



GANDER
INTERNATIONAL AIRPORT ✦ CYQX

2009 Annual Report





This is the 2009 Gander International Airport Authority Annual Report. We've eschewed a glitzy, professionally-produced report in favour of a simple document that's written, designed and printed in-house.

By doing so, we can manage the number of copies printed, allowing us to save a metric tonne of greenhouse gases and 6,972 gallons of wastewater, which would have been required for commercial printing. Moreover, we saved upwards of \$10,000 in professional design and production costs.

Many Fortune 500 companies have abandoned elaborate annual reports in favor of a basic e-mail or photocopy of financial statements to shareholders.

We appreciate your understanding as we work to keep it simple and, most importantly, keep it green.

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Report of the Chair and CEO

By all accounts, 2009 was a trying year for business the world over. Here at Gander International Airport, we too felt the sting of an economic slump which had a major effect on the aviation industry. Despite this, the airport recorded its sixth straight year of profit and its best financial performance to date; a significant accomplishment when one considers Transport Canada sustained cumulative operating losses of nearly \$25 million for the five years prior to transferring the airport.

Our operating results are due largely to a restructuring of staff which took place in 2008. The airport authority completed a cross-training initiative which allows employees to expand their skill sets, multi-task and reduce operational costs. Our staff must again be commended for their industry, willingness to embrace change and do more with less.

Since transfer in 2001, the airport authority has improved its net operating income by almost \$1.25 million. Concerted cost reduction efforts have resulted in \$1.1 million annualized savings. Developing non-traditional revenue sources, including rentals, land lease, quarry materials and timber rights on airport property, have generated an additional \$600,000 annually. Excluding capital replacement charges, the airport has limited cost increases over the last six years while at the same time increasing core revenue by \$0.8 million.

The airport authority remains challenged to post the revenue performance to meet its impending capital needs. The GIAA is projecting a capital deficit of \$21 million by 2019; its most immediate requirement being the resurfacing of Runway 03/21 at a cost of approximately \$10 million. Without public investment in its capital works program, finding the money from operational revenues will prove a challenge.



Fred Moffitt



Gary Vey

Thanks are due to our board of directors, management team, staff, tenant companies and community stakeholders. Most importantly, we offer thanks to our customers - we thank you for flying Gander. Your patronage and support are much appreciated.

The recessionary tide looks as if it has begun to turn and we have weathered it, thus far, no worse for wear.

Our go forward strategy? Manage costs, focus on customer retention, invest intelligently and focus on our competitive advantages. As always, we approach this with a mix of realism and cautious optimism.

A handwritten signature in blue ink, appearing to read 'Fred Moffitt'.

Fred Moffitt
Chairperson

A handwritten signature in blue ink, appearing to read 'Gary R. Vey'.

Gary R. Vey
President and CEO

Key Performance Areas

* Operational Integrity

The airport authority continues to work to provide a safe environment for its workers, travelers and airlines. The airport authority has made it a priority to foster a culture of “safety and security first.” In 2009, Transport Canada auditors provided a strong endorsement of the airport’s safety and security program.

The implementation of the airport’s Safety Management System (SMS) continues. SMS is a comprehensive system that focuses on auditable and measured safety processes that identify hazards to ensure personnel are prepared to prevent incidents proactively.

New protocols and runway lighting infrastructure were implemented that will increase the operational capability of the airport and bolster airside safety.

The airport authority maintains its cross-training program for operational staff. This allows the airport to maintain the same level of customer service and operational readiness with fewer employees. A multi-skilled, versatile workforce is a crucial part of the airport’s strategic operational plan and makes a positive contribution to safety.

* Environmental Accountability

The authority continues to conduct ongoing site reviews and inspections of all facilities as part of an ongoing program to address environmental concerns.

Since 2008, the airport authority and its partners have implemented a comprehensive carbon emissions reduction program. The remaining emissions have been reduced by the purchase of carbon offsets. As a result of this investment, and ongoing reduction practices, the airport became the first Carbon Neutral Airport in the Americas

and only the third in the world. The airport has set a goal of reducing its carbon emissions by 33% by 2020. The airport has already achieved a 14% reduction since implementing its Green Plan.

The authority felt it important to be proactive on this matter because there is a high probability that carbon reductions will become government regulatory policy. Furthermore, airlines and the traveling public want the confidence of knowing they are doing business with a vendor who shares their green values.

Gander International Airport is a signatory to the Aviation and Environment Summit Declaration, which commits to carbon-neutral growth and a carbon-free future.



