be instrumental in future growth and prosperity for our region.

Fly London First!

Steve Baker
President and Chief Executive Officer



2011 In Review

2011 saw a slight reduction in passenger traffic with 448,696 passengers traveling through the London International Airport compared to 465,682 the prior year. The global recession continued to have an adverse impact on business and leisure travel. Late in 2010 Delta Airlines announced they would be ceasing their direct flight to Detroit from London. Although 50,000 plus passengers utilized this service, Delta made business decisions that were not popular with our community and the loss of service impacted our overall passenger numbers.

United Airlines, which commenced service in 2009 picked up some of the business, however many chose to travel the highway to Detroit. Leakage to US airports is a major problem for Canadian airports that are close to the border and Canadian airports are meeting with invested parties and the government in 2012 in an attempt to address and resolve the issues.

In 2011, West Jet continued with their daily service to Calgary and Winnipeg and added a daily summer service to Vancouver direct. Winter routes saw a return of the weekly Orlando service and in October 2011, new charter air services were introduced to Las Vegas (twice weekly) and Cancun.

Sunwing and CanJet rounded out the winter charters with weekly service to Jamaica, Mexico and Cuba. Sun seekers have been quite happy with the variety of destinations and the ability to fly from home! With the new air services and schedules that were put in place, our winter maintenance crews worked around the clock for the first time in the Authority's history. Twelve hour shifts were put into place with 24/7 coverage and additional seasonal employees were hired to cover the new schedule.



While passenger numbers have been fairly consistent over the past few years, a need for an expanded hold room was identified. With the winter charters the passenger hold room was quite crowded and didn't allow for a comfortable start to one's trip. In 2011 an expansion was completed and allowed for seating of 600 vs 200. Included in the expansion were provisions for additional security measures when needed along with future food, beverage and concession facilities.

A common use terminal system was installed, allowing for future expansion of air services. No longer is one airline required to operate from a specific counter and/or computer. Passengers are able to catch up on the daily news on the new large TV screens located within the lounge and can access free wireless compliments of Bold Street. A second banking machine was situated in the hold room to better serve our passengers. Four jet bridges were installed allowing for the passenger to travel from terminal to aircraft without being exposed to the outdoors.

Aircraft movements were lower than prior years with the closure of one international flight school and the harsh weather experienced in early 2011.

Other changes and activities that GLIAA experienced in 2011 included the replacement of two Pay on Foot stations for parking that allow for the acceptance of debit card payments. A major restoration of Golf Taxiway took place in the summer of 2011 ensuring the taxiway lighting was replaced. All electrical components were replaced as well along with an upgrade to the drainage system.

The Safety Management System (SMS) was introduced in the early 2000s and later legislated through the Aeronautical Act. SMS is a documented process for managing risks that integrates operations and technical systems with the management of financial and human resources to ensure aviation safety and the safety of the public. Over the past several years, GLIAA has been working to put together the GLIAA program. In 2011, phase 3 was completed, inspected and approved by Transport Canada. Staff have been trained and are encouraged to recognize and report safety concerns on a reactive and proactive basis in a non-punitive environment.

The Authority maintained a financially viable operation in 2011 and experienced a surplus of \$1.3 million, which is reinvested into the infrastructure and improvements to customer services. The Airport paid rent for the first time, which is a provision under the Ground Lease held with Transport Canada. Revenue was \$10.14 million compared to \$11.36 million in 2010. Operating expenditures were \$8.96 compared to \$8.70 million in 2010.

At the annual meeting held in May 2011, Steve Baker announced his retirement as President & CEO effective in 2012. Under Steve's 20 years of leadership, the airport has gone from a federally run outdated airport that lost money each year to a financially successful airport authority that has expanded the airport facilities, increased services and usage as well as positioned the airport for emerging opportunities. We wish him well in his retirement. His vision and dedication to the improvement of the London International Airport will be missed.



