

Start Here, Go Anywhere.



London International Airport
2023 Annual Report

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OUR AIRPORT

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

2023

AIRLINES

Air Canada, WestJet, Flair,
Air Transat, Sunwing

ANNUAL PASSENGERS

332,447

AIRCRAFT MOVEMENTS

105,371

CAPITAL INVESTMENTS

\$3.25 M

TENANTS

60+

YXU





MESSAGE FROM THE CHAIR AND PRESIDENT

The Greater London International Airport Authority (GLIAA) continued its growth and path to recovery in 2023, marking it the best year for the airport since 2019. While there is still a lot of work ahead, the airport management team and board of directors remain optimistic regarding the future of the airport.

Following growth of over 220% in passenger volume in 2022, the London International Airport experienced continued passenger growth in 2023. A further increase of nearly 50% in 2023 led to a total passenger count of over 332,000 passengers. There continues to be an uneven recovery by airports across Canada and the world, with the larger “hub” airports recovering faster than the regional airports, like GLIAA. With an ever-changing dynamic in the 2023 Canadian airline industry, including the loss of discount carrier Swoop, airline crew shortages and significant aircraft delivery delays, the further growth of passenger services will remain challenged in the years ahead for regional airports.

While industry headwinds remain a challenge for the London International Airport, there is renewed optimism for the airport - with a strong strategic plan underpinning an aggressive approach to growth, and business development across several strategic areas.

The London International Airport continued its diligent fiscal management, lean staffing and targeted cost control measures across the organization in 2023, which can be seen in the improved financial results over 2022. The GLIAA was able to exceed budget targets, ending the year with over \$8.8M in revenue, compared to a budget target of \$7.4M and an operating surplus before amortization of \$1.1M compared to a budget of \$0.7M. The GLIAA also maintained a strong cash position, ending the year with over \$3.1M in cash and marketable securities. While these results show remarkable improvement over the same period in 2022, the bottom line remained negative with an overall deficit of (\$1.5M).

In addition, the London International Airport continued to invest in critical capital and infrastructure. The delivery of a new aircraft rescue and firefighting (ARFF) vehicle and snowplow truck and sweeper train helped strengthen the airport operations and position our airport for the future. The GLIAA would like to thank the Government of Canada, for the Airports Capital Assistance Program funding towards these acquisitions, including the ARFF vehicle (\$1.1M), the plow truck and a sweep train (\$395 thousand), and finalization of the main runway rehabilitation project (\$480 thousand). These investments are crucial to the long-term positioning of the airport to maintain safe and efficient operations.

The GLIAA continued to set new records with respect to the number of aircraft movements in 2023. The airport finished the 2023 year with a record of

105,371 movements, compared to the previous record in 2022 of 91,103, marking a significant growth of 16%. This activity was driven largely by the significant growth in flight training, with both Western University and Fanshawe College aviation programs continuing to see rapid growth. In addition, the continued growth and success of the International Test Pilot School, helped contribute to these growing figures, along with increased cargo and business aviation traffic. We expect to continue to see growth opportunities across all these sectors in the years to come.



Our airline partners also continued to experience growth at GLIAA in 2023. Additional service and frequency were added by Air Canada, WestJet, Sunwing and Air Transat. While the loss of Swoop impacted many regional airports, the addition of Flair helped to fill this gap in our market and provide options for passengers in our community. We look forward to continued growth with our airline partners in the years to come.

The London International Airport continued to develop and diversify revenue with land development. Two industrial warehouse facilities were constructed, along with a new headquarter building for London Paving and construction of additional general aviation hangars on the property. GLIAA continues its discussions with several potential developments, both large and small, and the future of land development looks promising for strong growth.

The GLIAA remains committed to our strategic plan with a strong vision and aggressive approach to growth and business development across several strategic areas. With a mission to aggressively contribute to driving the region's economic prosperity through the relentless pursuit of aviation, academia, training, and commercial development; while focusing on first class customer service, the GLIAA is setting the stage for continued growth.

The GLIAA airport completed a staff reorganization in 2023, which better aligns our management and staff to the current growth and opportunities in the future.

The team at GLIAA has never been stronger and committed to driving success and delivering world-class customer service. The GLIAA Board of Directors remains supportive and committed to effective governance of the organization and we would like to thank them for their dedication and support over the past year. A special thank you to our new Board Chair, Gus Kotsiomititis, for his strong leadership and tremendous support of our CEO and the airport.

The GLIAA is positioned well to execute on its strategic growth plans that will serve to benefit the airport, the City of London and the Southwestern Ontario region, now and into the future. The continued drive to diversify its revenue base, and aggressively pursue new business opportunities remains a core strength of the airport and is key to ensuring its long-term success. We look forward, with optimism, to the continued growth of the London International Airport and supporting its key role in driving connectivity, economic benefit and growth for the region.

Sincerely,

Scott and Gus

A blue ink signature of Scott McFadzean, written in a cursive style.

Scott McFadzean
President & CEO

A black ink signature of Gus Kotsiomititis, written in a cursive style.

Gus Kotsiomititis
Board Chair

STRATEGIC PLAN



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

OUR VISION

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



OUR MISSION

CORE VALUES

ECONOMIC GROWTH AND COMMUNITY PARTNERSHIP

Grow our business and support community and tourism through partnerships, advocacy, innovation, and communication.

