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GREATER
LONDON
INTERNATIONAL
AIRPORT
AUTHORITY

2009 ANNUAL REPORT





Steve Baker
*President &
Chief Executive Officer*



Janet Carr
*Director, Finance &
Human Resources*



Charlie Weir
*Airport Operations
Specialist*



Gord Cox
*Electrical & Building
Services Supervisor*



Kevin Buchacher
*Airport Operations
Specialist*



Kevin Ryan
Fire Fighter

Andy King
*Electrical & Building
Services Supervisor*

Dale McGill
*Airfield and Mobile
Services Supervisor*

Craig Turner
Fire Fighter

Joe Pace
*Facility Services
Technician*

Evelyn Gotthardt
*Financial &
Administrative
Coordinator*

Andrew McGill
*Airport Operations
Specialist*

Greg Hopper
*Airport Operations
Specialist*



VISION:

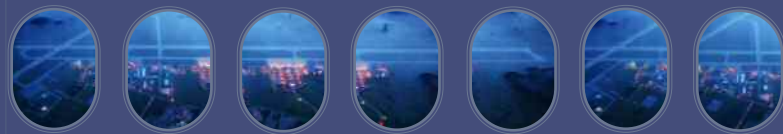
*London International
Airport will be recognized
as the preferred Air
Transportation Gateway
for Southwestern Ontario.*

VALUES:

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

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Message from the Chair



Gabe Valente
Chairman of the Board

The Greater London International Airport Authority was founded in December 1995 and accepted transfer of the airport in 1998. I am very privileged to have participated as a founding member of the Airport Authority over this time and part of a dedicated team of board members and staff that have taken the London Airport to new and exciting heights. We proudly continue to operate our locally managed airport with leading governance practices as my term on the board draws to an end this summer.

As this message is my last as Board Chair, it provides an opportunity to reflect on twelve full years of successful airport operation and the significant accomplishments that have been achieved during this time.

At airport transfer we acquired a 1963 vintage facility, limited industrial development, no serviced industrial lands, limited air services to Toronto and Detroit and an airport that had lost money in every year of operations.

Unfortunately, that was the standard airport operating model in Canada at the time but as a local airport authority we had a vision to develop the airport into a significant economic asset for the region and provide our community with modern facilities that could link greater London to the world.

I am pleased to reflect on the tremendous accomplishments of the Airport Authority, a group of dedicated Board of Directors, senior management team and staff.

The Federal mandate provides that we:

- operate as a not-for-profit corporation
- are incorporated for the general benefit of the public in our region
- manage, operate and develop the airport in a safe, secure, efficient, cost effective and financially viable manner with reasonable user charges and equitable access for airlines
- undertake and promote the development of lands
- expand transportation facilities and generate economic activity in ways compatible with air transportation

Based on this mandate, combined vision of our team and assessment of opportunity we developed a long term strategic plan that included:

- the expansion of air services and the attraction of a low cost airline
- pursuit of direct routes within Canada and the USA
- identifying an Industrial Park within our lands that could accommodate aircraft hangars, cargo, manufacturing and research and development activities
- creating a climate of success for companies at the airport to thrive and expand as an airport village
- measure and monitor our success with a "triple bottom line" evaluation approach that includes financial sustainability, contribution to the region and economic development.

Twelve years later significant success has been achieved in all areas and plans for continued growth and development are underway. In a recent economic impact assessment of the airport, employment was measured at 1700 direct airport jobs, 2600 indirect jobs and an annual financial contribution to the area economy of \$ 357 million.

We now boast air services to Vancouver, Calgary, Winnipeg, Toronto, Ottawa, Detroit, Chicago, Montego Bay, Varadero, Cancun and Orlando that are offered at competitive values in a fast, friendly hassle free environment.

An investment of \$20 million in the renewed air terminal provided a dramatic expansion to meet the continuing annual growth in passengers and continues to provide state of the art services to our customers.

Skyway Industrial Park was established in 1999 and showcases a mix of aviation support services, manufacturing and research facilities. This 200 acre area will continue to evolve with a new \$11 million tripartite investment from the Federal Government, City and Airport to establish a prominent free trade transportation centre.

The combined result is a truly international airport that provides our travellers with modern facilities, direct and one stop air connections to the world, strategic leadership in area economic development planning and a climate for over 50 local businesses to thrive and prosper.

In closing, I would like to personally thank all past and present board members, the management team and staff for their dedication, hard work and unwavering commitment to actualizing what was a very large and aggressive vision set back in 1995. While our work is far from done, the combined entrepreneurial focus of the GLIAA team over the years has demonstrated that local control of our airport was indeed the best choice.