Airport Community

The Airport commissioned an Economic Impact Study on the Airport and the 50 plus tenants that call YXU their home. The statistics showed the economic impact on the region by the commercial activities at the airport to be in excess of \$350 million with approximately 2,600 jobs. Although the economic situation changed in the world as well as in London the following year the diversification of industry that resides on the properties owned by the airport provided for a stable environment overall.

From one person operations to flight schools to museums and community groups, aviation is more often than not a common thread. A few of these organizations are highlighted in the following paragraphs and photos. Many are open to the public and encourage visitors to come out and see what they have to offer. The airport is an interesting place to visit or to fly from – try us!

427 (London) Wing

With the end of the Second World War, airmen returning home to London wanted to continue their interest in aviation both as flyers and friends. On April 2, 1947, the London Air Force Association was formed and on March 15, 1950, 427 (London) Wing received its Charter from the RCAF and today is one of the leading members of what has now become the Air Force Association of Canada (AFAC), with more than 70 "Wings" across this country.

The building that it occupies on the grounds of the London International Airport was built in 1939-40 as an Airmen's Canteen, a place where wartime personnel could relax and be refreshed, and is believed to be the last representative and still usable building of its kind in Southwestern Ontario. Post-war, it remained in use throughout the Korean and

NATO eras until purchased by 427 Wing on September 1, 1959.

Subsequently, 427 Wing was incorporated under the laws of the province of Ontario, received its Provincial Charter on June 14, 1962. In 1979, the executive purchased a small church on Brydges Street, moved it to the Wing and fastened it to the west side of the original building. This structure was returning to its original location at the airport after being sold to the church years earlier. The plan was to turn it into an RCAF museum, but eventually, the new building was leased to the Royal Canadian Naval Association.

Members enjoy getting together for Friday lunches, a game of cards, dances, fund raising activities, day trips and educating others in the valuable ways in which the RCAF and others have served their country.

Jet Aircraft Museum (JAM)

The JAM mission is to combine the creation and operation of museum housing: aircraft, historical artifacts, records, and salient memorabilia, while simultaneously keeping representative historic aircraft in the air whenever and wherever major aviation events are held across Canada and at appropriate international centres.

This museum exists to create and maintain a dynamic and living history of the modern age Royal Canadian Air Force and to provide permanent honour for those valiant Canadian men and women who flew aircraft with distinction in periods of war, peace, and peace keeping.

The organization that was to become the Jet Aircraft Museum started meeting in the late fall of 2007. An opportunity had materialized for the acquisition of six T-Bird jet aircraft from the Government of Canada. This two seater jet trainer, Canadian built by Canadair in Montreal was the workhorse trainer for Canada's Armed Forces for some 50 years.

In early 2010 the Museum started ground and aircrew training programs and the establishment of rigorous maintenance, service, safety and operational control procedures. Looking to the future the ultimate objective of the Museum is to have one or more flyable versions of major jet aircraft used by Canada's armed forces since Canada entered the military jet age in 1944.

ORNGE

A vital part of Ontario's medical system, Ornge provides sophisticated medical transport for very ill and critically injured patients, in the air and on the ground. Ornge's employees include paramedics, paediatric transport paramedics, transport medicine physicians, and a team of educators and researchers. A not-for-profit, charitable organization, Ornge is responsible for operations including the contracting of flight service providers, medical oversight of all transport medicine paramedics, and screening all transfers of patients between hospitals in Ontario.



Ornge has a fleet, Ontario wide, of 11 Sikorsky S76 helicopters and ten Pilatus PC-12 airplanes. Two of their ten state-of-the-art AgustaWestland 139 helicopters operate out of the London base. Ornge's helicopters, fixed wing aircraft and land vehicles have the capabilities of a mobile hospital and transports more than 19,000 patients every year. The majority are transfers between medical facilities, allowing the patient to access a higher level of care. Ornge also responds to 'scene calls' – with transport medicine paramedics responding to the scene of accidents or injuries, for example traffic accidents.