Weston’s Terry Marshall prepares Gander’s renowned seafood platter.

Key Performance Areas

* Financial Stewardship

Cost control remains at the heart of the GIAA's strategic focus. 2009 represented the airport's best results since transfer with an operating income of \$768,000 despite core revenue declining 2% over 2008.

Non-traditional revenues increased \$126,000 while controllable wages and benefits were reduced by \$177,000. Heating costs were also down \$146,000.

Bad debts returned to normal levels following the bankruptcy of two long-time customers in 2008. Legal fees were reduced by \$48,000 over the previous year, but are expected to increase in 2010.

* Active Marketing

Passenger movements at Gander were down -4% in 2009 in keeping with an international trend of reduced travel demand. However, Gander has fared better than most Atlantic Canadian airports and passenger movements have increased almost 45% since 2007.

Performance on Air Canada Jazz has been strong since the introduction of convenient double daily jet operations to Halifax in the summer of 2007. Sunwing Airlines summer flights to Toronto and winter service to the Caribbean also performed well. Both tenant carriers have provided an invaluable service and connectivity for the Central Newfoundland market. The airport maintains ongoing negotiations with carriers, both incumbent and prospective, to further improve flying options at Gander.

Our Fly Gander marketing campaign, which extols the virtues and convenience of flying from your local airport, continues in earnest.

The airport authority continues to support Adventure Central, the Destination Marketing Organization (DMO) for Central Newfoundland as seed proponent and corporate sponsor. The Central DMO is a member-driven non-profit marketing organization focused on promoting the region as a multi-season tourism destination.

Traditional international technical stop traffic at Gander International Airport performed below traditional levels in 2009. Gander accommodates almost 20% of corporate aircraft flying the North Atlantic, but flying remains down almost 30% globally.

Patronage from military aircraft remains a cornerstone of both the airport and Central Newfoundland community. Including fuel sales, concessions, accommodations, handling and related spending, military aircraft at Gander generate \$25 million in revenue annually to the region. Military movements at Gander remain steady.

The airport's ability to retain international business will depend largely on the continued provision of a high standard of operational service and hospitality.

Re-establishing scheduled cargo service and positioning Gander as a hub for the export of perishables by air remain core to our strategy. The airport and its partners believe the emergence of fresh markets, eventual strengthening of European demand, and pressures on the traditional way of seafood marketing, both from global competition and the availability of product, will continue to drive a trend toward fresh and premium seafood product export to Europe.

Key Performance Areas

✳ A Community Pillar

The Gander International Airport remains an important economic facilitator for the Central Newfoundland region.

The airport sustains 1,200 jobs in the province, with \$107 million in gross domestic product, \$312 million in economic output and \$70 million in wages. That impacts grows when it includes downstream industries that result from the presence of the airport such as suppliers and contractors, as well as employment generated by spending from individuals employed directly or indirectly by the airport. To that end, total economic impacts are 2,382 jobs, \$136 million in wages, \$201 million in GDP and \$536 in economic output.

96% of jobs attributable to airport operations are full-time positions and 98% are permanent jobs.

Ongoing economic activity at the airport contributes \$32 million annually in tax revenue, including \$20.6 million to the federal government, \$10.7 million to the provincial government and \$0.8 million to the municipal government.

The Gander International Airport Authority remains an active philanthropist, contributing to local non-profit causes from families in need to community festivals, youth sports and men and women serving our nation in theatres of war.

It's flagship project is supporting the delivery of breakfast programs at schools throughout Central Newfoundland through Kids Eat Smart, a volunteer-based organization that provides nutritional breakfasts for students.

For 2009, the airport contributed to nine schools throughout Central Newfoundland including Gander Academy, Glovertown Academy, Lewisporte Academy, Green Bay South Academy in

Robert's Arm, Bay d'espoir Academy in Milltown, Lakewood Academy in Glenwood, Millcrest Academy in Grand Falls-Windsor and Riverwood Academy in Wing's Point.



Gander International Airport is the technical stop of choice for transatlantic wide-bodied aircraft.