UNCOMPROMISING CUSTOMER EXPERIENCE

Focus on a positive and “can do” attitude in all relationships and focus on understanding, engaging and responding to exceed all customer expectations.

ADAPTABILITY

Understand underlying risks, proactively plan for the unexpected and adapt change to survive and grow

SAFETY AND SECURITY

Ensure compliance with regulatory obligations, while focusing on the safety and security of airport users, airport assets and staff.

SUSTAINABILITY

Focus on the financial health of the airport and duty of care to the environment, the organization, and our families.

TEAMWORK

We are stronger when we work together. Promote and act with fairness, integrity, dignity and respect for ourselves and others.





STRATEGIC PILLARS



AIRLINE PARTNERS

Thank you to our airline partners for their commitment to the London International Airport and the region of southwestern Ontario



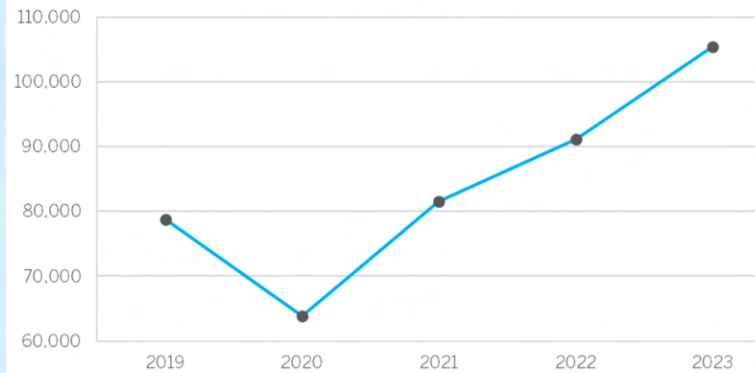
AIRCRAFT MOVEMENTS

2023 was a record breaking year for YXU aircraft movements with a growth of 16% over 2022.

Continued growth of flight training with both Western University and Fanshawe College was a key contributor, along with the growth of the International Test Pilot School, Diamond Aircraft Industries, Cargo and Business jet activity.



Total Aircraft Movements
2019 - 2023



TERMINAL UPDATES

The London International Airport invested in updating our terminal, adding the YXU Market to ensure a welcoming and inviting terminal for our passengers and guests to enjoy local food and beverages.



LAND DEVELOPMENT

The London International Airport welcomed multiple new building developments in 2023 adding to the growing tenant base at YXU. Several other land development projects are in process and additional developments are planned to be built in 2024 and beyond.



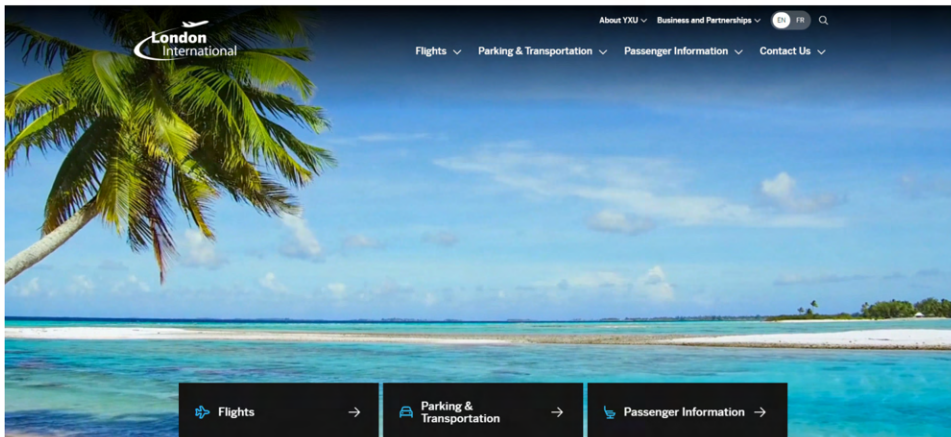
NEW EQUIPMENT

The Greater London International Airport continued to invest in capital improvements to ensure the safe and efficient operations of our airport. We want to thank Transport Canada and the Government of Canada for assistance through the Airports Capital Assistance Program (ACAP) funding towards these investments:

Fire Truck \$1.1M ACAP Funding

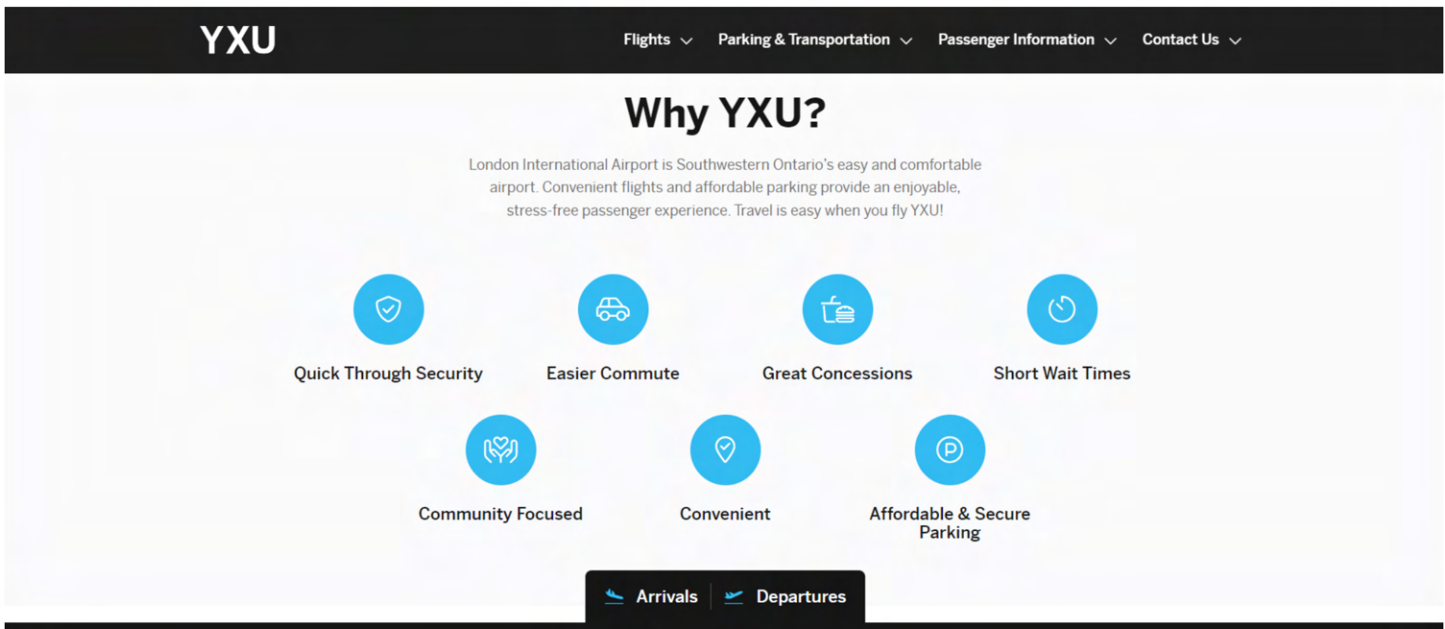
Snow Plow and Sweeper \$395 Thousand ACAP Funding





FLYYXU.CA

This year, we brought our Easy & Comfortable passenger experience online, by launching a new user-friendly website. Information is accessible, bilingual, easy to navigate and continually updated with the latest news and destinations.



OUR COMMUNITY

LONDON, ONTARIO

The London International Airport is all about serving and supporting our community. In 2023, YXU hosted and participated in multiple charity events, including;

- Airshow London
- Free recreational facilities for the public, including Pickleball, Beach Volleyball, Outdoor skating/hockey and our plane spotting park
- Ukrainian MiG-29 Premiere at Jet Aircraft Museum
- Jordan's Run the Runway for YMCA Camp Queen Elizabeth
- Pull-a-Plane to Defeat Duchene
- Drive-in Movie for Children's Health Foundation
- Toy Drive for Toys for Tots
- Coat and Winter Item donations for Boys and Girls Club
- Food Drive for London Food Bank
- Charity BBQ's supporting the Canadian Cancer Society
- The Art Easel Program to Support Canadian Armed Forces members and families
- Air Cadet Annual Parade





UNDER THE STARS

The inaugural event Under the Stars, a drive-in movie night with bonus planespotting, raised funds in support of Children's Health Foundation and TVCC.

RUN THE RUNWAY

In 2023, Jordan's Run the Runway reached the 10-year milestone of raising one million dollars to support the YMCA's Camp Queen Elizabeth!



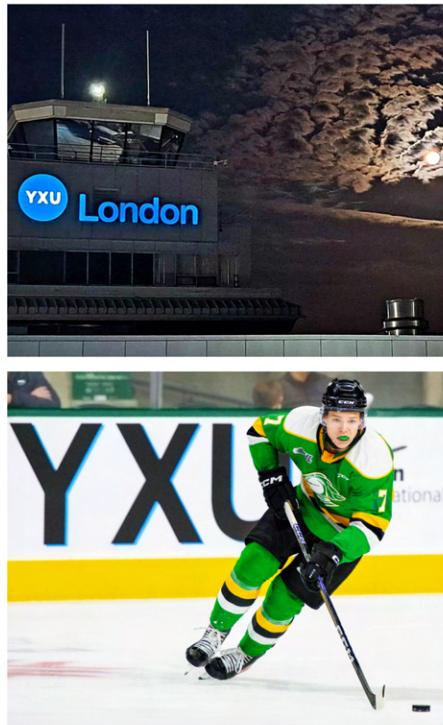
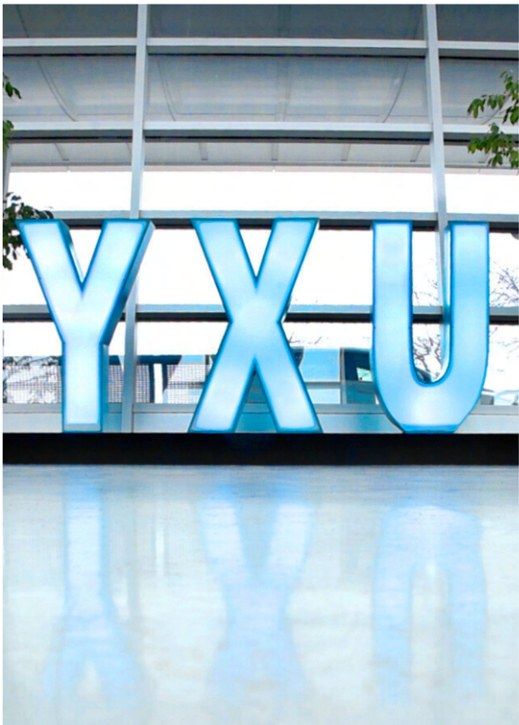
Cameron Ernst