Our airport is strongly positioned for the future with a tremendous growing asset base, low operating costs, focused leadership and a plan that will continue to capitalise on emerging opportunities.

I look forward to watching the continued success of our airport operation.

Gabe Valente, Chairman of the Board



Message from the President

As reported by Chair Gabe Valente his tenure on the Board ends shortly in compliance with our leading governance practices. The policy provides term limits and the replacement of all board members over time. The Board is comprised of volunteers from our region who are dedicated to leading the development of the airport.

Gabe Valente has been a tremendous member and a valued contributor to the Airport Authority since 1998. In a variety of roles as a board member, committee chair, vice chair and chair of the board he has provided countless hours and an unrelenting commitment to growth. Certainly one of the most effective leaders that I have met and his contribution is evident in this lasting legacy of the London International Airport.

Thank you Chair Gabe Valente for your valued contribution.

In my review of 2009, it was another banner year for the airport. Certainly we were concerned at the beginning of the year with the obvious impacts of the economic recession to our region with downsizing, plant closures and a transformation of south western Ontario.

In light of these challenges we focused on our strong strategic plan and the ability to seize emerging opportunities. This provided for one of the best growth years in recent memory.

A long term goal of direct USA jet service was realized with the attraction of a new airline United Airlines with two direct jets a day to Chicago, then Delta Airlines acquisition of Northwest was completed and a transition to an all jet fleet commenced. Air Canada added a direct jet service to Calgary and WestJet returned their Orlando service and relocated to a popular Saturday flight. We also added Montego Bay, Jamaica and retained our services to Cancun and Cuba. In all we experienced an amazing 6% increase in passengers connecting more people to more places and linking greater London to the world.

In 2009 we invested a lot of energy to local and federal government in shaping an opportunity to create the infrastructure to support a new foreign free trade zone. We were successful with a tripartite investment agreement of \$11 million to develop lands, road infrastructure, new taxiways and a cargo complex in support of this vision. We will deliver this project in 2010 and beyond.

This project provides another dimension to the airport in the handling of international air cargo. While the airport cannot create the cargo, our distribution services are essential in the supply chain. We will provide competitive pricing on facilities, aircraft operating costs and competitive ground handling services while meeting all emerging security and customs regulations.

We are now working with the federal government to enhance our current designation as a Federal Export Distribution Centre with duty relief programs to a full Foreign Free Trade Zone. This would move us to the next level from a transportation centre to a trade centre. This change would enable a value added process to shipment materials and create new jobs for our region.

The airport operation is extremely diverse and deals with large complex issues that we map over a thirty year plan while dealing with airlines, customers and shippers who generally focused on results in the next one to thirty days. We strive to balance these demands with recognition of our changing regional environment, financial sustainability and public responsibility.

We look forward to continued growth in the future, providing more air services to more places, establishment of a foreign free trade zone, increased aircraft manufacture and repair services, strong corporate aviation and flight training and terminal facility development.

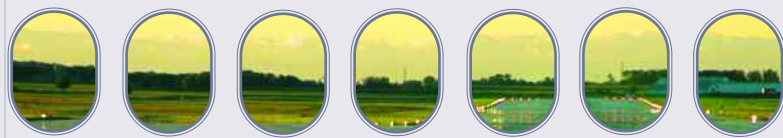
On behalf of the entire team at the London International Airport, we would like thank our customers, partners and stakeholders for their support in enabling our contribution to regional economic development through excellence in transportation.

