LONDON INTERNATIONAL AIRPORT

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LONDON INTERNATIONAL AIRPORT

2007 ANNUAL REPORT

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Gabe Valente

Chairman of the Board

Message from the Chair and President

The Greater London International Airport Authority continues to achieve unprecedented growth based on a strategic plan that includes diversification, developing opportunities and a regional approach to customer targeting.

In 2007, measurable benefits were achieved in our triple bottom line concept that included the values of financial performance, area economic development and community / regional contribution.

In the past three years passenger volumes have increased by 51%, new direct jet flights have been added, new destinations served and a new approach to market to a 100km radius of the Airport with a potential of 1.7 million customers.

London International Airport is now established as Southwestern Ontario's gateway to the world. London's Airport is the key area link to the development of a modern and efficient transportation system. Efficient gateways such as the Airport are fuelling regional economic growth and boosting our region's competitiveness in global markets.

As highways to Toronto and Detroit become congested and regional customers recognise the local advantages of easy access to the world from the London International Airport, even more services will be generated.The combination of additional airline seat capacity, effective pricing, direct flight destinations and the right schedule are the key ingredients that have increased our customer demand. We are pleased with the doubling of GLIAA services in many sectors. Once again, the combined efforts of our Airport team and our airline service providers continue to deliver the fast, friendly, hassle free services our customers demand and expect.

WestJet has doubled their service to Calgary, Air Canada Jazz has doubled their service to Ottawa including jet service. Our winter flights were doubled with the addition of new operators Sunquest Vacations and Transat Holidays in addition to long serving operator Sunwing Vacations. Retaining the status of the aviation hub of Southwestern Ontario requires strong customer and stakeholder support. We continue to be the link of Southwestern Ontario to the world but realize that there are several transportation choices. Our commitment to customer service, competitive choice of air services and an engaging hassle free environment continue to be recognized in our region as a key advantage.

In aerospace manufacturing development we have worked closely with Diamond Aircraft and the three levels of government to pursue opportunities for enriched manufacturing. Diamond Aircraft has now selected the London International Airport as their North American manufacturing and research development center. This commitment will provide continuing investments in five models of aircraft including an investment of $96.7 million in the new D-Jet aircraft.

We are extremely proud and thankful that Diamond Aircraft has selected London and that we have assisted in the creation of over 1000 new skilled jobs. We intend to continue pursuing related developments in manufacturing and training based on this significant manufacturing development.

Capitalizing on our modern and efficient aviation infrastructure, the marketing of international flight training has been successful. One new company and two expanded companies are now dedicated to this new and emerging market with over 150 international students from India and China undertaking high value training. In addition, the University of Western Ontario Aviation program and North American training programs continue to expand. This has created high value new jobs and new investment in international training along with a host of supporting area activities.

Development of warehousing, training facilities, manufacturing and service industries is accelerating. The addition of new Corporate Head offices for Discovery Air and Flightexec have strengthened the value of centralizing decision making in London.

Financial performance exceeded plan and revenue increased by 5% over 2006. This performance supported strategic investments in infrastructure and services. The investments were focused on customer service improvements, safety and security enhancements to meet emerging regulations and infrastructure renewal initiatives. These investments ensure facilities and services that are revitalized for continued growth.

In 2007 an economic impact study of the Airport was commissioned. The results confirm that the economic impact of the London International Airport is measured at 2,623 jobs and gross revenue of $357.1 million. These results are generated from the 50 businesses located on Airport grounds.

This is the direct impact that the Airport provides to the region in addition to the benefits of linking our region to the world for business and leisure.

Key results such as increased direct air service, double digit passenger growth, minimal fee increases and financial performance ahead of plan demonstrates the viability of our business model and overall value. That, in combination with the 2,623 jobs attributed to the Airport, signifies that we are an important part of the economic fabric or our region, as well as a facilitator for other businesses in their pursuit of growth and prosperity.

Our outlook for beyond 2008 is vibrant and we will continue to expand upon our broad range of diversified services and our growing customer catchment area.

The Board of Directors has been successful in the strategic planning and governance of the Airport while our management team has again achieved excellent results in the operation of an efficient, effective and safe Airport.

On July 31, 2007 the terms concluded for Board directors Raymond Murray, Bill Burns, Knute Dohnberg and John Eberhard who were founding directors of the Board. They have been involved in all facets of the Airport's success. We would like to thank them for their dedication and support.

New Directors appointed August 1, 2007, are Rick Witherspoon, Sandi Parachuck, Gary Blazak and Ken Kalopsis.

A special thank you to our Board Members, management and employees of the Greater London International Airport Authority. We continue as a group to find innovative ways of operating our community's Airport in a manner that ensures the financial viability of the operation and cultivates opportunities for area economic development.

Thank you for your dedication and hard work.

Gabe Valente, *Chairman of the Board*

Steve Baker, *President and Chief Executive Officer*

Greater London International Airport Authority

Steve Baker

President and Chief Executive Officer

• Stimulate Land development.