AIRSHOW LONDON

The 2023 Airshow London, was again named the Best Airshow in North America by USA today for the 2nd year in a row. Over 40,000 attendees from all provinces, 27 US states and 17 different countries came to enjoy 3 fun-filled days of amazing aerial acts and tremendous aircraft static displays. The proceeds from the 2023 Airshow London went to supporting the Children's Health Foundation, Western University Aviation, Thames Valley District High School Women in Aviation Day and St. Joseph's Healthcare Foundation.

OUR CODE

YXU not only represents London International Airports official ICAO airport code (CYXU), but it is also our unique brand identity that we have owned and promoted throughout the community in our marketing, branding and collaborations.

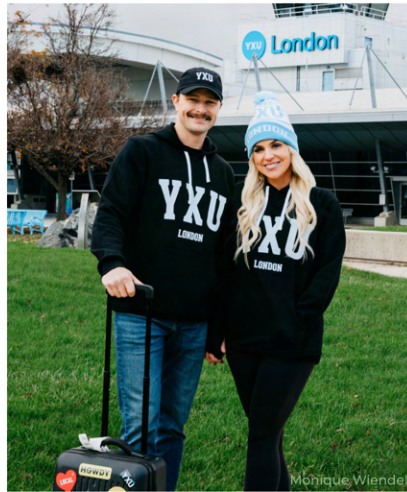


Monique Wiendels

LOCAL COLLABORATIONS

Supporting local is fundamental to building a strong community. The London International Airport was proud to collaborate with some iconic local brands in 2023 including:

- YXU Merchandise with Illbury + Goose
- YXU "Take Off" Cream Ale with Powerhouse Brewing Company
- The Modern Mom Show
- London Knights - Flight Deck
- Boler Mountain - West Hill Takeover



OUR TEAM

The London International Airport is honoured to have such a dedicated, professional and hardworking team at the airport. Our team goes above and beyond daily to ensure a safe, friendly and efficient airport operation and provides our passengers, guests and tenants with an exceptional level of service.

It's no coincidence that we are known as Southwestern Ontario's Easy and Comfortable airport – our staff ensures we live up to this every day!



I would like to thank our tremendous YXU team for all of their hard work and dedication to our airport. Your support of our operations, passengers and community is unwavering and I sincerely appreciate everything you do on a daily basis.



- **Scott McFadzean** President & CEO



MANAGEMENT

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



Scott McFadzean

President & CEO



Gerry Vanderhoek

Director, Commercial
& Air Services



Laura Shepherd

Director, Operations



Marc Bricker

Director, Finance &
Human Resources

BOARD OF DIRECTORS

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

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

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





Gus Kotsiomitris

BA, MBA, ICD GEP

Board Chair
(and Ex Officio all committees)



Don Bryant

BA, LLB

Past Chair,
Finance Committee Recording
Secretary, Governance and
Human Resources Committee
Recording Secretary



Michelle Campbell

BA, MPNL, FAHP, ICD.D

Vice Chair, Finance Committee
Member, Governance and
Nominating Committee Chair



Elizabeth Cormier

LLB

Governance and Human
Resources Committee
Member



John Stein

CPA, CA

Treasurer, Finance and Audit
Committee Chair,
Governance Committee
Member



Bob Hammersley

Diploma Communication Arts

Governance and Human
Resources Committee Member



**Maureen
O'Leary-Pickard**

BA, CHRL

Human Resources and
Community Consultative
Committee Chair, Finance
Committee Member