Steve Baker

President and Chief Executive Officer



Steve Baker
President and Chief Executive Officer



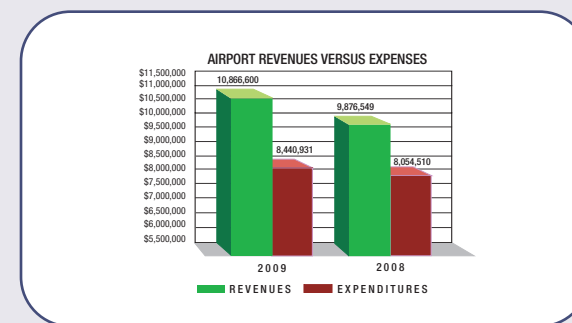
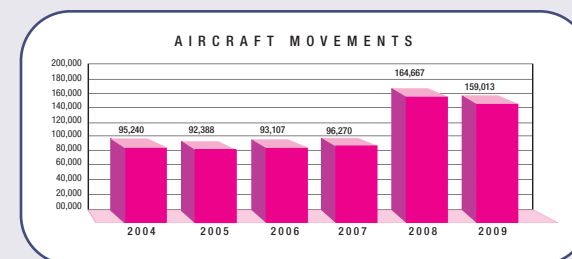
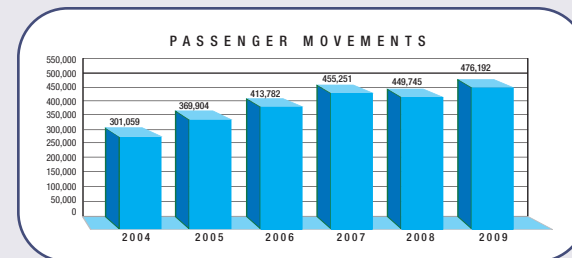
Financial Sustainability

As 2009 approached, the world was dealing with the effects of a global recession. The management of the Airport adopted a conservative approach in the operation of the Airport and with the assistance of all staff, 2009 was a very successful year in all aspects.

It was not until June 2009 did London start to see an increase in passenger traffic. With the introduction of new services and the public returning to discretionary travel the future looked promising. By year end London International Airport experienced a 5.9% increase in passenger traffic over the previous year. In 2009 a total of 476,192 enplaning and deplaning passengers were served, representing a total increase of 58.2% in passenger loads since the airport expansion was completed in 2004.

Activity around the airport remained constant with 159,013 aircraft movements in 2009 compared to 164,667 in 2008. The flight schools continued to train international and local students. The harsher winter conditions early in 2009 and wet spring, grounded training flights and activity levels were lower.

Throughout the year the GLIAA effectively utilized its assets, (capital and operating) and maintained a financially viable operation. 2009 saw an overall surplus of \$2.64 million, which will be reinvested into the infrastructure and improvement of customer services. Revenue was \$10.87 million compared to \$9.88 million in 2008. Operating expenditures were \$8.44 million compared to \$8.05 million in 2008.



Economic Development

Success to the Greater London International Airport Authority has been measured in many ways since the transfer by Transport Canada of the management of the airport to the Authority in 1998. In the beginning it was apparent moving the operation of the airport from a breakeven or deficit to a responsible entity that, while still following the not-for-profit governance, it was 'not-for-loss' philosophy that would prove a benefit for the region.

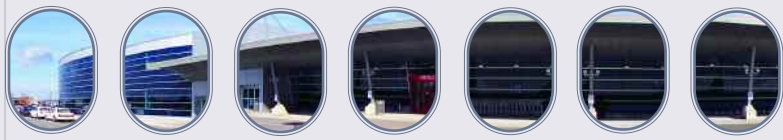
The first years were used to build a solid foundation with Board governance and competent individuals being placed in strategic positions. Once the day to day operations of the Authority were stable, the next step was to market the airport to the airlines to increase services and to ensure established services were solidified. The Authority also had a mandate to expand with tenants, non-passenger services and increase the economic development for the region. While many of these goals have been accomplished since transfer, 2009 was a year of significant successes.

2009 was a banner year in expanding air services. West Jet introduced coast to coast services with a twice daily Vancouver – London – Halifax route. This service was introduced for the summer months and was well received. Air Canada launched daily jet service between London and Calgary utilizing their state of the art Embraer 190. This year round service commenced June 1st.



Photo by Mark Kryst





Economic Development

After several years of ongoing discussions, multiple proposals, meetings and local support United Airlines introduced a twice daily direct jet service between Chicago and London. The 50 seat regional jet landed on September 29th, 2009 at 4:00 pm and was greeted with a water arch provided by the airport fire department. Departing passengers on the return flight took part in the celebrations that included London's version of the famous Chicago deep dish pizza and specialty logo cookies. Various representatives from United Airlines, City of London, local businesses and the Airport acknowledged the importance of this new air service to the region. United is one of the largest carriers in the world and Chicago's O'Hara Airport is able to provide an unlimited number of links to the rest of the world.

The 2009/2010 winter charter season saw the return of Sunwing, Sunquest and Transat Holidays providing direct service to Cuba and Mexico. A new service to Montego Bay, Jamaica was introduced by Sunquest allowing travelers to have a greater choice in where their winter vacation would take them.

With all three flights leaving on Monday, the activity level within the airport increased significantly. The food court was expanded with additional seating and a configuration that allowed for customers to be served without being affected by those going through passenger screening.