The servicing of Phase 1 of Skyway Industrial Park is complete and industrial development will continue to be a cornerstone of our business plan. The Airport currently supports 50 businesses and over 1,700 employees. In 2008 new industrial developments are planned with tenants that will anchor future development in this area. Our commitment to job creation and economic development is a key value.

• Build and maintain infrastructure.

Continued investment in restoring and replacing the facilities and equipment at a minimum capital investment of $1 million per year is planned.

• Develop new air services.

- Passenger traffic continues to grow in double digits with new and additional flights recently announced for 2008. The attraction of additional direct flights to other destinations in Canada will continue as a goal for the upcoming year.
- Sun flights to the Caribbean from London have significantly grown over the last several years. The attraction of new destinations and new services is a priority.
- Leakage of passengers from the London catchment area to Detroit Metro and Pearson Airports for flights to the United States is an opportunity. Efforts to attract new services to the U.S. from London will continue as a key goal.

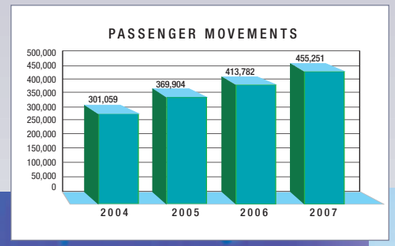
• Active Relations.

- Taxes, surcharges and additional fees imposed on airline tickets in Canada are significantly higher than in the United States. These additional charges are added on to the ticket price and make travel from Canada more expensive than the U.S. and contribute to the high leakage from London to Detroit. Efforts will continue in concert with other Canadian Airports to reduce these charges in Canada.
- Be an active partner in the Southwestern Ontario Economic Assembly to create a vision for the future.
- Be an active partner in the London Ambassador program to showcase London opportunities to the world.

2007 - Double Digit Increase in Passengers at YXU

London International Airport continues to achieve unprecedented passenger growth. Passenger volumes have experienced double digit increases for three years running, and are expected to continue to rise as more destinations and direct flights are added to London's flight schedule. 2007 was the best year ever for YXU in terms of passenger levels. A total of 455,251 enplaning and deplaning passengers were served, representing a total increase of 51% in passenger loads over 2004 levels.

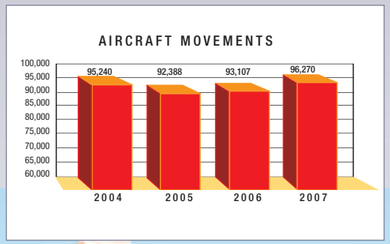
An increasing number of travellers from outside the City are now choosing London International Airport. During 2007, 55% of enplaning passengers originated from outside of the City, while 45% of passengers were London residents. With new and expanded air services being offered, London is becoming more attractive to the business and leisure traveller.



New or expanded air services:

- Air Canada Jazz offers twelve departures daily out of London to Toronto and Ottawa.
- WestJet Airlines doubled its weekly flight service between London and Calgary. WestJet currently has three daily departures to Winnipeg and Calgary.
- Northwest Airlines has four departures daily to Detroit Metro Airport.
- In December 2007 Sunwing Vacations introduced weekly direct service to Varadero, Punta Cana direct from London.
- Skyservice (with tour operator Sunquest Vacations) provided weekly flights to Cancun, Mexico and Punta Cana, Dominican Republic.
- Transat Holidays (serviced by WestJet Airlines) offered weekly flights to Cancun, Mexico and Punta Cana, Dominican Republic.

During 2007, London International Airport reported a total of 96,270 aircraft movements, representing a 3% rise over 2006 levels. Primarily this increase was driven by local activity, international flight schools, corporate/private aircraft utilizing the Airport and cargo activities, which collectively reported a 10% increase for the year. Since 2004, aircraft movements have increased by 1% overall, with growth equally distributed between itinerant and local activity.



Exceeding Financial Expectations

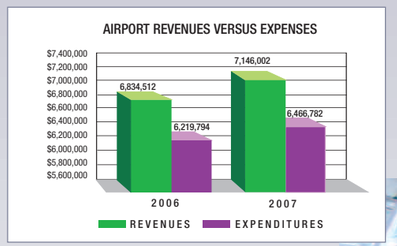
London International Airport is a significant and growing contributor to the economic structure of our region. With total employment generated by the Airport and its tenants reaching over 2,600 full-time jobs, and an economic impact from Airport operations totaling $357 million, YXU not only is important to the regional economy, but also as a facilitator for other businesses in their pursuit of growth and prosperity.

Financial Overview

Revenues for 2007 were $7.1 million compared to $6.8 million in 2006. Financial performance exceeded plan and revenue increased by 5% over 2006. Contributing factors included new general aviation tenants, new and expanded airline services and double digit increases in passenger numbers.