Stephene Ashikwe

BS, MBA

Finance Committee Member



Alan Shepard

PhD, BA

Governance Committee Member

DESTINATIONS IN 2023

● **flair** ● **airlines™**

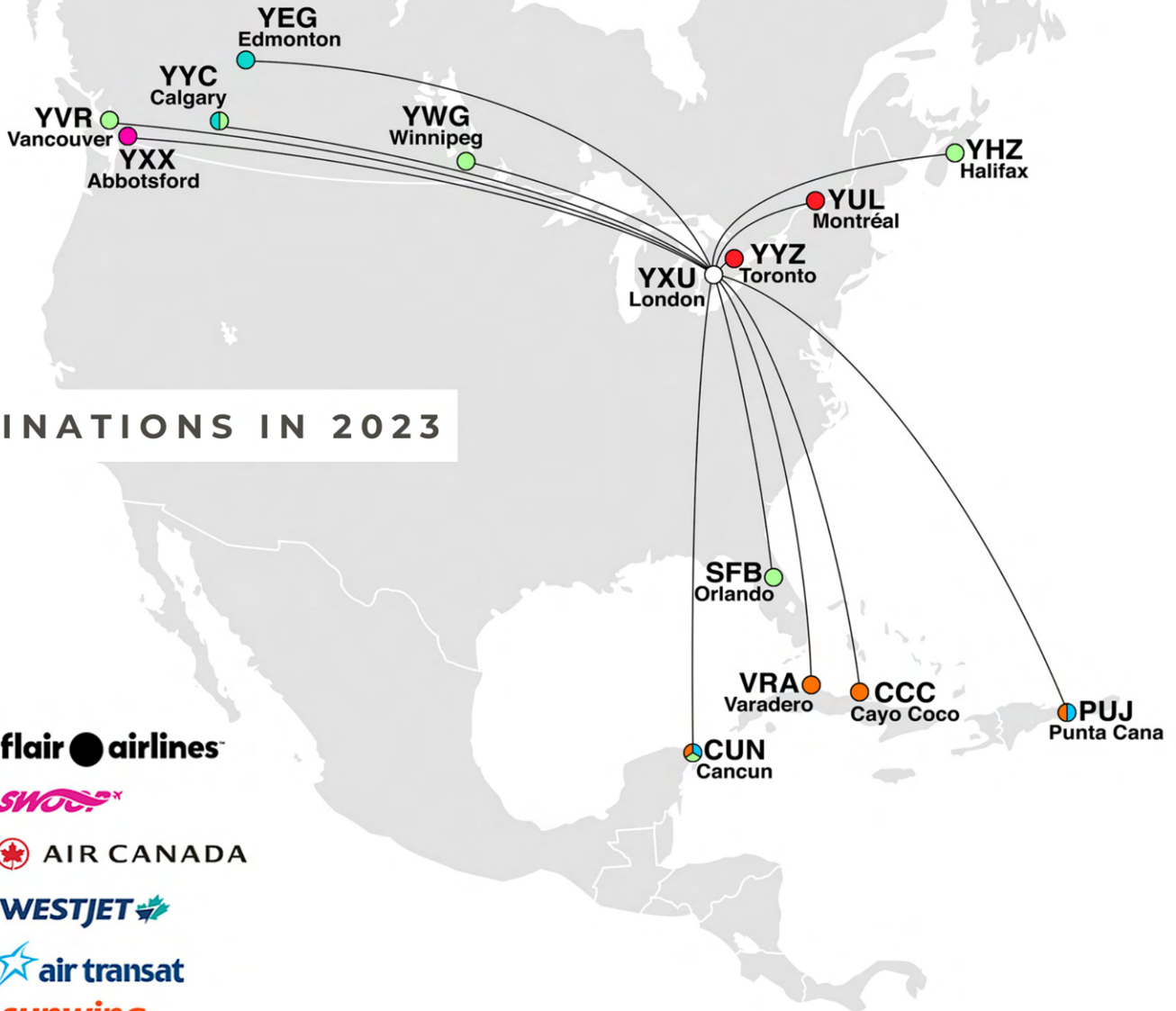
● **SWIFT**

●  **AIR CANADA**

● **WESTJET** 

●  **air transat**

● **sunwing**





FINANCE

HIGHLIGHTS

- Passenger volumes increased by 45% to 332,000 in 2023 compared to 2022 volumes as recovery from the pandemic continues.
- Revenue for the year increased 61% over 2022 with a 2023 operating surplus of \$1.18M. After reductions for the impact of non-cash items like amortization it resulted in a net deficit of \$1.40M.
- Our Airport Improvement Fee was increased to \$12 in 2023 and remains one of the lowest in Canada.

CAPITAL INITIATIVES

More than \$79.64M has been invested in capital improvements to the facility since GLIAA assumed operations of YXU in 1998. During this year \$3.25M was invested in capital assets.



Nicholas Chute

SOLE SOURCE CONTRACTS OVER \$75,000

GLIAA is committed to doing business locally and in a competitive fashion. All projects with a value in excess of \$132,000 (\$75,000, base year 1998 = 100 CPI annually adjusted) require a public tender or request for proposal. As a general practice contracts for goods, services, and construction services over \$132,000 will be awarded through a competitive process to the lowest bidder or to the proposal offering the best overall value, except in specified circumstances.

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

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

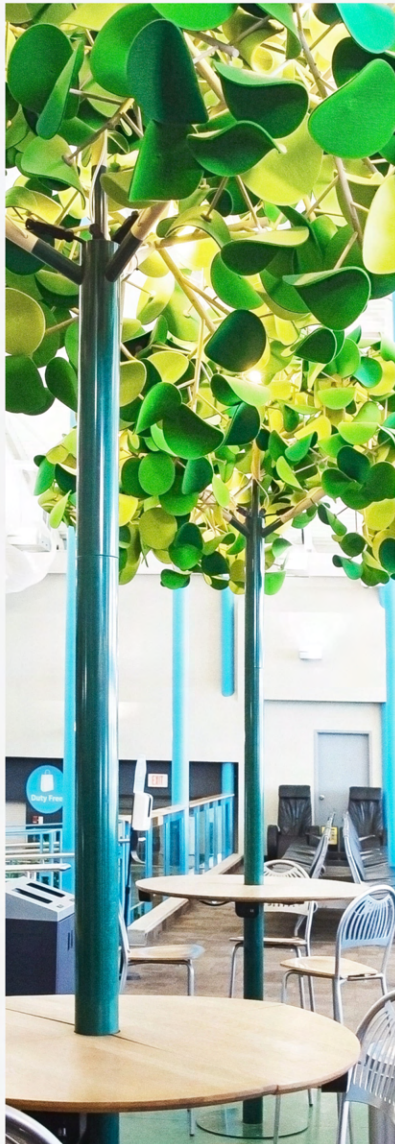
During 2022 there was one contract awarded that was in excess of \$132,000 that was not awarded based on a public competitive process. This was awarded to Precise Park link related to hardware and software upgrades to the existing parking system utilized by the airport. This sole source was required to ensure integration and functionality with existing systems already installed.