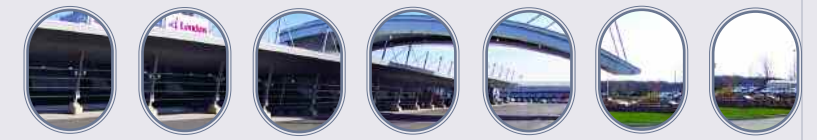
West Jet returned for a second year with their Orlando, Florida service. This service was offered the prior year on Tuesdays, but with the success it encountered, a move to Saturdays was made and extended from November 2009 through May 2010.



Economic Development

North West Airlines has flown between London and Detroit for 18 years. In 2009 Delta Airlines began rebranding the airline as a result of the merger with North West. With the rebranding, the Saab 340 aircraft flying 4 times daily between the two centres have been replaced with regional jets. These jets provide for a quicker flight time and more seats available to the consumer.

With the increase in passenger traffic and congestion resulting from the charter flights with departures scheduled on the same day, a third line was added to Pre Board Screening. The project allowed for a larger area to be used by Aeroguard in their screening of passengers providing for less congestion, greater efficiencies and a smoother start to one's journey. With little disruption to passengers, staff and tenants the transformation was completed in short time and the 2009/2010 winter charter season started with a new and improved screening experience.



After more than a year of lobbying, meetings, consultations, revisions to business plans, GLIAA was successful in their plan to build on non-passenger services and to obtain support in the establishment of a cargo facility. With the designation of a Export Development Centre, cargo development was the obvious next step. On December 3, 2009 the Federal Government announced, through their Federal Economic Development Agency for Southern Ontario a contribution in the amount of \$8 million to assist with the construction of an International Air Freight Transshipment Centre. The City of London committed to a contribution of \$2.5 million and the Airport is investing \$.5 million.

The assistance of numerous members of parliament, local government and tireless efforts by Airport staff ensured this project would be a reality. Agreements were signed the end of 2009 and the plan was put into action immediately with a completion date of summer 2010.





Community

London International Airport is proud to be a contributing member of London and surrounding region. Our staff resides in towns within Middlesex, Elgin and Oxford counties as well as London proper. Staff is involved in many volunteer activities and the Airport is proud of their accomplishments and affiliations.

We have employees serving on a variety of local volunteer boards, engaged in speaking at community organizations as well as coaching football, hockey and soccer. Time and skills are donated to charitable organizations such as golf tournaments and Habitat for Humanity. Several of our fire fighters and airport operation specialists serve with volunteer fire departments. We have staff who take their airport expertise to the community with instruction at model airplane clubs and teaching aviation related courses at the University of Western Ontario. Our staff are passionate about animal rights, music instruction, fundraising and providing the next generation with the proper tools to make a difference in the community. They run charity marathons and serve our country as Reservists. They participate in airport community focused activities ensuring success for those involved.

As an Airport we recognize contributions others make to the community. The 427 (London) Wing of the Air Force Association of Canada has occupied a former Airmen's Canteen located on airport property since 1959.

The London Air Force Association was formed in 1947 following the Second World War so that airmen returning home to London could continue their interest in aviation both as flyers and friends. Members today include veterans from all areas of military service as well as local supporters and employees of the airport community. In June 2009, Joan Sullivan, President and Cathy Newman, Membership presented Steve Baker with his 15-year membership pin.

The Airport sits on 1473 acres of land. The operation of the airport utilizes most of this land and tenants occupy a significant amount of the remaining acreage. The land as one enters the airport property has not been used in the past and a decision to consider environmental stewardship was made. The land was provided to a local farmer/neighbor and the grass was allowed to grow and ultimately baled for feed for his livestock. It was quite a sight as one entered the airport property to see bales of hay sitting on the land waiting to be harvested.



Community

In June Wings & Wheels held their biennial air show. While the increased traffic at the London Airport no longer allows for the show to be held on our grounds, several aircraft called YXU home while performing in St. Thomas. Airport staff was called upon to ensure the safe and secure parking of military and civilian aircraft while visiting.

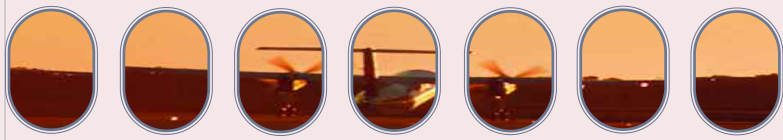
The University of Western Ontario has ties to the Airport through their Aviation Management Program and representation on the Airport Board of Directors. Steve Baker was asked to assist in the half time show for the Homecoming football game on October 3rd. UWO has the largest homecoming in Canada and it was only fitting that the Skyhawks be part of this event. The Skyhawks are the first parachute demonstration team of Canada and were established in 1971. The team has more than 3,100 successful jumps with 65 million spectators throughout the world.