Unlike emergency medical service providers, Ornge is not accessible to the public through 911. The coordination of Ornge services is the responsibility of the Ornge Communications Centre. When requested by local land

ambulance dispatch centres, an Ornge helicopter will be deployed to respond to an accident or travel to a remote area, if the patient meets the established guidelines for transport.

On-board medical care is made possible by a system featuring round-the-clock teams of transport medicine paramedics with specialized training to care for acute patients in the aero medical environment. Through a multi-system communication network, transport medicine paramedics have constant access to transport medicine physicians on the ground for consultation and to receive medical orders.

Flightexec (Executive Aviation)

Flightexec is one of Canada's premier aviation businesses, offering Corporate and Private Aircraft Charters, Air Ambulance and Aircraft Management and Acquisition services. With bases located at the London International Airport and at Toronto Buttonville, they fly and serve clients throughout Canada, the USA, and International destinations. Their diverse aircraft fleet comprises from Private Luxury Jets to aviation's most efficient Turbo Props.

With over 30 years experience, Flightexec has earned a quiet reputation for providing the world's discerning travelers with the most exclusive level of service in private aircraft travel. The professionals at Flightexec have a special understanding and mandate to meet the unique needs of the most demanding individuals in the world



Flightexec's operating goal is to instill safety, integrity and professionalism in every aspect of its operations so that clients can travel in utmost comfort and convenience, and aircraft owner-clients can rest assured that their aircraft are efficiently managed and maintained beyond industry standards

Diamond Aircraft A Family of Aircraft

The company was founded in Austria in 1981. Ten years later the parent company was purchased by the Dries family with development of the HK36R, a Rotax 912 powered motorglider, which was the precursor to the DV20 Katana, the company's first production general aviation

In 1992, to supply the North American market more directly, the Dries family opened a second manufacturing facility in London, Ontario. The London operation has over 250,000 square feet of state-of-the art production facilities. Within this facility Diamond designs, builds and tests their

aircraft, and with the convenient location at the London airport allows for easy visits of prospective and current owners. The family of aircraft that are produced in London include all five models from the DA20 to the new D-Jet.

Train with the Best – Diamond Flight Centre

Safety goes beyond just a good airplane. Diamond Flight Centre is proud of their safety record, and knows it takes safe pilots to ensure safe flights. Diamond's commitment to quality doesn't stop when they deliver an aircraft. They believe that high quality training is as critical to the owner's safety as a well-designed aircraft.



A network of Diamond Flight Centers (DFC) has been built across North America. DFCs are an exclusive group of schools committed to providing high-quality flight training using Diamond aircraft and Diamond specific flight training simulators. Hand-selected by Diamond and the Diamond Distributors, DFCs meet demanding standards. Diamond requires them to develop and utilize a set of Standard Operating Procedures and structured syllabi focusing on Diamond aircraft, ensuring that the total training experience will be the best in the industry.

Fly-in or drive-in, the Katana Kafe has become 'the' destination for breakfast, lunch or dinner. One can enjoy Chef (and General Manager) Yvonne Vander Vloet's bistro-influenced menu in a relaxed, elegant atmosphere. A largely private import wine list and outdoor patio add to the total experience.

Airplanes and good food are words that do not normally go together... that is until the Katana Kafe is experienced.

Kuehne + Nagel

Over their 120 year history, Kuehne + Nagel has evolved from a traditional international freight forwarder to a leading global provider of innovative and fully integrated supply chain solutions. Since 1890, when the business was founded in Bremen, Germany Kuehne + Nagel has grown into one of the world's leading logistics providers. Today, the

Kuehne + Nagel Group has more than 1000 offices in over 100 countries, with over 63,000 employees. In 2010, Kuehne + Nagel relocated their London branch to the newly constructed Cargo Facility located at the London International Airport.

Browser-based and linked to a single, global operational system, Kuehne + Nagel allows user interaction and information view via the web solution. They also enable receipt and transmission of data via electronic data interchange and the ability to collate this information into reports. Kuehne + Nagel's global logistics network, cutting-edge IT systems, in-house expertise and excellent customer service is proof of their dedication to be the market leader.