Expenditures increased in 2007 to $6.5 million compared to $6.2 million in 2007. The changes in expenses are related to customer service improvements, safety and security enhancements, increases in utilities, municipal taxes, personnel costs, and inflationary increases in costs of goods and services.

The Surplus of Revenues over Expenditures in 2007 was $679,220, which represents a healthy financial surplus and ensures sustaining capital reserves for future Airport development.



Economic Impact

The Economic Impact of London International Airport:

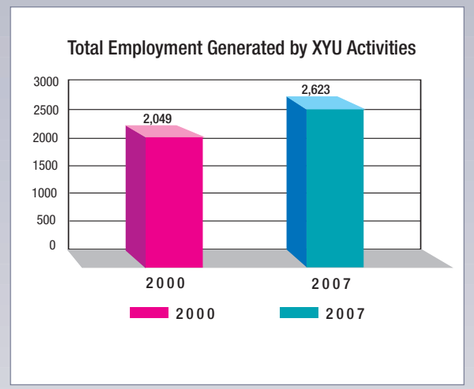
In 2007, London International Airport commissioned an Economic Impact Study on the Airport and the 50 tenants that call YXU their home. We wanted to determine the total number of jobs sustained by Airport activities, as well as the gross revenues generated by commercial activities at London International Airport.

Employment *(person years):* **2,623.4**
Gross Revenue **$357.1** *million*

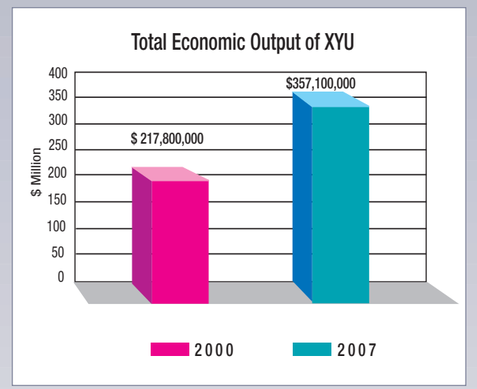
The study looked at relative wealth of the community, passengers handled through the year, numbers of persons currently employed directly at the Airport, as well as the type of tenants located at YXU. These factors indicated that a total of approximately 2,623.4 jobs (full-time equivalent) were generated by the activities of the Airport and its tenants during the year. This figure represents the sum of direct, indirect and induced employment.

Total Employment *(person years):*	**2,623.4**
London Labour Market	245,600
% of Labour Market Attributable to **YXU**	**1.1%**
Direct Employment *(person years):*	**1,747.5**

The gross revenues generated by commercial activities at London International Airport were also estimated. According to the economic impact model, London International Airport generated approximately $357.1 million for the provincial economy during the year studied. This figure represents the sum of direct, indirect and induced gross revenues.



Between 2000 and 2007, employment has increased by 28%, while economic output has increased by 65%. London International Airport is home to approximately 50 tenant businesses, sustaining more than 1,700 direct FTE (full-time equivalent) positions.



As the numbers reveal, YXU is a large player in the economic make-up of Southwestern Ontario. Additional contributions include:

- Hub for Aviation for Southwestern Ontario
- Gateway to the World
- 10th Busiest Airport in Canada
- Home to 50 Businesses
- Catalyst for Business Development in our Region
- Key asset in Convention and Tourism Development

London International Airport is a significant and growing contributor to the economic structure of our region. Our success is critical to the continued development and marketability of our community.

Glenn Wickert *– WestJet Station Manager.*
Glenn has overseen the WestJet operations since they started in London in 2002.

Kelly Hamilton *– Executive Chef of Katana Kafe nestled in the Diamond Flight Centre.*

Irene Cnockaert *– Canada Border Services Agency.*
As a Border Services Officer, Irene handles clearances of international flights, both passengers and personal/commercial goods.

Matt Parr *– Maintenance Mechanic for GLIAA.*
Matt is in charge of maintenance of all Airport equipment from new technology fire trucks, snow blowers, sweepers and loaders to regular cars and trucks.

Just Landed at YXU

Diamond Aircraft D-JET

The Diamond Aircraft D-JET, an innovative, new all composite, single-engine, five-passenger personal light jet aircraft, will be manufactured at London International Airport where the D-JET R&D program is based. The Diamond D-JET is poised to be the most attainable personal light jet.
Peter Maurer, President of Diamond Aircraft says, "In over 20 years of working in aviation, the D-Jet is by far the most exciting program I have had the privilege to be a part of."

The $95.2 million D-JET R&D program began in 2003. In 2007, Diamond introduced a new class of piston-powered aircraft - the DA50 SuperStar. A 5-seat airplane, powered by a 350 horsepower, turbocharged engine, with sleek aerodynamic lines and the most advanced and luxurious cockpits ever built for a personal aircraft, the Diamond SuperStar represents the pinnacle in piston powered singles. London International Airport is proud and thankful that Diamond Aircraft have selected London as their North American headquarters and D-Jet production base.