Highlights and Required Declarations

Capital Initiatives

During the past year the Authority invested \$436,639 in capital improvements:

Administrative office consolidation	\$ 145,247
Crew lounge improvements	58,511
Electrical upgrades	25,810
Security system improvements	14,119
Safety equipment construction	18,156
Light duty vehicle replacement	29,485
Heavy equipment replacement	75,876
Heating, ventilation and air conditioning upgrades	13,500
Safety Management System	29,466
Airfield pavement rehabilitation	14,700
Miscellaneous capital expenditures	44,990
	\$ 469,860

Business Plan

	Actual	Budgeted	Difference	Explanation
Revenue	\$ 6,519,643	6,105,920	413,723	Increased non traditional revenues and business from core customers
Expenses, excluding depreciation	\$ 5,664,497	5,880,680	216,183	Lower advertising and winter expenses
Capital expenditures	\$ 469,860	nil	469,860	Due to the nature of our traffic our cash flows in the spring coupled with summer traffic projections dictate our capital for the remainder of the year

Forecast for next five years:

	2010	2011	2012	2013	2014
Revenue	\$ 7,301,622	7,447,655	7,596,609	7,748,542	7,903,513
Expenses, excluding depreciaton	\$ 6,109,260	6,231,446	6,356,075	6,483,197	6,612,861
Capital expenditures	\$ 818,000	1,774,800	3,830,000	9,909,000	3,772,000

Auditor's Report

Blair J. Jewer, Chartered Accountant
P.O. Box 471
Grand Falls-Windsor, NL A2A 2J9
Tel: (709) 489-7755 Fax: (709) 489-8646

**To The Members Gander International Airport
Authority Inc.**

I have audited the balance sheet of Gander International Airport Authority Inc. as at December 31, 2009 and the statements of earnings and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Authority. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Canadian generally accepted auditing standards. Those standards require that I 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 my 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 and the changes in its cash flows for the year ended in accordance with Canadian generally accepted accounting principles.



March 11, 2010

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
BALANCE SHEET AS AT DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 998,642	\$ 376,610
Guaranteed Investment Certificates	5,157,500	5,000,000
Accounts receivable (Note 3)	1,310,609	1,617,837
Inventory of consumable supplies (Note 4)	446,349	495,963
Prepaid expenses	94,987	112,688
	8,008,087	7,603,098
EMPLOYEE FUTURE BENEFITS (Note 9)	520,000	340,000
PROPERTY, PLANT AND EQUIPMENT (Note 5)	9,217,156	9,783,330
	\$ 17,745,243	\$ 17,726,428
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 7)	\$ 1,445,619	\$ 1,290,828
Deferred revenue	404,640	404,640
Current maturity on long-term debt	3,324	3,797
	1,853,583	1,699,265
LONG-TERM DEBT (Note 8)	-	3,313
ACCRUED SEVERANCE PAY	236,591	194,630
TRANSPORT CANADA ADVANCES (Note 10)	415,766	852,405
UNAMORTIZED CAPITAL GRANTS (Note 11)	8,133,409	8,378,931
UNAMORTIZED DEBT FORGIVENESS (Note 12)	311,737	572,528
	10,951,086	11,701,072
NET ASSETS		
INVESTED IN CAPITAL ASSETS (Note 13)	768,686	824,761
EXTERNALLY RESTRICTED – EMPLOYEE FUTURE BENEFITS (Note 13)	520,000	340,000
UNRESTRICTED (Note 13)	5,505,471	4,860,595
	6,794,157	6,025,356
	\$ 17,745,243	\$ 17,726,428

Signed on behalf of the Board,

 , Director
  , Director

The accompanying notes form an integral part of this financial statement.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
REVENUE		
Operating and airport improvement fees (Note 14)	\$ 6,519,643	\$ 6,635,458
Government grants	-	27,000
	<u>6,519,643</u>	<u>6,662,458</u>
EXPENSES		
Advertising and promotion	151,530	314,466
Bad debt expense	22,219	137,289
Board remuneration and travel	75,231	114,127
Communications	63,110	73,149
Equipment and vehicle operating	284,733	261,457
Insurance	189,230	250,962
Interest and bank charges	15,978	18,684
Licences and fees	24,657	15,428
Maintenance contracts	212,421	191,844
Materials and supplies	479,053	638,603
Office and administration	53,044	62,620
Payment in lieu of taxes (Note 15)	136,577	-
Professional fees	139,338	62,553
Repairs and maintenance	255,893	143,751
Security contracts	227,344	223,864
Travel and entertainment	59,320	79,817
Utilities	632,295	778,767
Wages and employee benefits	2,600,864	2,637,131
Carbon neutrality	41,660	44,907
Depreciation, net of grant amortization \$942,952 (2008 - \$1,154,930)	86,345	(125,719)
	<u>5,750,842</u>	<u>5,923,700</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS	768,801	738,758
OTHER ITEMS		
Government of Canada Contribution Agreement Funding	-	4,675,658
Restructuring costs	-	(1,319,756)
	<u>768,801</u>	<u>4,094,660</u>
EXCESS OF REVENUE OVER EXPENDITURES	\$ 768,801	\$ 4,094,660