REMUNERATION

The annual compensation for the Board of Directors, consisting of an annual retainer and per diem meeting fees for the year ending December 31, 2023 was \$190,000. The annual compensation for the management team for the year ending December 31, 2023 was \$727,000.

ETHICAL BUSINESS CONDUCT

GLIAA has established and maintains a comprehensive Code of Conduct. All Directors and Officers have completed Disclosure Statements and there were no instances of real or potential Conflicts of Interest brought forward to the Board during 2023.



RENT TO THE FEDERAL GOVERNMENT

Rent payments have been waived by the Federal government during 2023 related to the pandemic and will resume in 2024.

2023 ACTUAL VS. BUSINESS PLAN (SHOWN IN THOUSANDS \$)

	Actual	Plan	Difference	Explanation
Revenue (note 1)	\$8,855	\$7,376	\$1,479	Increases to user fees and overall utilization of airport services such landing fees, parking, and airport concessions.
Expenses (note 2)	\$7,677	\$6,655	\$1,022	Inflationary cost increases and higher interest rates, offset in part by cost reduction efforts
Capital	\$3,250	\$1,900	\$1,350	Increase due to prior year capital project deferral.

BUSINESS PLAN FORECAST 2023 – 2028

	2024	2025	2026	2027	2028
Revenue (note 1)	\$8,065	\$8,872	\$9,759	\$10,735	\$11,808
Expenses (note 2)	\$7,442	\$8,186	\$9,005	\$9,905	\$10,896
Capital	\$6,523	\$1,187	\$1,822	\$19,504	\$617

NOTES:

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

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

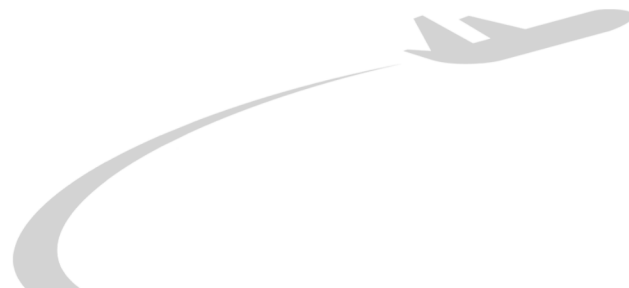
The Board of Directors has appointed an Audit and Finance Committee consisting of five Board directors. The Committee meets periodically throughout the year to review with management and the auditors any significant accounting, internal control and auditing matters. They also review and finalize the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

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

On behalf of the Greater London International Airport Authority



Scott McFadzean
President & CEO
March 28, 2024



INDEPENDANT AUDITOR'S REPORT

To the Members of
Greater London International Airport Authority

Opinion

We have audited the financial statements of Greater London International Airport Authority [the "Authority"], which comprise the statement of financial position as at December 31, 2023, and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

London, Canada
March 28, 2024

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Chartered Professional Accountants
Licensed Public Accountants

Greater London International Airport Authority

Incorporated without share capital under the laws of Canada

Statement of financial position

[in thousands of dollars]

As at December 31

	2023	2022
	\$	\$
Assets		
Current		
Cash	3,113	4,482
Accounts receivable	1,193	2,062
Prepaid expenses and deposits	212	178
Total current assets	4,518	6,722
Accrued pension asset, net [note 7]	2,892	2,458
Capital assets, net [note 3]	52,323	53,188
	59,733	62,368
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities [note 8]	1,568	2,032
Demand instalment loan [note 4]	10,402	12,284
Total current liabilities	11,970	14,316
Deferred capital contributions [note 3]	19,320	18,544
Total liabilities	31,290	32,860
Net assets	28,443	29,508
	59,733	62,368

See accompanying notes

On behalf of the Board:

Director

Director

Greater London International Airport Authority

Statement of operations and changes in net assets

[in thousands of dollars]

Year ended December 31

	2023	2022
	\$	\$
Revenue		
Aeronautical [note 5]	2,283	1,650
Airport [note 5]	4,795	3,082
	7,078	4,732
Airport improvement fees [note 3]	1,777	783
	8,855	5,515
Expenses		
Salaries and employee benefits [note 5]	3,646	3,371
Other operating and administration [note 5]	3,347	2,780
Interest and financing charges	684	240
	7,677	6,391
Surplus (deficit) before the following	1,178	(876)
Amortization [note 3]	(2,815)	(2,418)
Investment income	226	45
Gain (loss) on disposal of capital assets	16	(3)
Other expenses, net	—	(20)
Deficit for the year	(1,395)	(3,272)
Net assets, beginning of year	29,508	32,471
Remeasurement gain on pension valuation allowance [note 7(a)]	247	2,365
Actuarial gain (loss) on accrued pension asset [note 7(a) and note 7(b)]	83	(2,056)
Deficit for the year	(1,395)	(3,272)
Net assets, end of year	28,443	29,508