(View from inside the D-Jet)

Discovery Air Inc.

Discovery Air Inc. commenced operations in Skyway Industrial Park with an 11,000 square foot hangar and adjoining corporate headquarters, including Discovery Air corporate accounting, financial, legal and general administration staff. Discovery's forte is consolidation of profitable niche aviation companies and associated business in Canada.

David Taylor - Chairman, President & CEO *of Discovery Air Inc. As YXU's newest tenant, Discovery Air's forte is consolidation of profitable niche aviation companies and associated business in Canada.*

Flightexec Head Office

Flightexec has relocated its new head office at London International Airport based on tremendous growth in the marketplace. Flightexec is one of Canada's premier aviation businesses offering Corporate and Private Charters, Air Ambulance and Aircraft Management and Acquisition services. Flightexec's goal in serving the corporate and private segment of the air travel industry is to provide another level of service not available in the executive travel market. Nick Erb, President of Flightexec says, "We have ambitious plans for the future of our company and London will play a big part in our growth."

Nick Erb – President of Flightexec *oversees Private Aircraft Charters and Aircraft Management while being an active pilot.*

Blue Bird Flight Academy

Blue Bird Flight Academy commenced operations as a new international flight training school focusing on growing Asian and Indian markets, while Aero Academy and Empire Aviation flight training school services also expanded across international boarders to meet new demands from China and India. "London International Airport has complete and modern facilities with an excellent flight environment for students. We considered several airports in Ontario to base this operation and selected London for the well planned flight practice areas, current facilities and outstanding support from the Airport Authority", says Ranbir Singh, President of Blue Bird Flight Academy.

Blue Bird Academy Flight Student Dharmesh Shah navigating with a flight simulator.

AV-Base Systems

AV-Base Systems is delighted to call the YXU home. Occupying the second floor of the Air Canada Jazz building has already proven beneficial for business. "We have a dozen employees that travel all over the world to train our customers but we also invite them to come to London" says Bert Vergeer, VP Sales and Marketing. "Our spacious training facility, the direct flights to and from other North American cities from the Airport and nearby hotels, accommodate the needs of our clients".

AV-Base Systems is known for its WinAir series of software products. WinAir is widely recognized as the easiest-to-use, most structurally integrated and most affordable system for handling aviation maintenance and inventory control.

The London team has grown to over 35 people, and AV-Base expects to add another 10 employees by the end of next year.

Huge Boom in International Flight Schools

London International Airport is a training centre with three fixed wing international flight schools and one fixed wing local flight school.

Blue Bird Flight Academy commenced operations as a new international flight training school capitalizing on a boom in Asian and Indian aviation markets. Their search for a home took them to Airports across Ontario before choosing London.

Empire Aviation services students from the Commercial Aviation Management Program at the University of Western Ontario and now have expanded with Maylan Flight Academy (London) across international borders to meet new demands from China and India. "A large increase in the accessibility and popularity of air travel in China and India over the past few years has created a huge boom in the aviation sector and created a large demand for pilots." says Tom Lawson, President of Empire Aviation. "Due to strict military controls on airspace, a lot of government regulations and a lack of qualified instructors in these countries, it is actually cheaper and much easier for students to come here for their training."

Aero Academy was already training commercial pilots from India and will be taking in Chinese and Japanese students as well this year. Aero Academy has invested $250,000 in renovating its facilities and is looking to expand its fleet of planes. Business has seen a 37% increase in 2007 alone. Although international flight training has seen a huge demand recently, Aero Academy's first international student was from Trinidad in 1980. Once these students pass, they will be returning home with their recreational, private or commercial licences.

While these three schools cater to international students, Mike Schlievert, Owner and Chef Flight Instructor at Crosswinds Aviation focuses solely on training local clients. While he offers the different classes of licences, most of his students are hobbyists after a recreational license so they can occasionally rent planes.

International Flight Students –
Rahul Arora of Aero Academy,
Nikita Jiandani of Blue Bird Flight Academy
and Alex Zhang of Empire Aviation.

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
Highstreet Management

Rick Coates
Pacific & Western
Bank of Canada

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 Human Resources
Nominating Committee

Steve Baker
President and Chief Executive Officer

Michael Seabrook
Vice President

Janet Carr
Director, Finance and Human Resources

Gerry Holden
Director of Operations

John Lee
Director of Operations

Director and Executive Team Compensation

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

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

Executive Team's Compensation
The compensation for the five senior managers for the year ending December 31, 2007 was $602,827.

Corporate Offices

Greater London International Airport Authority
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Legal Counsel

Miller Thompson LLP
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255 Queens Avenue
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Auditors

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

Consolidated Financial Statements

Greater London International Airport Authority

December 31, 2007

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, 2007 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, 2007 and the results of its operations, changes in its net assets and its 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 15, 2008.