The accompanying notes form an integral part of this financial statement.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
CASH WAS PROVIDED BY (USED FOR)		
<i>Operating</i>		
<i>Net excess of revenue over expenditures</i>	\$ 768,801	\$ 4,094,660
<i>Non-cash items, depreciation, net of grant amortization</i>	86,345	(125,719)
	<hr/>	<hr/>
	855,146	3,968,941
<i>Changes in non-cash working capital</i>		
<i>Current assets (Note 15)</i>	374,543	(124,288)
<i>Current liabilities (Note 15)</i>	154,791	17,088
	<hr/>	<hr/>
	1,384,480	3,861,741
<i>Investing</i>		
<i>Purchase of property, plant and equipment</i>	(469,860)	(785,425)
<i>Proceeds from sale of property, plant and equipment</i>	6,737	100,000
<i>Employee future benefit asset</i>	(180,000)	(332,000)
	<hr/>	<hr/>
	(643,123)	(1,017,425)
<i>Financing</i>		
<i>Accrued severance pay</i>	41,961	(6,081)
<i>Government of Canada Contribution Agreement Funding</i>	-	(192,122)
<i>Repayment of long-term debt</i>	(3,786)	(3,608)
	<hr/>	<hr/>
	38,175	(201,811)
 INCREASE IN CASH	 779,532	 2,642,505
CASH, BEGINNING	5,376,610	2,734,105
	<hr/>	<hr/>
CASH, ENDING	\$ 6,156,142	\$ 5,376,610
 CASH CONSISTS OF:		
<i>Cash on hand</i>	\$ 2,000	\$ 2,000
<i>Current account (overdraft) - operating</i>	996,642	374,610
<i>Guaranteed Investment Certificates</i>	5,157,500	5,000,000
	<hr/>	<hr/>
	\$ 6,156,142	\$ 5,376,610
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of this financial statement.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

1. NATURE OF OPERATIONS

The Gander International Airport Authority Inc. (GIAA) was incorporated as a not for profit Corporation without share capital by Letters Patent under the Canada Corporations Act and is Exempt from income tax.

The GIAA is governed by the Board of Directors whose members are nominated by various regional Stakeholders.

The objectives of the GIAA are:

-to manage operate and develop the Gander International Airport in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;

-to undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities;

-to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.

In executing its objectives, the Authority shall confer regularly with governments and community entities on matters affecting the operation and development of the Airport and shall engage only in those activities that are consistent with its objectives.

Gander International Airport (CYQX) is a member of the Canadian national Airport System. While a member of this system GIAA is required to operate as a not for profit corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority are prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered most significant by the Authority:

(a) Depreciation was provided on property, plant and equipment using the straight line method at the following rates per annum:

<i>Runway</i>	<i>5%</i>	<i>Vehicles</i>	<i>10%</i>	<i>Roads</i>	<i>6.67%</i>
<i>Approach lighting</i>	<i>5%</i>	<i>Software</i>	<i>10%</i>	<i>Equipment</i>	<i>10%, 20%</i>
<i>Leasehold improvements</i>	<i>10%, 20%</i>				

(b) Property, plant and equipment is recorded at cost.

(c) The inventory of consumable supplies is recorded at the lower of cost and estimated net realizable value. Inventory cost is calculated on the first in first out basis.

(d) The lease of the International Airport Facilities from the Government of Canada (the "Landlord") is accounted for as an operating lease.

(e) Unamortized debt forgiveness is being amortized at the same rates as the corresponding property, plant and equipment.

(f) The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(g) Cash consists of cash on hand and balances with bank including authorized overdrafts and recurring operating loans. Cash components included in the cash flow statement is detailed thereon.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Pension Plan

The Authority has entered into a multi employer contributory defined benefit pension plan for its employees whereby retirement benefits are based on the average earnings of last five years prior to retirement.

The defined benefit pension cost is charged to salaries and benefits as employees render services.