Food for Thought – Katana Kafe

Situated in the Diamond Flight Centre off Blair Blvd, the Katana Kafe overlooks the main runway of the London International Airport and uniquely combines the romance of aviation with fabulous food.

In the annual report we have highlighted a few of GLIAA's tenants but there so many more that call YXU home. From a 9 hole golf course that has operated for over 30 years by a single family - to a company that provides aerial photography - to a farmer that ploughs and plants a variety of crops - to a facility that studies realistic damage to homes by the destructive elements of nature - to small individual hangars - the 1400 acres that make up this diverse and interesting community is more than just an airport!

Governance

BOARD OF DIRECTORS

Greater London International Airport Authority

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, Nominating Committee, Advisory Committee on Community and Area Issues*



Janet Stewart, O.C.
(Chair)
Lerner LLP



Jeff Brown
(Vice-Chair)
18 Asset Management Inc.



Bernie Bierbaum
Bluestone Properties



Gary Blazak
University of Western Ontario



Ann Campbell
Nugan District Chamber of Commerce



Rick Coates
Pacific & Western Bank of Canada



Michelle Faysal
Management Effectiveness



Robert Flack
Masterfoods Inc.



Ken Kalopsis
StarTech.com Ltd.



Sandi Firman
Consultant



Rick Witherspoon
Retired

Executive Team



Steve Baker
President and
Chief Executive Officer



Michael Seabrook
Vice President



Janet Carr
Director, Finance &
Human Resources

Director and Executive Team Compensation

Directors' Compensation (Annual Retainer) Chairman: \$20,000 Director: \$10,000

Fees:

Board Meeting and Committee Meetings - \$800 and \$500 per meeting respectively.

Executive Team's Compensation

The annual compensation for the three senior managers for the year ending December 31, 2011 was \$494,262.

Corporate Offices

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London, ON N6A 5S7



Greater London International Airport Authority

December 31, 2011

Independent Auditors' Report

To the members of the
Greater London International Airport Authority

We have audited the accompanying financial statements of the **Greater London International Airport Authority**, which comprise the statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Greater London International Airport Authority** as at December 31, 2011 and 2010, and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and 2010 in accordance with Canadian accounting standards for not-for-profit organizations.

London, Canada,
March 22, 2012.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Greater London International Airport Authority

Incorporated without share capital under the laws of Canada

Statement Of Financial Position

	December 31 2011 \$	December 31 2010 \$	[note 2(a)] January 1 2010 \$
ASSETS			
Current			
Cash [note 3]	1,150,361	1,150,173	1,719,213
Accounts receivable	719,871	1,244,804	1,131,085
Prepaid expenses and deposits	81,085	147,743	142,789
Total current assets	1,951,317	2,542,720	2,993,087
Accrued pension asset [note 8]	1,449,000	1,332,000	1,199,000
Capital assets, net [note 4]	47,484,036	45,731,861	30,718,625
Cash and marketable securities restricted for capital purposes [note 3]	2,000,000	1,500,000	2,000,000
	52,884,353	51,106,581	36,910,712
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities	625,632	2,483,876	518,048
Construction holdback payable	—	520,750	—
Current portion of long-term debt [note 5]	975,241	825,241	744,444
Deferred revenue	17,260	44,855	16,480
Total current liabilities	1,618,133	3,874,722	1,278,972
Long-term debt [note 5]	14,647,271	12,641,715	13,466,956
Deferred contributions [note 6]	12,623,099	11,936,494	2,350,665
Total liabilities	28,888,503	28,452,931	17,096,593
Net assets	23,995,850	22,653,650	19,814,119
	52,884,353	51,106,581	36,910,712

See accompanying notes

On behalf of the Board:

Director



Director



Statement Of Changes In Net Assets

Year ended December 31	2011 \$	2010 \$
Balance, beginning of year	22,653,650	19,814,119
Surplus for the year	1,342,200	2,839,531
Balance, end of year	23,995,850	22,653,650