Greater London International Airport Authority

Incorporated without share capital under the laws of Canada

STATEMENT OF FINANCIAL POSITION

As at December 31

	2007 $	2006 $
ASSETS		
Current		
Cash and marketable securities *[note 3]*	**2,107,495**	1,819,200
Accounts receivable	**836,488**	632,689
Prepaid expenses and deposits	**155,507**	164,563
Total current assets	**3,099,490**	2,616,452
Accrued pension asset *[note 10]*	**536,000**	445,000
Capital assets, net *[note 4]*	**29,854,283**	29,766,176
Cash and marketable securities restricted for capital purposes *[note 3]*	**710,223**	699,948
	34,199,996	33,527,576
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**763,912**	1,093,791
Construction holdback payable	**6,000**	—
Current portion of long-term debt *[note 6]*	**718,518**	588,888
Deferred revenue	**18,620**	23,103
Total current liabilities	**1,507,050**	1,705,782
Deferred severance costs *[note 5]*	**—**	34,067
Long-term debt *[note 6]*	**14,955,844**	15,674,362
Deferred Airport Improvement Fees *[note 7(a)]*	**5,358,525**	4,775,923
Deferred federal grants *[note 7(b)]*	**2,616,420**	2,755,929
Interest rate swap *[note 11]*	**1,296,566**	—
Total liabilities	**25,734,405**	24,946,063
NET ASSETS		
Investment in capital assets *[note 8]*	**5,678,586**	6,741,250
Restricted for capital purposes	**710,223**	699,948
Unrestricted	**2,076,782**	1,140,315
Total net assets	**8,465,591**	8,581,513
	34,199,996	33,527,576

See accompanying notes

On behalf of the Board: Director Director

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2007				2006
	Investment in capital assets $	Restricted for capital purposes $	Unrestricted $	Total $	Total $
	[note 8 and 11]	*[note 3]*			
Balance, beginning of year	**5,644,975**	**699,948**	**469,926**	**6,814,849**	6,212,330
Adjustment for AIF funding *[note 7(a)]*	**1,096,275**	**—**	**670,389**	**1,766,664**	1,177,776
Transition adjustment on adoption of financial instruments standards *[note 2(c)]*	**(1,531,943)**	**10,275**	**16,714**	**(1,504,954)**	—
Surplus for the year	**(237,382)**	**—**	**802,149**	**564,767**	602,519
Change in capital assets	**471,284**	**—**	**117,604**	**588,888**	588,888
Net gain on derivative instrument designated as cash flow hedge *[note 11]*	**235,377**	**—**	**—**	**235,377**	—
Balance, end of year	**5,678,586**	**710,223**	**2,076,782**	**8,465,591**	8,581,513

See accompanying notes

STATEMENT OF OPERATIONS

Year ended December 31

	2007 $	2006 $
REVENUES		
Landing and terminal fees	**2,278,248**	2,165,272
Concessions	**2,556,957**	2,345,932
Rentals	**570,290**	558,870
Airport Improvement Fees *[note 7(a)]*	**1,007,203**	1,036,274
Security	**658,572**	640,571
Other	**74,732**	87,593
	7,146,002	6,834,512
EXPENDITURES		
Salaries and wages	**1,703,756**	1,537,644
Interest expense *[notes 6 and 7(a)]*	**1,007,203**	1,036,274
Municipal taxes	**501,956**	478,054
Benefits	**458,084**	483,787
Contracted services	**728,887**	652,721
Utilities	**499,527**	453,845
Directors' fees and expenses	**156,973**	175,705
Office and administration	**264,467**	262,850
Materials and supplies	**145,334**	133,316
Contracted maintenance	**283,770**	272,493
Professional fees	**85,025**	80,903
Vehicle	**201,957**	187,266
Insurance	**175,504**	181,695
Advertising and promotion	**23,947**	87,234
Repairs, maintenance and equipment rentals	**230,392**	196,007
	6,466,782	6,219,794
Surplus of revenues over expenditures before the following	**679,220**	614,718
Investment income	**97,929**	121,922
Amortization of capital assets	**(1,305,175)**	(1,162,294)
Amortization of Airport Improvement Fees and federal grants *[note 7]*	**1,130,877**	986,582
Loss on disposal of capital assets	**(38,084)**	(2,789)
Recovery on Mesaba write off	**—**	44,380
Surplus for the year	**564,767**	602,519