The Authority's policies for accounting for future employee benefits are as follows:

- The cost of pensions earned by employees is actuarially determined using the Projected benefit method based on services. (Which incorporates management's best estimate of future salary levels, other cost escalation, retirement age of employees and other actuarial factors.)*
- For the purposes of calculating expected return on plan assets, the assets are determined at market values adjusted to reflect a 3 year smoothing of investment income.*
- Actuarial gains reduce the next subsequent years employer contributions, actuarial losses must be funded by the employer over a period not exceeding 15 years. Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for a period and expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation.*

(i) Revenue Recognition

- Airport improvement fee revenue is recognized as income in the periods passengers depart from the airport.*
- Landing fees, terminal fees, aviation fuel fees and miscellaneous revenue is recognized as airport facilities are utilized.*
- Rental revenue and concession revenue is recognized over the lives of the respective tenants leases for land, buildings and space.*
- Contributions for capital projects are accounted for under the deferral method. Contributions externally restricted for the purchase of capital assets are reported as advances. Advances are transferred to deferred grants in the year approval is granted by the contributor. Contributions internally restricted for the purchase of capital assets are reported as advances. Advances are transferred to deferred grants in the year capital assets are purchased. Deferred grants are recognized as income at the same rate as related assets are amortized.*

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
3. ACCOUNTS RECEIVABLE		
Trade	\$ 1,475,781	\$ 1,747,418
Workers Compensation premiums	12,724	-
Accrued interest	8,450	40,130
Government grants		
Operating	-	30,000
	1,496,955	1,817,548
Allowance for doubtful accounts	186,346	199,711
	\$ 1,310,609	\$ 1,617,837

4. INVENTORY

Inventory consists of consumable supplies.

The carrying amount of inventories carried at other than cost is \$Nil

The amount of any write-down recognized as an expense in the period is \$Nil. The amount of reversal of any write-down recognized in the period is \$Nil. The carrying amount of inventory pledged as security for bank indebtedness is \$ Nil .

5. PROPERTY, PLANT AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Runway	\$ 6,149,296	\$ 2,714,664	\$ 3,434,632	\$ 4,584,391
Approach Lighting	1,608,757	451,951	1,156,806	1,237,244
Equipment	1,262,148	557,402	704,746	652,279
Vehicles	4,188,795	1,857,058	2,331,737	1,806,021
Software	54,425	19,531	34,894	8,873
Leasehold improvements	1,062,284	289,483	772,801	656,540
Roads	985,325	203,785	781,540	837,982
	\$15,311,030	\$ 6,093,874	\$ 9,217,156	\$ 9,783,330

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
6. BANK INDEBTEDNESS		
<i>GIAA has an operating line of credit of \$1,500,000 bearing interest at Scotiabank prime which is secured by a general security agreement and a collateral security agreement. Investments totalling \$5,157,500 have also been pledged as security for the operating line of credit.</i>		
7. ACCOUNTS PAYABLE		
<i>Trade</i>	\$ 1,215,094	\$ 1,107,721
<i>Accrued wages</i>	31,574	30,818
<i>Harmonized sales tax</i>	96,659	21,072
<i>Accrued vacation pay</i>	102,292	131,217
	\$ 1,445,619	\$ 1,290,828
	\$ 1,445,619	\$ 1,290,828
8. LONG-TERM DEBT		
<i>Toyota Credit</i>		
<i>5.4% conditional sales contract repayable by blended monthly instalments of \$341, secured by specific vehicle, due 2010</i>		
	\$ 3,324	\$ 7,110
<i>Current maturity</i>	3,324	3,797
	\$ -	\$ 3,313
	\$ -	\$ 3,313