See accompanying notes

Statement Of Operations

Year ended December 31

	2011 \$	2010 \$
REVENUES		
Airport improvement fees	3,254,971	3,657,088
Concessions	2,838,739	3,016,474
Landing and terminal fees	2,588,280	3,142,127
Security	714,514	772,912
Rentals	599,632	678,601
Other	142,678	94,031
	10,138,814	11,361,233
EXPENDITURES		
Salaries and wages	2,036,751	2,095,382
Amortization of capital assets	1,726,271	1,493,688
Interest expense <i>[note 5]</i>	825,774	801,291
Contracted services	809,322	848,233
Benefits	717,696	618,598
Municipal taxes	610,129	581,075
Utilities	464,049	405,679
Contracted maintenance	324,306	300,642
Office and administration	269,713	381,628
Vehicle	245,681	191,518
Directors' fees and expenses	197,887	192,590
Repairs, maintenance and equipment rentals	195,214	200,476
Materials and supplies	157,324	143,238
Insurance	150,134	148,835
Professional Fees	120,771	95,158
Transport Canada Rent <i>[note 1]</i>	55,000	—
Advertising and business development	52,785	206,019
	8,958,807	8,704,050
Surplus of revenues over expenditures before the following	1,180,007	2,657,183
Investment income	55,063	50,073
Amortization of grants <i>[note 6]</i>	133,000	132,275
Loss on disposal of capital assets	(25,870)	—
Surplus for the year	1,342,200	2,839,531

See accompanying notes

Statement Of Cash Flows

Year ended December 31

	2011 \$	2010 \$
OPERATING ACTIVITIES		
Surplus for the year	1,342,200	2,839,531
Add (deduct) items not involving cash		
Amortization of capital assets	1,726,271	1,493,688
Loss on disposal of capital assets	25,870	—
Amortization of grants	(133,000)	(132,275)
Increase in accrued pension asset	(117,000)	(133,000)
	2,844,341	4,067,944
Net change in non-cash working capital balances related to operations <i>[note 7]</i>	(99,216)	680,498
Cash provided by operating activities	2,745,125	4,748,442
INVESTING ACTIVITIES		
Purchase of capital assets	(3,507,916)	(16,506,924)
Proceeds on disposal of capital assets	3,600	—
Cash used in investing activities	(3,504,316)	(16,506,924)
FINANCING ACTIVITIES		
Airport terminal expansion payable	(1,195,032)	1,195,032
(Decrease) Increase in construction holdback payable	(520,750)	520,750
Repayment of long-term debt	(844,444)	(744,444)
Increase in long-term debt	3,000,000	—
(Increase) decrease in cash and marketable securities restricted for capital purposes	(500,000)	500,000
Increase in deferred contributions <i>[note 6]</i>	819,605	9,718,104
Cash provided by financing activities	759,379	11,189,442
Net increase (decrease) in cash and marketable securities during the year	188	(569,040)
Cash and marketable securities, beginning of year	1,150,173	1,719,213
Cash and marketable securities, end of year <i>[note 3]</i>	1,150,361	1,150,173

See accompanying notes

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 provided 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. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

[a] First-time adoption of accounting standards for not-for-profit organizations

These financial statements are the first financial statements that the Authority has prepared in accordance with Part III of the CICA Handbook - Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada ["GAAP"]. In preparing its opening statement of financial position as at January 1, 2010 [the "Transition Date"], the Authority has applied Section 1501, First-time Adoption by Not-for-profit Organizations, retrospectively using the following four principles such that it has:

- [i] Recognized all assets and liabilities whose recognition is required by GAAP;
- [ii] Not recognized items as assets or liabilities if GAAP does not permit such recognition;
- [iii] Reclassified items recognized previously as one type of asset, liability or component of net assets, but are now recognized as a different type of asset, liability or component of net assets; and
- [iv] Applied GAAP in measuring all recognized assets and liabilities.