See accompanying notes

Greater London International Airport Authority

Statement of cash flows

[in thousands of dollars]

Year ended December 31

	2023	2022
	\$	\$
Operating activities		
Deficit for the year	(1,395)	(3,272)
Add (deduct) items not involving cash		
Amortization of capital assets and deferred capital contributions	2,815	2,418
Loss (gain) on disposal of capital assets	(16)	3
Net pension recovery	(69)	(74)
Pension contributions and benefits paid	(36)	(31)
	1,299	(956)
Net change in non-cash working capital balances related to operations <i>[note 6]</i>	371	476
Cash provided by (used in) operating activities	1,670	(480)
Investing activities		
Purchase of capital assets	(3,250)	(11,222)
Proceeds on disposal of capital assets	190	40
Deferred contributions received	1,903	4,657
Cash used in investing activities	(1,157)	(6,525)
Financing activities		
Repayment of demand instalment loan	(1,882)	(1,439)
Advances from demand instalment loan	—	8,168
Cash provided by (used in) financing activities	(1,882)	6,729
Net decrease in cash during the year	(1,369)	(276)
Cash, beginning of year	4,482	4,758
Cash, end of year	3,113	4,482

See accompanying notes

Greater London International Airport Authority

Notes to financial statements

[in thousands of dollars]

December 31, 2023

1. Description of business

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

The objectives of the Authority are as follows:

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

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

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

2. Summary of significant accounting policies

Basis of presentation

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

The significant accounting policies are as follows:

Use of estimates

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

Notes to financial statements

[in thousands of dollars]

December 31, 2023

Revenue recognition

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

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

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

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

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

Financial instruments

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

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

Capital assets

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

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

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

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

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

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

Pension obligations

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

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

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

Greater London International Airport Authority

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3. Capital assets and deferred capital contributions

Capital assets consist of the following:

	2023		2022	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Office furniture and equipment	143	123	142	118
Terminal furniture and fixtures	1,375	976	1,083	858
Shop equipment	440	407	459	423
Mobile equipment	9,388	4,052	8,086	4,596
Computer software	115	86	86	82
Computer hardware	394	253	249	234
Pavement leasehold improvements	20,660	5,766	20,553	4,497
Structural leasehold improvements	39,891	21,528	39,828	20,132
Security equipment	681	495	674	475
Baggage system	6,710	3,503	6,710	3,184
Gateway project	11,044	3,037	11,044	2,761
Land leasehold improvements	2,969	1,408	2,956	1,322
Construction in process	147	—	—	—
	93,957	41,634	91,870	38,682
Less accumulated amortization	41,634		38,682	
Net book value	52,323		53,188	

Cumulative expenditures on qualifying Airport infrastructure projects, from inception of the AIF, including eligible debt service costs, amount to \$77,105 [2022 – \$76,385]. During the same period, cumulative AIF revenue amounted to \$60,448 [2022 – \$58,671].

Greater London International Airport Authority

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

	2023		2022	
	Contribution \$	Accumulated amortization \$	Unamortized contribution \$	Unamortized contribution \$
Security grant	451	261	190	195
Canadian Air Transport Security Authority ["CATSA"]	2,643	2,190	453	572
Gateway	10,500	2,959	7,541	7,801
Nav Canada	13	11	2	3
Non-passenger screening vehicle – CATSA	3,425	793	2,632	2,798
Taxiway rehabilitation	3,169	837	2,332	2,543
Airport Rescue and Fire Fighting vehicle	1,101	33	1,068	73
Plow truck and sweeper	790	25	765	393
Runway 15/33 rehabilitation	4,669	332	4,337	4,166
	26,761	7,441	19,320	18,544

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

	2023 \$	2022 \$
Amortization of capital assets	3,936	3,213
Amortization of related deferred contributions	(1,121)	(795)
	2,815	2,418

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4. Demand instalment loan

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

- A. An undrawn demand revolving operating line of credit of \$500 [2022 – \$500], bearing interest at the prime rate minus 0.15%.
- B. A demand instalment loan of \$998 [2022 – \$2,086], bearing interest at bankers acceptance plus 0.65% and resetting every 90 days based on the banker's acceptance market. Annual principal repayments amount to \$998 [2022 – \$1,089], payable monthly. Loan matures November 12, 2024.
- C. A demand instalment loan of \$317 [2022 – \$1,513], bearing interest at bankers acceptance plus 0.75% and resetting every 90 days based on the banker's acceptance market. Annual principal repayments amount to \$200 [2022 – \$200], payable monthly. Loan matures July 12, 2025.
- D. A demand instalment loan of \$1,362 bearing interest at bankers acceptance plus 0.75% and resetting every 90 days based on the banker's acceptance market. Annual principal repayments amount to \$150 [2022 – \$150], payable monthly. Loan matures November 12, 2033.
- E. A demand instalment loan of \$7,725 bearing interest at bankers acceptance plus 0.60% and resetting every 90 days based on the banker's acceptance market. Annual principal repayments amount to \$409 [2022 – \$409], payable monthly. There is an amount of \$2,000 available to be drawn on this loan which expires March 31, 2024. Loan matures December 31, 2042.

The facilities are subject to a financial covenant in the form of a modified fixed charge coverage ratio. The Authority was in compliance at year-end. The lender has taken as collateral a first charge mortgage for \$18,000 over property at 10 Seabrook Way, which is included in structural leasehold improvements [note 3].