With cloudy skies and showers off and on, the Skyhawks performed with several tandem jumps and successful landings within the football field. Ed Holder, MP and Steve Baker provided the commentary and JW, the school's mascot, assisted in ensuring the Skyhawks were welcomed upon touching terra firma.

On Tuesday, August 11th the Sunshine Foundation announced a London DreamLift would occur on October 29th, 2009 leaving from the London International Airport. The announcement was made at the airport fire hall with several of the children selected to travel, members of the London Police Services, media, Sunshine Foundation personnel, sponsors and airport staff in attendance. The Sunshine DreamLift was a one-day, whirlwind group adventure to the Magic Kingdom and was organized by The Sunshine Foundation of Canada in partnership with Maple Lodge Farms.

London International Airport was the site for the Sunshine's inaugural DreamLift in 1987 and it was ten years ago the last DreamLift took flight from London. With the help of health care professionals in Southwestern Ontario, 100 children with severe physical disabilities or life-threatening illnesses were selected to travel on the London DreamLift. A contingent of approximately 50 support volunteers assisted the children with medical support and companionship throughout their Disney Day. In addition 50 members of the London Police joined the children. Each officer was paired with a child to be his or her 'buddy' throughout the entire day at Walt Disney World.





Community

The DreamLift flight left at 6 am on October 29th with volunteers in attendance to send off the children and their buddies. Police cruisers with lights flashing and the canine unit lined the apron to ensure the children started their adventure in style. Parents and guests were caught up in the enthusiasm and excitement the children and their support volunteers were displaying. The mood was contagious and it was evident all were excited to be part of this amazing adventure. The aircraft with their weary passengers returned to London late the same day. It was a full, exciting and rewarding day for all that participated in making the DreamLift truly a dream for the children.

In June 2007 seventeen London community members from the arts, culture, environment, recreation and heritage sectors traveled by canoe from the Forks of the Thames River in London to the end of the river at Lake St. Clair. The trip was sponsored by Philip Aziz Foundation of Art and retraced the journey made 126 years prior by London artists William Lees Judson and Paul Peel.

Upon the return of the modern day adventurers, a permanent celebration of the two trips was commemorated utilizing the 3.5 tonne, 21.6 foot White Ash that had fallen on Philip Aziz's property. Local carvers spent a year carving animals, vegetation, events and scenes that were part of both trips.



On November 25, 2009 guests and media were present for the dedication of the Heritage "Story" Tree with representation from the arts community, participants in the modern day voyage, tourism, City of London, members of the Board and the public. Barry Callow, Curator of the Philip Aziz Foundation described the features of the tree, the canoe trip and the significance of the last piece of art that Philip Aziz shared with London before his death in September 2009.



Governance

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

Greater London International Airport Authority

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



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



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



Bernie Bierbaum
Bluestone Properties



Gary Blazak
University of Western Ontario



Jeff Brown
18 Asset Management



Ann Campbell
Ingersoll District Chamber of Commerce



Rick Coates
Pacific & Western Bank of Canada



Robert Flack
Masterfeeds Inc.



Ken Kalopsis
StarTech.com Ltd



Sandi Parachuk
Delta London Armouries



Rick Witherspoon
Retired

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

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





Executive Team



Steve Baker
President and
Chief Executive Officer



Michael Seabrook
Vice President



Janet Carr
Director, Finance &
Human Resources

Director and Executive Team Compensation

Compensation is benchmarked against similar positions within the aviation industry and local businesses. Remuneration is designed to attract and retain the calibre of employees required to develop the Airport to its full potential and recognize operational and financial performance.

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

Fees:

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

Executive Team's Compensation

The annual compensation for the three senior managers for the year ending December 31, 2009 was \$474,670.

Corporate Offices

Greater London International Airport Authority
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Legal Counsel

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

Auditors

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



Financial Statements

Greater London International Airport Authority

December 31, 2009

AUDITORS' REPORT

To the Members of the
Greater London International Airport Authority

We have audited the statement of financial position of the **Greater London International Airport Authority** as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2009 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

London, Canada,
February 12, 2010.