The accounting policies that the Authority has used in the preparation of its opening statement of financial position through the application of these principles has resulted in an adjustment to balances which were presented in the statement of financial position prepared in accordance with Part V of the CICA Handbook - Accounting ["Previous GAAP"]. This adjustment was recorded directly to the Authority's net assets at the Transition Date using the transitional provisions set out in Section 1501 and is described below.

Section 1501 provides a number of elective exemptions from the retrospective adoption of GAAP. The Authority has not elected to use any available transition exemptions.

The following table sets out a reconciliation of net assets as at January 1, 2010 as presented under Previous GAAP with those computed under GAAP. Surplus for the year ended December 31, 2010 as presented under Previous GAAP was unaffected by the adoption of GAAP.

	Net assets as at January 1, 2010 \$
Net assets - Previous GAAP	17,914,913
Interest rate swap - qualifying hedge relationship	1,899,206
Net assets - GAAP	19,814,119

At the Transition Date, the Authority was party to an interest rate swap agreement designated as a hedging item that, under Previous GAAP, was carried at fair value on the statement of financial position with changes in fair value recorded in net assets. Under GAAP, interest rate swaps in qualifying hedging relationships are not recognized until their maturity. The derecognition of the interest rate swap at the Transition Date resulted in an increase to net assets by an amount of \$1,899,206 and an elimination of the interest rate swap liability.

[b] Use of estimates

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.

[c] Income and revenue recognition

The Authority follows the deferral method of accounting for contributions. Externally restricted contributions such as governmental 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.

Airport Improvement Fees ["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.

[d] Financial instruments

The carrying values of cash, restricted cash, accounts receivable and accounts payable and accrued liabilities are considered to approximate their fair values due to the immediate or short-term maturity of these instruments. Marketable securities are recorded at fair value.

[e] Derivative financial instruments and hedge accounting

The Authority uses an interest rate swap to mitigate the effect of changes in interest rates on variable-rate debt. When both at the inception of a hedging relationship and throughout its term, the Authority has reasonable assurance that the critical terms of the hedging item and the hedged item are the same, the Authority may choose to designate that hedge accounting will be applied. The Authority then formally documents the hedging relationship, identifying the hedged item, the related hedging item, the nature of the specific risk exposure or exposures being hedged and the intended term of the hedging relationship.

Interest rate swaps in qualifying hedging relationships are not recognized until their maturity. Interest on the debt is recorded at the stated interest rate plus or minus amortization of any initial premium or discount and any financing fees and transaction costs. Net amounts receivable or payable on the interest rate swap are recognized as an adjustment to the interest expense on the hedged item in the period during which they accrue.

Hedge accounting may not be electively discontinued. If an interest rate swap is discontinued, any gain or loss is recognized as an adjustment to the debt and amortized to surplus as interest payments are accrued. If the debt is derecognized, the interest rate swap is measured at fair value and any gain or loss is recognized in operations.

[f] 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.

In 2010 the construction of an International Air Freight Transshipment Centre ["Gateway"] took place. Contributions from the federal government and the City of London were provided to assist in the development of the project. The Gateway project will have an effective accounting completion date at the earlier of 75% occupancy of the facility and related lots or two years from substantial completion. Prior to that time, the cost of the project will be adjusted by the net operating income or loss.

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

[g] Pension obligations

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

The Authority accounts for its defined benefit plan using the deferral and amortization approach. 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.

3. CASH AND MARKETABLE SECURITIES

Cash and marketable securities consist of the following:

	2011 \$	2010 \$
Cash	2,507,097	1,796,909
Marketable securities	643,264	853,264
	3,150,361	2,650,173
Less restricted for capital purposes	2,000,000	1,500,000
	1,150,361	1,150,173