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
9. EMPLOYEE FUTURE BENEFITS		
<p><i>The Authority has a defined benefit and defined contribution plan providing pension benefits to most of its employees. The defined benefit plan is based on years of service and final average salary. Pension benefits will increase annually by 50% of the rate of inflation. The authority measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at January 1 of each year. The most recent actuarial valuation of the pension plans for funding purposes was January 1, 2009 and the next required valuation will be as of January 1, 2010.</i></p>		
<p><i>(a) The net expense for the Authority's defined benefit Pension plan is as follows:</i></p>		
<i>Net plan expenses</i>	\$ 123,000	\$ 184,000
<p><i>(b) Information about the Authority's defined benefit Pension plan is at December 31 is as follows:</i></p>		
<i>Plan assets</i>		
<i>Fair market value beginning</i>	\$ 2,367,000	\$ 2,324,000
<i>Actual investment return earned</i>	323,000	(442,000)
<i>Employer contributions</i>	303,000	516,000
<i>Employee contributions</i>	35,000	53,000
<i>Transfers in</i>	-	6,000
<i>Benefits paid</i>	(106,000)	(90,000)
	<u>2,922,000</u>	<u>2,367,000</u>
<i>Market value ending</i>		
	<u>2,922,000</u>	<u>2,367,000</u>
<i>Plan obligations</i>		
<i>Benefit obligation, beginning</i>	2,118,000	2,587,000
<i>Current service cost</i>	154,000	250,000
<i>Interest cost</i>	165,000	152,000
<i>Transfers in</i>	-	6,000
<i>Benefits paid</i>	(106,000)	(90,000)
<i>Actuarial (gains) losses</i>	619,000	(787,000)
	<u>2,950,000</u>	<u>2,118,000</u>
<i>Benefit obligation, ending</i>		
	<u>2,950,000</u>	<u>2,118,000</u>
<i>Net plan asset (obligation)</i>		
	<u>\$ (28,000)</u>	<u>\$ 249,000</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
9. EMPLOYEE FUTURE BENEFITS (CONT'D)		
<i>(b) Plan expense</i>		
<i>Current service cost, net of employee contributions</i>	\$ 119,000	\$ 197,000
<i>Interest cost</i>	165,000	152,000
<i>Actual return on plan assets</i>	(323,000)	442,000
<i>Actuarial (gains) losses</i>	619,000	(787,000)
<hr/>		
<i>Elements of employee future benefits costs</i>		
<i>Before adjustments to recognize the long-term nature of employee future benefits costs</i>	580,000	4,000
<i>Adjustments to recognize the long-term nature of Employee future benefit costs.</i>		
<i>Differences between expected and actual returns on plan assets for year</i>	162,000	(609,000)
<i>Differences between actuarial (gain) loss for year and actual actuarial (gain) loss on accrued benefit obligation for year</i>	(619,000)	789,000
<hr/>		
<i>Defined benefit cost recognized</i>	\$ 123,000	\$ 184,000
<hr/>		
<i>(c) The weighted average actuarial assumptions are as follows:</i>		
<i>Discount rate</i>	6.25%	7.50%
<i>Rate of compensation increase</i>	4%	4%
<i>Expected return on assets</i>	6.50%	6.50%
<i>YMPE Escalation rate</i>	3.50%	3.50%
<i>Indexation rate</i>	2.50%	2.50%
<i>Expected average remaining service benefit</i>	7.6 years	6.4 years
<i>Mortality table used for 2009 and 2008 was the UP 1994 projected to 2020</i>		
 <i>(d) The assets of the plan are invested by a third party administrator and have the following asset mix</i>		
<i>Equity Securities</i>	58.8%	54.4%
<i>Fixed Income Securities</i>	41.2%	45.6%
<hr/>		
	100.0%	100.0%
<hr/>		
<i>Measured as of the measurement date of December 31 of each year</i>		

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
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	<u>2009</u>	<u>2008</u>
9. EMPLOYEE FUTURE BENEFITS (CONT'D)		
<i>(e) Reconciliation of the funded status to amounts recorded in the financial statements</i>		
<i>Fair value of plan assets</i>	\$ 2,922,000	\$ 2,367,000
<i>Accrued benefit obligation</i>	2,950,000	2,118,000
<i>Funded status – surplus (deficit)</i>	(28,000)	249,000
<i>Unamortized net actuarial loss</i>	548,000	91,000
<i>Accrued benefit asset</i>	\$ 520,000	\$ 340,000
10. TRANSPORT CANADA ADVANCES		
<i>Unrestricted advances</i>		
<i>Balance beginning of year</i>	\$ 852,405	\$ 852,405
<i>Designated capital expenditures</i>	(436,639)	-
<i>Balance end of year</i>	\$ 415,766	\$ 852,405
<i>The above advances were received upon creation of the Authority. The funds are to be used at the discretion of the Authority for capital expenditures or other special purposes. Interest earned on funds invested are used for operating purposes.</i>		
11. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE		
<i>Balance beginning of year</i>	\$ 8,378,931	\$ 9,017,429
<i>Add: Discretionary capital grant</i>	436,639	-
<i>Less: Amortization</i>	8,815,570	9,017,429
	682,161	638,498
	\$ 8,133,409	\$ 8,378,931