Greater London International Airport Authority

Incorporated without share capital under the laws of Canada

Statement Of Financial Position

As at December 31

	2009 \$	2008 \$
ASSETS		
Current		
Cash and marketable securities <i>[note 3]</i>	1,719,213	1,198,346
Accounts receivable	1,131,085	920,843
Prepaid expenses and deposits	142,789	149,486
Total current assets	2,993,087	2,268,675
Accrued pension asset <i>[note 8]</i>	1,199,000	794,000
Capital assets, net <i>[note 4]</i>	30,718,625	31,186,978
Cash and marketable securities restricted for capital purposes <i>[note 3]</i>	2,000,000	1,000,000
	36,910,712	35,249,653
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	518,048	617,239
Current portion of long-term debt <i>[note 5]</i>	744,444	744,444
Deferred revenue	16,480	16,828
Total current liabilities	1,278,972	1,378,511
Long-term debt <i>[note 5]</i>	13,466,956	14,211,400
Deferred federal grants <i>[note 6]</i>	2,350,665	2,482,940
Interest rate swap <i>[note 5]</i>	1,899,206	3,243,100
Total liabilities	18,995,799	21,315,951
Net assets	17,914,913	13,933,702
	36,910,712	35,249,653

See accompanying notes

On behalf of the Board:

Director



Director



Statement Of Changes In Net Assets

Year ended December 31

	2009 \$	2008 \$
Balance, beginning of year	13,933,702	13,824,116
Surplus for the year	2,637,317	2,056,120
Net gain (loss) on derivative instrument designated as cash flow hedge <i>[note 5]</i>	1,343,894	(1,946,534)
Balance, end of year	17,914,913	13,933,702

See accompanying notes

Statement Of Operations

Year ended December 31

	2009 \$	2008 \$
REVENUES		
Landing and terminal fees	2,893,139	2,547,766
Concessions	2,885,359	2,714,548
Rentals	688,678	642,071
Airport improvement fees	3,569,419	3,191,177
Security	723,937	681,481
Other	106,068	99,506
	10,866,600	9,876,549
EXPENDITURES		
Salaries and wages	1,890,979	1,886,022
Interest expense <i>[note 5]</i>	804,413	902,639
Municipal taxes	553,405	527,052
Amortization of capital assets	1,415,144	1,431,640
Benefits	448,260	335,876
Contracted services	820,717	767,079
Utilities	520,675	481,657
Directors' fees and expenses	181,306	168,514
Office and administration	242,465	263,016
Materials and supplies	146,482	245,574
Contracted maintenance	287,704	282,532
Professional fees	118,387	98,203
Vehicle	167,373	226,995
Insurance	152,975	165,582
Advertising and business development	464,229	41,170
Repairs, maintenance and equipment rentals	226,417	230,959
	8,440,931	8,054,510
Surplus of revenues over expenditures before the following	2,425,669	1,822,039
Investment income	81,322	104,562
Amortization of federal grants <i>[note 6]</i>	132,275	133,480
Loss on disposal of capital assets	(1,949)	(3,961)
Surplus for the year	2,637,317	2,056,120

See accompanying notes

Statement Of Cash Flows

Year ended December 31

	2009 \$	2008 \$
OPERATING ACTIVITIES		
Surplus for the year	2,637,317	2,056,120
Add (deduct) items not involving cash		
Amortization of capital assets	1,415,144	1,431,640
Loss on disposal of capital assets	1,949	3,961
Amortization of federal grants	(132,275)	(133,480)
Increase in accrued pension obligation	(405,000)	(258,000)
	3,517,135	3,100,241
Net change in non-cash working capital balances related to operations <i>[note 7]</i>	(303,084)	(226,799)
Cash provided by operating activities	3,214,051	2,873,442
INVESTING ACTIVITIES		
Purchase of capital assets	(950,840)	(2,769,383)
Proceeds on disposal of capital assets	2,100	1,087
Cash used in investing activities	(948,740)	(2,768,296)
FINANCING ACTIVITIES		
Decrease in construction holdback payable	—	(6,000)
Repayment of long-term debt	(744,444)	(718,518)
Increase in cash restricted for capital purposes	(1,000,000)	(289,777)
Cash used in financing activities	(1,744,444)	(1,014,295)
Net increase (decrease) in cash and marketable securities during the year	520,867	(909,149)
Cash and marketable securities, beginning of year	1,198,346	2,107,495
Cash and marketable securities, end of year	1,719,213	1,198,346

See accompanying notes

Notes To Financial Statements

December 31, 2009

1. DESCRIPTION OF BUSINESS

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

The objectives of the Authority are:

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

[a] Basis of presentation

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

[b] Income and revenue recognition

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

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

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

Investment income, landing and terminal fees, concessions and rental revenues are recognized when earned.