Marketable securities consist of fixed income, government and corporate bonds bearing interest at rates ranging from 4.3% to 4.9% and having maturity dates ranging from December 3, 2013 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 March 2010 the Board of Directors approved the use of \$500,000 in the Air Terminal Expansion which was drawn on in early 2011. At year end in 2011, the Board of Directors approved the transfer of an additional \$1,000,000 to restricted cash for capital purposes.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2011		2010	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Office furniture and equipment	82,831	49,513	82,086	46,784
Terminal furniture and fixtures	373,805	113,606	204,567	73,718
Shop equipment	314,174	174,358	338,603	176,915
Mobile equipment	5,245,999	2,023,445	5,237,780	1,845,817
Computer software	47,261	39,308	45,943	35,510
Computer hardware	95,407	51,849	148,133	110,965
Pavement leasehold improvements	2,179,200	1,064,818	2,108,546	926,036
Structural leasehold improvements	32,858,308	5,842,287	26,072,988	4,903,740
Security equipment	728,259	336,314	714,768	281,569
Baggage system	3,405,355	999,429	3,367,646	846,621
Gateway Project	11,087,270	—	10,769,205	—
Land leasehold improvements and land transfer tax	2,212,851	451,757	1,806,730	391,271
	58,630,720	11,146,684	50,896,995	9,638,946
Less accumulated amortization	11,146,684		9,638,946	
Construction-in-progress	—		4,473,812	
Net book value	47,484,036		45,731,861	

Cumulative expenditures on qualifying Airport infrastructure projects, from inception of the AIF, including eligible debt service costs, amount to \$35,778,432. During the same period, cumulative AIF revenue was \$29,216,029.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	2011 \$	2010 \$
Promissory note [a]	403,985	403,985
Demand instalment loan [b]	15,218,527	13,062,971
	15,622,512	13,466,956
Less current portion	975,241	825,241
	14,647,271	12,641,715

[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 instalments of \$80,797 commencing 2012.

[b] The demand instalment loan is comprised of three non-revolving credit facilities that assisted in financing of the Air Terminal Building expansion. The first facility, having an outstanding balance of \$9,968,560 [2010 - \$10,513,000], bears interest at the bank's prime rate minus 15 basis points and is repayable in monthly principal payments based on the following installment schedule:

	\$
March 2009 - February 2013	45,370
March 2013 - February 2018	64,815
March 2018 - February 2023	90,741

The Authority has entered into and designated as a hedging item, 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 the bank's prime rate minus 15 basis points for a fixed rate of 6.09%. As at December 31, 2011, the swap had a fair value of \$2,554,201 [2010 - \$2,028,445] in favour of the lender. The fair value of interest rate swaps generally reflect the estimated amount that the Authority, if required to settle the outstanding contract, would be required to pay at year end.

The second non-revolving facility having a balance outstanding of \$2,349,967 [2010 - \$2,549,971] bears interest at the bank's prime rate minus 15 basis points and is payable in monthly payments of principal of \$16,667 plus interest.

A third credit facility was approved in 2010 to provide financing for the Passenger Hold Room expansion that commenced in 2010. A \$3,000,000 non-revolving facility was advanced in 2011 with interest payable at the bank's prime rate minus 15 basis points. The balance outstanding as at December 31, 2011 is \$2,900,000 [2010 - nil] and is payable in monthly payments of principal of \$12,500 plus interest.

The facilities are subject to a financial covenant in the form of a cash coverage ratio. The Authority was in compliance at year end.

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, the loan has been classified as long-term. As at December 31, 2011, the fair value of these facilities approximates their carrying value. The lender has taken as collateral a first charge mortgage for \$18,000,000 over property at 1750 Crumlin Road.

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 minus 15 basis points.

6. DEFERRED CONTRIBUTIONS

The balance of deferred contributions consists of the following:

	2011 \$	2010 \$
[i] Security grant	249,702	265,040
[ii] Canadian Air Transport Security Authority ['CATSA']	1,873,397	1,953,350
[iii] Gateway	10,500,000	9,718,104
Total	12,623,099	11,936,494

[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.

	2011 \$	2010 \$
Security grant, beginning of year	265,040	280,378
Amortization during the year	(15,338)	(15,338)
Security grant, end of year	249,702	265,040

[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. In 2011, additional funding was received from CATSA for an upgrade to the existing hold baggage system.