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	<u>2009</u>	<u>2008</u>			
12. UNAMORTIZED DEBT FORGIVENESS					
<i>Balance beginning of year</i>	\$ 572,528	\$ 1,088,960			
<i>Recognized</i>	(260,791)	(516,432)			
	<u>\$ 311,737</u>	<u>\$ 572,528</u>			
 13. NET ASSETS					
	<u>Externally</u>	<u>Invested in</u>			
	<u>Restricted</u>	<u>Capital assets</u>	<u>Unrestricted</u>		
<i>Balance, beginning of year</i>	\$ 340,000	\$ 824,761	\$ 4,860,595	\$ 6,025,356	\$ 1,930,696
<i>Excess of revenue over expenditure</i>	180,000	(86,345)	675,146	768,801	4,094,660
<i>Transfers</i>					
- <i>Prepayment of long-term debt</i>	-	3,786	(3,786)	-	-
- <i>Purchase of property, plant and equipment</i>	-	463,123	(463,123)	-	-
- <i>Utilization Transport Canada advances</i>	-	(436,639)	436,639	-	-
	<u>\$ 520,000</u>	<u>\$ 768,686</u>	<u>\$ 5,505,471</u>	<u>\$ 6,794,157</u>	<u>\$ 6,025,356</u>
 14. REVENUE					
<i>Landing fees</i>			\$ 1,324,204	\$ 1,977,093	
<i>Terminal fees</i>			188,154	174,980	
<i>Aviation fuel fees</i>			1,788,371	1,178,418	
<i>Concessions</i>			524,870	592,686	
<i>Rentals</i>			1,378,473	1,233,349	
<i>Miscellaneous</i>			367,608	441,802	
<i>Forest harvesting</i>			490	19,904	
<i>Interest income</i>			127,738	120,509	
<i>Foreign exchange gain (loss)</i>			(8,941)	(5,967)	
			<u>5,690,967</u>	<u>5,732,774</u>	
<i>Airport improvement fees</i>			828,676	902,684	
			<u>\$ 6,519,643</u>	<u>\$ 6,635,458</u>	

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15. PAYMENT IN LIEU OF TAXES

The authority is in dispute with the Town of Gander with respect to an amount for Payment in Lieu of Taxes (PILT).

The dispute relates to the following main issues:

- the maximum amount payable as PILT under the Payment in Lieu of Taxes Act R.S. 1985 C.M-13 is the product of the municipal mil rate and the property value.*
- the property value determined by Newfoundland & Labrador Municipal Assessment Agency is viewed by the authority as being too high due to significant environmental contamination and restrictions on use of the property by the Authority under terms of the Ground Lease with Transport Canada.*

In July 2008 the Supreme Court of Newfoundland, Trial Division ruled that for 2004 and 2005 the Authority "has no real property wealth to be the basis for municipal taxation". Accordingly the Assessments for those years were amended by the Court to reflect a nominal value of \$1 with a resulting municipal tax bill of \$Nil. The Town of Gander (Town) has subsequently appealed this decision but no hearing has been scheduled to date. Based on the above Court decision the Authority has appealed the assessments for 2002, 2003, and 2006-present.

Public Works and Government Services Canada has paid the Town of Gander \$1 million for PILT for 2002 to 2006. Transport Canada has the right to collect this amount plus accrued interest as additional rent under the Ground Lease but collection has not been actively pursued.

The Authority and the Town of Gander have had ongoing unsuccessful discussions on the amount of PILT that is fair and equitable to both parties. The Authority anticipates that an independent arbitration of this issue will result in a PILT that is substantially less than that billed by the Town.

The Authority has external legal and industry professional opinions to support its case. Consequently measurement uncertainty exists surrounding the amount recorded as a liability and expense by the Authority. The total accrued liability recorded in the financial statements by the Authority for the period 2002 to 2009 is \$717,857

In addition to the \$1 million plus accrued interest paid by Transport Canada for 2002 to 2006, the Town of Gander has invoiced an additional \$1,748,709 (including interest for 2005 to 2009 because it has not adjusted its 2004 and 2005 assessments as a result of the above Court decision.

The ultimate final determination of the PILT will likely arise through judicial processes and will vary over a range from \$Nil to \$2,748,709

The Town has subsequently issued another tax invoice for the 2010 fiscal year of \$309,521

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	<u>2009</u>	<u>2008</u>
16. CHANGES IN NON-CASH WORKING CAPITAL		
<i>The effect on cash of changes in non-cash working capital is as follows:</i>		
Current assets		
Accounts receivable, trade	\$ 258,272	\$(25,803)
Accrued interest	31,680	9,877
Government grants receivable operating	17,276	(27,000)
Inventory	49,614	(113,949)
Prepaid expenses	17,701	32,587
	<u>374,543</u>	<u>(124,288)</u>
Current liabilities		
Accounts payable	154,791	12,031
Deferred revenue	-	5,057
	<u>154,791</u>	<u>17,088</u>
Net effect on cash	<u>\$ 529,334</u>	<u>\$(107,200)</u>

17. AIR FUND

On July 1, 2001, the Authority implemented the Airport Improvement and Restructuring Fund (AIR Fund). The purpose of the fund is to finance the maintenance and development of infrastructure projects deemed appropriate by the Authority.