Annual scheduled principal repayments are as follows:

	\$
2024	1,757
2025	675
2026	558
2027	558
2028	558
Thereafter	6,296
	<u>10,402</u>

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Notes to financial statements

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5. Statement of operations and changes in net assets

Statement of operations and changes in net assets consist of the following:

	2023 \$	2022 \$
Aeronautical revenue		
Landing fees	1,098	834
Terminal fees	914	630
Security	271	186
	<u>2,283</u>	<u>1,650</u>
Airport revenue		
Parking	1,546	900
Concessions	1,638	745
Rentals [note 10]	1,262	964
Other	349	473
	<u>4,795</u>	<u>3,082</u>
Salaries and employee benefits		
Salaries and wages	3,142	2,919
Benefits [note 7]	504	452
	<u>3,646</u>	<u>3,371</u>
Other operating and administration expenses		
Municipal taxes	172	331
Utilities and Transport Canada rent [note 10]	652	626
Office and administration	483	365
Repairs, maintenance and equipment rentals	290	362
Contracted maintenance	342	230
Materials and supplies	159	152
Advertising and business development	504	66
Directors' fees and expenses	203	231
Bad debts	18	4
Professional fees	205	75
Vehicle maintenance	117	160
Insurance	202	178
	<u>3,347</u>	<u>2,780</u>

Notes to financial statements

[in thousands of dollars]

December 31, 2023

6. Statement of cash flows

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

	2023 \$	2022 \$
Decrease (increase) in current assets		
Accounts and grant receivable	869	(628)
Prepaid expenses and deposits	(34)	(49)
	<u>835</u>	<u>(677)</u>
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(464)	1,153
	<u>371</u>	<u>476</u>

7. Employee benefit plans

Employee benefit plans consist of the following:

	2023 \$	2022 \$
Defined benefit pension plan asset [a]	3,574	3,087
Supplemental pension plan obligation [b]	(682)	(629)
Accrued pension asset, net	<u>2,892</u>	<u>2,458</u>

[a] Defined benefit pension plan asset

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit [all members of the defined benefit plan are now retired and the plan is closed to new employees] and defined contribution components. This plan is administered as part of the Canadian Airport Authorities and Canadian Port Authorities Pension Plan [the "Plan"]. The most recent actuarial valuation was determined using membership data as at January 1, 2023 and was extrapolated to December 31, 2023.

[i] Pension expense for the defined contribution plan is \$113 [2022 – \$109].

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

	2023 \$	2022 \$
Fair value of plan assets	12,037	11,400
Benefit obligation	(8,061)	(7,664)
Funded status – plan surplus	<u>3,976</u>	<u>3,736</u>
Valuation allowance	(402)	(649)
Defined benefit pension plan asset	<u>3,574</u>	<u>3,087</u>

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

The asset allocation of the Plan is as follows:

	2023 %	2022 %
Equity securities	0.0	58.5
Fixed income	100.0	29.1
Other	0.0	12.5
	<u>100.0</u>	<u>100.0</u>

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

	2023 \$	2022 \$
Defined benefit asset, beginning of year	<u>3,087</u>	<u>2,707</u>
Pension recovery for the year	100	96
Authority contributions	—	—
Increase in valuation allowance	247	2,365
Actuarial gain (loss)	140	(2,081)
Defined benefit asset, end of year	<u>3,574</u>	<u>3,087</u>

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

	2023 \$	2022 \$
Discount rate – RPP	4.50	4.50
Rate of compensation increase	3.50	2.50
Inflation rate	3.00	2.00

[b] Supplemental pension plan obligation

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

	2023 \$	2022 \$
Defined benefit obligation, beginning of year	(629)	(663)
Pension expense for the year	(31)	(22)
Benefits paid	36	31
Actuarial gain (loss)	(58)	25
Defined benefit obligation, end of year	(682)	(629)

The Authority contributed \$36 [2022 – \$31] to the supplemental pension plan to fund the benefits paid.

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

	2023 \$	2022 \$
Discount rate – SERP	4.60	5.10
Inflation rate	3.00	2.00

8. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$70 [2022 – \$41] relating to Harmonized Sales Tax.

9. Financial instruments and risk management

Credit risk

Financial assets create a risk that counterparties will fail to discharge an obligation, causing a financial loss. As at December 31, 2023, other than accounts receivable, there are no significant concentrations of credit risk with respect to any class of financial assets. While the Authority deals with several customers in North America, five

Greater London International Airport Authority

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[in thousands of dollars]

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customers represent 51% [2022 – 72%] of the trade accounts receivable balance as at December 31, 2023. The maximum credit risk represents the full amount of the accounts receivable. The Authority anticipates receiving payments in full from these customers.

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with its financial liabilities. The Authority is exposed to liquidity risk on its demand instalment loan and accounts payable and accrued liabilities.

10. Operating leases

The Authority as lessee

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

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

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

	\$
2024	37
2025	41
2026	46
2027	54
2028	79

The Authority as lessor

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

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

	\$
2024	1,300
2025	1,300
2026	1,300
2027	1,300
2028	1,300

11. Comparative balances

Certain comparative balances have been reclassified to conform with the current year's financial statement presentation.



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