	2011 \$	2010 \$
CATSA funding, beginning of year	1,953,350	2,070,287
CATSA contribution	37,709	—
Amortization during the year	(117,662)	(116,937)
CATSA funding, end of year	1,873,397	1,953,350

[iii] Gateway funding

In 2010, the Authority received funding from the Federal Economic Development Agency for Southern Ontario ["FedDev"] and the City of London to partially fund the capital costs associated with the construction of an International Air Freight Transshipment Centre. In 2011 the balance of the \$8 million commitment from the Federal Economic Development Agency was received.

	2011 \$	2010 \$
Gateway funding, beginning of year	9,718,104	—
FedDev contribution	781,896	7,218,104
City Of London contribution	—	2,500,000
Gateway funding, end of year	10,500,000	9,718,104

7. STATEMENT OF CASH FLOWS

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

	2011 \$	2010 \$
Decrease (increase) in current assets		
Accounts receivable	524,933	(113,719)
Prepaid expenses and deposits	66,658	(4,954)
	591,591	(118,673)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(663,212)	770,796
Deferred revenue	(27,595)	28,375
	(690,807)	799,171
	(99,216)	680,498

8. EMPLOYEE BENEFIT PLANS

	2011 \$	2010 \$
[a] Defined benefit pension plan asset	1,599,000	1,481,000
[b] Supplemental pension plan obligation	(150,000)	(149,000)
Accrued pension asset, net	1,449,000	1,332,000

[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, 2011 and extrapolated to December 31, 2011.

[i] Pension expense for the defined contribution plan is \$53,167 [2010 - \$53,989].

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

	2011 \$	2010 \$
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation, beginning of year	6,995,000	6,384,000
Authority service cost	48,000	58,000
Employee service cost	13,000	14,000
Interest cost	378,000	392,000
Benefit payments	(336,000)	(343,000)
Actuarial losses	183,000	490,000
Benefit obligation, end of year	7,281,000	6,995,000
CHANGE IN PLAN ASSETS		
Fair value of plan assets, beginning of year	6,509,000	5,822,000
Actual return on plan assets	99,000	565,000
Authority contributions	434,000	451,000
Employee contributions	13,000	14,000
Benefit payments	(336,000)	(343,000)
Fair value of plan assets, end of year	6,719,000	6,509,000

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

	2011 %	2010 %
Equity securities	59.9	63.7
Debt securities	33.1	36.3
Other	7.0	—

The following table provides the components of net pension expense:

	2011 \$	2010 \$
Authority service cost	48,000	58,000
Interest cost	378,000	392,000
Expected return on plan assets	(427,000)	(382,000)
Amortization of unamortized net actuarial loss	317,000	249,000
Net pension expense	316,000	317,000

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

	2011 \$	2010 \$
Accrued benefit asset, beginning of year	1,481,000	1,347,000
Pension expense for the year	(316,000)	(317,000)
Authority contributions	434,000	451,000
Accrued benefit asset, end of year	1,599,000	1,481,000

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit asset under the defined benefit pension plan as at December 31, 2010 are as follows:

	2011 %	2010 %
Discount rate	5.10	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.

	2011 \$	2010 \$
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation, beginning of year	165,000	150,000
Interest cost	9,000	9,000
Benefit payments	(8,000)	(8,000)
Actuarial loss during the year	9,000	14,000
Benefit obligation, end of year	175,000	165,000

The following table provides the components of net pension expense:

	2011 \$	2010 \$
Interest cost	9,000	9,000
Net pension expense	9,000	9,000

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

	2011 \$	2010 \$
Accrued benefit obligation, beginning of year	149,000	148,000
Pension expense for the year	9,000	9,000
Contributions by the Authority	(8,000)	(8,000)
Accrued benefit obligation, end of year	150,000	149,000

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

9. 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, 2011, 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, six customers represent 83% [2010 - five customers represent 74%] of the trade accounts receivable balance as at December 31, 2011. The maximum credit risk represents the full amount of the accounts receivable. 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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