[c] Financial instruments

Financial Assets and Liabilities

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

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

All financial instrument transactions are recorded at the trade date.

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

Derivatives and Hedge Accounting

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

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

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

[d] Capital assets

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

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

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

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

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

[e] Pension obligations

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

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

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

3. CASH AND MARKETABLE SECURITIES

Cash and marketable securities consist of the following:

	2009 \$	2008 \$
Cash	2,550,890	1,095,656
Marketable securities	1,168,323	1,102,690
	3,719,213	2,198,346
Less restricted for capital purposes	(2,000,000)	(1,000,000)
	1,719,213	1,198,346

Marketable securities consist of fixed income, government and corporate bonds bearing interest at rates ranging from 3.75% to 4.90% and having maturity dates ranging from June 1, 2010 to December 3, 2022.

The Board of Directors has undertaken measures to provide for

the funding of approved capital projects designed to maintain and improve the facilities, equipment and structures of the Airport. The amounts restricted for this purpose are subject to change at the discretion of the Board of Directors. In 2009, the Board of Directors increased the amount restricted for capital purposes by \$1,000,000 [2008 - \$289,777].

4. CAPITAL ASSETS

Capital assets consist of the following:

	2009		2008	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Office furniture and equipment	76,178	39,376	71,892	32,266
Terminal furniture and fixtures	126,790	55,104	94,982	46,055
Shop equipment	282,736	148,140	229,897	126,365
Mobile equipment	4,244,572	1,594,208	4,210,405	1,383,249
Computer software	44,401	32,409	35,726	26,777
Computer hardware	144,452	90,716	120,861	76,842
Pavement leasehold improvements	2,104,314	788,445	1,859,656	660,855
Structural leasehold improvements	25,937,931	4,143,337	25,582,280	3,402,276
Security equipment	675,926	231,482	621,071	191,791
Baggage system	3,367,646	694,755	3,367,646	542,889
Land leasehold improvements and land transfer tax	1,806,730	327,286	1,747,868	265,941
	38,811,676	8,145,258	37,942,284	6,755,306
Less accumulated amortization	8,145,258		6,755,306	
	30,666,418		31,186,978	
Construction in progress	52,207		—	
Net book value	30,718,625		31,186,978	

Cumulative expenditures on Airport infrastructure projects, from inception of the AIF, including eligible debt service costs, amount to \$23,634,909.

During the same period, cumulative AIF revenue was \$22,303,970.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	2009 \$	2008 \$
Promissory note [a]	403,985	403,985
Demand installment loan [b]	13,807,415	14,551,859
	14,211,400	14,955,844
Less current portion	744,444	744,444
	13,466,956	14,211,400

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

[b] The demand instalment loan is comprised of two non-revolving credit facilities to assist in financing the Air Terminal Building expansion. The first facility, having an outstanding balance of \$11,057,440 [2008 - \$11,601,880], bears interest at prime plus 15 basis points and is repayable in monthly principal payments based on the following installment schedule:

	\$
March 2008 - 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 prime plus 15 basis points for a fixed rate of 6.09%. As at December 31, 2009, the fair value of this swap agreement represented a liability of \$1,899,206 [2008 - \$3,243,100].

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 or would be entitled to receive at year-end.

The second non-revolving facility having a balance outstanding of \$2,749,975 [2008 - \$2,949,979] bears interest at prime and is payable in monthly payments of principal of \$16,667 plus interest.

Although the terms of the facilities include a demand feature, the Authority has negotiated a specific repayment schedule, as described above, to repay the debt over a 20-year period. Based on this schedule, and the Authority's compliance with the terms of the facility, the loan has been classified as long-term. As at December 31, 2009, the fair value of these facilities approximate their carrying value.

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

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

6. DEFERRED REVENUES

Federal grants

Federal Grants consist of the following:

	2009 \$	2008 \$
[i] Security grant	280,378	295,716
[ii] Canadian Air Transport Security Authority ('CATSA')	2,070,287	2,187,224
Total federal grants	2,350,665	2,482,940

[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.

	2009 \$	2008 \$
Security grant, beginning of year	295,716	312,260
Amortization during the year	(15,338)	(16,544)
Security grant, end of year	280,378	295,716

[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.