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended December 31

	2007 $	2006 $
OPERATING ACTIVITIES		
Surplus for the year	**564,767**	602,519
Add (deduct) items not involving cash		
Airport Improvement Fees *[note 7]*	**(1,007,203)**	(1,036,274)
Amortization of capital assets	**1,305,175**	1,162,294
Loss on disposal of capital assets	**38,084**	2,789)
Amortization of Airport Improvement Fees and federal grants *[note 7]*	**(1,130,877)**	(986,582)
Financial instrument adjustment unrestricted *[note 2(c)]*	√ **16,714**	—
Increase in accrued pension obligation *[note 10]*	**(91,000)**	(274,000)
	(304,340)	(529,254)
Net change in non-cash working capital balances related to operations *[note 9]*	**(529,105)**	172,800
Cash used in operating activities	**(833,445)**	(356,454)
INVESTING ACTIVITIES		
Purchase of capital assets	**(1,456,366)**	(1,970,923)
Proceeds of disposal of capital assets	**25,000**	1,725
Cash used in investing activities	**(1,431,366)**	(1,969,198)
FINANCING ACTIVITIES		
Decrease in deferred severance costs *[note 5]*	**(34,067)**	(14,244)
Increase in construction holdback payable	**6,000**	—
Net decrease in long-term debt	**(588,888)**	(588,888)
Decrease in cash restricted for capital purposes	**—**	10,756
Airport Improvement Fees collected *[note 7(a)]*	**3,170,061**	2,846,726
Cash provided by financing activities	**2,553,106**	2,254,350
Net increase (decrease) in cash and marketable securities during the year	**288,295**	(71,302)
Cash and marketable securities, beginning of year	**1,819,200**	1,890,502
Cash and marketable securities, end of year	**2,107,495**	1,819,200

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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] Basis of accounting

The Authority follows the deferral method of accounting for revenues. Externally restricted revenues 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.

Airport Improvement Fees ["AIF"] may only be used to fund Airport infrastructure projects and associated financing costs that relate primarily to the passenger-handling functions of the Airport. Externally restricted revenues such as AIF are deferred and amortized into income in amounts equal to the amortization of the related capital assets and the interest cost on infrastructure related debt.

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

Investment income is recognized as revenues when earned.

[c] Financial instruments

Effective January 1, 2007, the Authority adopted three new accounting standards comprising the following sections of the Handbook of the Canadian Institute of Chartered Accountants ["CICA"]: 3855 Financial Instruments – Recognition and Measurement; 3861 Financial Instruments – Disclosure and Presentation; and 3865 Hedges. The adoption of these new standards required changes in the accounting for financial instruments and hedges. The comparative financial statements have not been restated. The principal changes in the accounting for financial instruments and hedges due to the adoption of these accounting standards are described below.

Financial Assets and Liabilities

Under the new standards, all financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, other liabilities or 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.

Prior to January 1, 2007, marketable securities were recorded at cost. 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.

Prior to January 1, 2007, derivatives that met the standards for hedge accounting were accounted for on an accrual basis. Only derivative transactions that did not quality for hedge accounting were carried at fair value, with changes in value during the year recorded as non-interest income.

The comparative amounts for prior periods have not been restated as required by the transition requirements.
The impact of adopting these standards was as follows:

	As at January 1, 2007 $
Assets	
Marketable securities	26,989
Liabilities	
Interest rate swap agreement	1,531,943
Net assets	
Investment in capital assets	(1,531,943)
Restricted for capital purposes	10,275
Unrestricted	16,714

The impact of adopting these standards on net income in the year was not significant.

[c] 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:

	2007			2006		
	Cash	Marketable Securities [at market]	Total	Cash	Marketable Securities [at cost]	Total
	$	$	$	$	$	$
Unrestricted	**886,015**	**1,221,480**	**2,107,495**	680,366	1,138,834	1,819,200
Restricted for capital purposes [a]	**—**	**710,223**	**710,223**	—	699,948	699,948
	886,015	**1,931,703**	**2,817,718**	680,366	1,838,782	2,519,148

Marketable securities consist of fixed income government and corporate bonds bearing interest at rates ranging from 3.70% to 5.25% and having maturity dates ranging from September 15, 2008 to December 3, 2015. The market value of these securities was $1,865,774 at December 31, 2006. The marketable securities are held for trading and are therefore reflected as a current asset.

[a] 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 allocated to this fund are subject to change at the discretion of the Board of Directors.

[b] In 2007, the Board of Directors did not restrict any cash [2006 - $10,756]. The increase in restricted cash for capital purposes was a transition adjustment on the adoption of financial instruments [note 2[c]].

4. CAPITAL ASSETS

Capital assets consist of the following:

	2007		2006	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	$	$	$	$
Office furniture and equipment	**63,638**	**25,280**	54,983	22,605
Terminal furniture and fixtures	**86,203**	**37,261**	115,371	64,500
Shop equipment	**188,484**	**100,494**	174,665	88,568
Mobile equipment	**2,435,950**	**1,139,822**	2,130,134	1,033,521
Computer software	**35,726**	**20,337**	35,726	13,897
Computer hardware	**107,646**	**62,254**	128,504	73,791
Pavement leasehold improvements	**1,471,301**	**558,669**	1,347,758	467,460
Structural leasehold improvements	**25,023,090**	**2,639,708**	24,375,409	1,918,339
Security equipment	**610,606**	**153,105**	545,027	114,587
Baggage system	**3,367,647**	**391,023**	3,367,647	239,157
Land leasehold improvements and land transfer tax	**1,737,368**	**205,423**	1,675,947	148,570
	35,127,659	**5,333,376**	33,951,171	4,184,995
Less accumulated amortization	**5,333,376**		4,184,995	
	29,794,283		29,766,176	
Construction in progress	**60,000**			
Net book value	**29,854,283**		29,766,176	