	2009 \$	2008 \$
CATSA funding, beginning of year	2,187,224	2,304,160
Amortization during the year	(116,937)	(116,936)
CATSA funding, end of year	2,070,287	2,187,224

7. STATEMENT OF CASH FLOWS

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

	2009 \$	2008 \$
Decrease (increase) in current assets		
Accounts receivable	(210,242)	(84,355)
Prepaid expenses and deposits	6,697	6,021
	(203,545)	(78,334)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(99,191)	(146,673)
Deferred revenue	(348)	(1,792)
	(99,539)	(148,465)
	(303,084)	(226,799)

8. EMPLOYEE BENEFIT PLANS

	2009 \$	2008 \$
[a] Defined benefit pension plan asset	1,347,000	1,010,000
[b] Supplemental pension plan obligation	(148,000)	(216,000)
Accrued pension asset, net	1,199,000	794,000

[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, 2009 and extrapolated to December 31, 2009.

[i] Pension expense for the defined contribution plan is \$40,994 [2008 - \$38,700].

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

	2009 \$	2008 \$
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation, beginning of year	5,125,000	6,354,000
Authority service cost	48,000	84,000
Employee service cost	19,000	22,000
Interest cost	376,000	346,000
Benefit payments	(330,000)	(298,000)
Actuarial (gains) losses	(1,146,000)	(1,383,000)
Benefit obligation, end of year	6,384,000	5,125,000
CHANGE IN PLAN ASSETS		
Fair value of plan assets, beginning of year	4,968,000	6,186,000
Actual return (loss) on plan assets	(647,000)	1,334,000
Authority contributions	518,000	392,000
Employee contributions	19,000	22,000
Benefit payments	(330,000)	(298,000)
Fair value of plan assets, end of year	5,822,000	4,968,000

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

	2009 %	2008 %
Equity securities	63.6	65.8
Debt securities	36.4	34.2

The following table provides the components of net pension expense:

	2009 \$	2008 \$
Authority service cost	48,000	84,000
Interest cost	376,000	346,000
Expected return on plan assets	(330,000)	(406,000)
Amortization of unamortized net actuarial loss	87,000	63,000
Net pension expense	181,000	87,000

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

	2009 \$	2008 \$
Accrued benefit asset, beginning of year	1,010,000	705,000
Pension expense for the year	(181,000)	(87,000)
Authority contributions	518,000	392,000
Accrued benefit asset, end of year	1,347,000	1,010,000

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

	2009 %	2008 %
Discount rate	6.25	7.50
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.

	2009 \$	2008 \$
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation, beginning of year	133,000	319,000
Service cost	—	3,000
Interest cost	10,000	18,000
Benefit payments	(8,000)	(5,000)
Actuarial (gain) loss recognized during the year	15,000	(202,000)
Benefit obligation, end of year	150,000	133,000

The following table provides the components of net pension expense:

	2009 \$	2008 \$
Service cost	—	3,000
Interest cost	10,000	18,000
Net pension expense	10,000	21,000

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

	2009 \$	2008 \$
Accrued benefit obligation, beginning of year	216,000	169,000
Pension expense for the year	10,000	21,000
Contributions by the Authority	(8,000)	(5,000)
Amortization for current period	(70,000)	31,000
Accrued benefit obligation, end of year	148,000	216,000

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

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, 2009, other than accounts receivable, there were no significant concentrations of credit risk with respect to any class of financial assets. While the Authority deals with several customers in North America, four customers represent 74% of the trade accounts receivable balance at December 31, 2008. The Authority anticipates receiving payments in full from these customers.

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

10. COMMITMENTS

The Authority has entered into agreements to develop an International Air Freight Transshipment Centre at the London International Airport in 2010. Funding for the Centre will be provided by a Federal Government contribution through the Federal Economic Development Agency for Southern Ontario in the amount of \$8 million.

An additional contribution by the City of London in the amount of \$2.5 million plus an investment by the Authority in the amount of \$.5 million will finance the total estimated cost of the Gateway Project of \$11 million. The Project commenced in December 2009. The contributions will be deferred and amortized to income on the same basis as the amortization of the related capital upon completion.

John McFarlan
Airport Operations Specialist

Mike Hutchison
Fire Fighter

Tim Wallace
Airport Operations Specialist

Alexandra Merk
Airport Duty Manager

Steve Lanyi
Airport Operations Specialist

Meghan Cole
Financial & Administrative Coordinator

Mike Cashman
Fire Fighter

Michael Seabrook
Vice President

Lee Buckley
Technical Support Technician

Marty Watson
Emergency Services Supervisor

Matt Parr
Airport Mechanic

Mike Gleed
Airport Duty Manager

Devin Ward
Airport Operations Specialist