5. DEFERRED SEVERANCE COSTS

The Authority received $208,639 from Transport Canada upon completion of the Airport transfer representing the actuarial value of retiring and severance pay liabilities for employees of Transport Canada assumed by the Authority as at August 1, 1998. The funds have been deferred and are applied to offset the future costs of actual retiring allowances and severance incurred by the Authority.

During 2007, the Authority paid $49,904 in retiring allowances and severance to former employees [2006 - $14,244].

6. LONG-TERM DEBT

Long-term debt consists of the following:

	2007 $	2006 $
Promissory note [a]	**403,985**	403,985
Demand installment loan [b]	**15,270,377**	15,859,265
	15,674,362	16,263,250
Less current portion	**718,518**	588,888
	14,955,844	15,674,362

[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 installment 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 $12,120,394, bears interest at prime minus 75 basis points is repayable in monthly principal payments based on the following installment schedule:

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

The Authority has entered into an interest rate swap agreement linked to the amortizing balance of this facility, with the lender as counterparty, to swap its floating rate obligation of prime minus 75 basis points for a fixed rate of 6.09% [note 11].

The second non-revolving facility having a balance outstanding of $3,149,983 bears interest at prime minus 75 basis points, and is payable in monthly payments of principal of $16,667 plus interest. As at December 31, 2007, the fair value of this facility approximates book value.

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.

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

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

7. DEFERRED REVENUES

[a] Airport Improvement Fees

The Authority entered into an agreement dated April 1, 1999 with the Air Transport Association of Canada and major air carriers serving the Airport. The agreement provides for a consultation process with air carriers on airport development as well as the collection of AIF by air carriers. The Authority is required to use the AIF to finance airport infrastructure development.

These revenues are deferred and amortized to income in amounts equal to the amortization of the related airport improvements and the interest cost on infrastructure related debt [note 6[b]].

Total cumulative expenditures on airport infrastructure development projects from inception of the AIF amounted to $27,714,340 as at December 31, 2007 [2006 - $26,267,379].

Deferred AIF consists of the following:

	2007 $	2006 $
Balance, beginning of year	**4,775,923**	4,421,588
AIF collected during the year	**3,170,061**	2,846,726
Amortization of AIF during the year	**(1,998,571)**	(1,903,503)
Less: Applied to principal repayments	**(588,888)**	(588,888)
Balance, end of year	**5,358,525**	4,775,923

The balance of the deferred AIF has been adjusted to reflect that portion of the AIF that is used annually to fund the principal repayments of $588,888 on the Authority's demand installment loan.

[b] Federal grants

Federal Grants consist of the following:

	2007 $	2006 $
[i] Security grant	**312,260**	334,832
[ii] Canadian Air Transport Security Authority ('CATSA')	**2,304,160**	2,421,097
Total federal grants	**2,616,420**	2,755,929

[i] Security grant

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

	2007 $	2006 $
Security grant, beginning of year	**334,832**	357,404
Amortization during the year	**(22,572)**	(22,572)
Security grant, end of year	**312,260**	334,832

[ii] CATSA funding

In 2004 and 2005, the Authority received funding from the Canadian Air Transport Security Authority ["CATSA"] to partially fund the capital costs associated with the construction of the new hold baggage system. These revenues are deferred and are being amortized to income on the same basis as the amortization of the related hold baggage system as of June 2005 when the assets were put into use. The remaining costs were funded through cash and marketable securities restricted for capital purposes *[note 3]*, as approved by the Board of Directors.

	2007 $	2006 $
CATSA funding, beginning of year	**2,421,097**	2,517,878
Amortization during the year	**(116,937)**	(96,781)
CATSA funding, end of year	**2,304,160**	2,421,097

8. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets consists of the following:

	2007 $	2006 $
Capital assets *[note 4]*	**29,854,283**	29,766,176
Amount financed by:		
Long-term debt *[note 6]*	**(15,674,362)**	(16,263,250)
Deferred AIF *[note 7(a)]*	**(5,358,525)**	(4,775,923)
Deferred federal grants *[note 7(b)]*	**(2,616,420)**	(2,755,929)
Internally restricted funds	**770,176**	770,176
	6,975,152	6,741,250
Transition adjustment – financial instruments [note 2[c]]	**(1,531,943)**	—
Net gain on derivative instrument designated as a cash flow hedge [note 11]	**235,377**	—
investment in capital assets	**5,678,586**	6,741,250

Change in investment in capital assets is calculated as follows:

	2007 $	2006 $
Amortization of deferred AIF - capital assets	**991,368**	867,229
Amortization of deferred federal grants	**139,509**	119,353
Loss of disposal of capital assets	**(38,084)**	(2,789)
Proceeds on disposal of capital assets	**(25,000)**	(1,725)
Amortization of capital assets	**(1,305,175)**	(1,162,294)
Excess of expenditures over revenues	**(237,382)**	(180,226)
Purchase of capital assets	**1,456,366**	1,970,923
Amounts funded by:		
AIF	**(1,456,366)**	(1,221,564)
Decrease in long-term debt	**588,888**	588,888
Internal resources	**(117,604)**	(749,359)
Change in capital assets	**471,284**	588,888
Net change in investment in capital assets	**233,902**	408,662

9. STATEMENT OF CASH FLOWS

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

	2007 $	2006 $
Decrease (increase) in current assets		
Accounts receivable	**(203,799)**	71,560
Prepaid expenses and deposits	**9,056**	(3,598)
	(194,743)	67,962
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**(329,879)**	100,944
Deferred revenue	**(4,483)**	3,894
	(334,362)	104,838
	(529,105)	172,800

10. EMPLOYEE BENEFIT PLANS

	2007 $	2006 $
[a] Defined benefit pension plan asset	**(705,000)**	(553,000)
[b] Supplemental pension plan obligation	**169,000**	108,000
Accrued pension asset, end of year	**(536,000)**	(445,000)

[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.

[i] Pension expense for the defined contribution plan is $29,279 [2006 - $21,642].

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

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

	2007 $	2006 $
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation, beginning of year	**6,333,000**	6,121,000
Authority service cost	**123,000**	117,000
Employee service cost	**29,000**	31,000
Interest cost	**335,000**	324,000
Benefit payments	**(192,000)**	(182,000)
Actuarial gains	**(274,000)**	(78,000)
Benefit obligation, end of year	**6,354,000**	6,333,000
CHANGE IN PLAN ASSETS		
Fair value of plan assets, beginning of year	**6,014,000**	5,019,000
Actual return on plan assets	**54,000**	608,000
Authority contributions	**281,000**	538,000
Employee contributions	**29,000**	31,000
Benefit payments	**(192,000)**	(182,000)
Fair value of plan assets, end of year	**6,186,000**	6,014,000

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

	%	%
Equity securities	**66.9**	67.7
Debt securities	**33.1**	32.3

The following table provides the components of net pension expense:

	2007 $	2006 $
Authority service cost	**123,000**	117,000
Interest cost	**335,000**	324,000
Expected return on plan assets	**(380,000)**	(352,000)
Amortization of unamortized net actuarial loss	**51,000**	161,000
Net pension expense	**129,000**	250,000

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

	2007 $	2006 $
Accrued benefit asset, beginning of year	**(553,000)**	(265,000)
Pension expense for the year	**129,000**	250,000
Authority contributions	**(281,000)**	(538,000)
Accrued benefit asset, end of year	**(705,000)**	(553,000)

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations under the defined benefit plan as at December 31, 2006 are as follows:

	%	%
Discount rate	**5.50**	5.25
Expected long-term rate of return on plan assets	**6.50**	6.25

[b] Supplemental pension plan

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

	2007 $	2006 $
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation, beginning of year	**317,000**	92,000
Service cost	**9,000**	9,000
Interest cost	**17,000**	5,000
Actuarial (gains) losses	**(24,000)**	211,000
Benefit obligation, end of year	**319,000**	317,000

The following table provides the components of net pension expense:

	2007 $	2006 $
Service cost	**9,000**	9,000
Interest cost	**17,000**	5,000
Net pension expense	**26,000**	14,000

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

	2007 $	2006 $
Accrued benefit obligation, beginning of year	**108,000**	94,000
Pension expense for the year	**26,000**	14,000
Amortization for current period	**35,000**	—
Accrued benefit obligation, end of year	**169,000**	108,000

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.

11. INTEREST RATE SWAP

As at December 31, 2007, the Authority has an interest rate swap agreement related to its non-revolving credit facility to assist in financing the Air Terminal Building expansion. This agreement is based on an amortizing notional amount directly linked to the outstanding principal on one of its non-revolving facilities with the lender as the counterparty. The agreement causes the Authority to swap its floating rate obligation of prime minus 75 basis points for a fixed rate of 6.09%. As at December 31, 2007, the fair value of this swap agreement represented a liability of $1,296,566 [2006 - $1,531,943]. The fair value of derivative financial instruments reflects the estimated amount that the Authority, if required to settle the outstanding contract, would be required to pay or would be entitled to receive at year end.

12. 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, 2007, there were no significant concentrations of credit risk with respect to any class of financial assets. While the Authority deals with several large and small customers in North America, three customers represent 68% of the trade accounts receivable balance at December 31, 2007. 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.