The results of operations of this fund for the period ending is as follows:

Balance beginning	\$ 3,130,308	\$ 2,343,049
Revenues (Note 14)	828,676	902,684
Expenditures on property, plant, and equipment	-	(115,425)
	<u>3,958,984</u>	<u>3,130,308</u>
Balance ending	<u>\$ 3,958,984</u>	<u>\$ 3,130,308</u>

Based on industry standards and draft legislative revisions allowing the funds to be used for general purposes, no liability is reflected in the financial statements for future expenditures on property, plant and equipment out of the Air Fund.

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18. FINANCIAL INSTRUMENTS

(a) Credit risk

The Authority provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The Authority does not normally require a guarantor.

Concentration of credit risk arises when a group of clients having a similar characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. As for the accounts receivable, the Authority does not run any significant risk with respect to a single client.

The Authority maintains cash with Canadian chartered banks in excess of federally insured limits and is exposed to credit risk from this concentration of cash.

(b) Currency risk

The Authority realizes a minimal amount of its revenue in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

(c) Interest rate risk

The Authority maintains cash in GIC's with maturity dates not exceeding one year. Consequently the Authority is exposed to interest rate risk as re-investment rates vary upon maturity of the GIC's.

(d) Fair Value

The fair value of cash, temporary investments, accounts receivable, the bank overdraft, accounts payable, client deposits, is approximately equal to their carrying value due to their short-term maturity date.

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on market interest rates for loans with similar conditions and maturities.

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19. CONTRACTUAL OBLIGATIONS

The Authority operates under the terms of a Ground Lease with Transport Canada. The Ground Lease provides for lease of the Airport real estate. The Ground Lease and Canadian Airports Act impose restrictions on the authority's activities and provide the framework under which the Authority must operate.

20. CAPITAL DISCLOSURES

The Authority's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide benefits for stakeholders.

The Authority sets the amount of capital in proportion to risk. The Authority manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Authority may increase borrowings, sell assets to replace for new assets, or use cash.

22. BASIS OF ACCOUNTING

The Authority does not intend to adopt International Financial Reporting Standards. Commencing with the 2010 fiscal year the Authority will implement Canadian Generally Accepted Accounting Principles applicable to not-for-profit organizations.

23. COMPARATIVE FIGURES

The financial statements for 2008, which are presented for comparative purposes only, have been restated to conform with the financial statement presentation adopted for 2009.

Corporate Governance

It is the policy of the Gander International Airport Authority Inc. to follow the governance practices of the Toronto Stock Exchange (TSX model). Accordingly, the GIAA has implemented the following guidelines.

The board:

1. Assumes responsibility for stewardship of the Corporation and specifically for:
 - a. Adoption of a Strategic Planning Process of principal risks and implementing a Risk Management System
 - b. Succession planning and monitoring senior management
 - c. Communications Policy; and,
 - d. The integrity of internal controls and Management Information Systems
2. Ensures that the majority of directors are unrelated including committee members.
3. Ensures full disclosure is required to determine whether or not directors are related and how that conclusion was researched.
4. Appoints a committee responsible for the assessment of new directors. The committee makes recommendations to the board of directors as to suitability according to the by-laws, and ensures that new directors meet the skill sets required by the authority.
5. Implements a process for assessing the effectiveness of the board, its committee and individual directors.
6. Provides an orientation and education program for new directors.
7. Reviews, on an annual basis, the compensation of directors in light of risks and responsibilities.

8. Ensures all committees are comprised of unrelated non-management directors.

9. Has developed limits to management's responsibilities by developing mandates for the board and CEO. The Board approves the CEO's corporate objectives.

10. Has established an audit and procedures committee. All voting members are unrelated and non-management.

The 2009 GIAA board is composed of 13 directors, 10 nominated by the respective entities and three appointed by the board itself. Directors are nominated/appointed by the following entities:

Federal Government	2 (1 vacant)
Provincial Government	1
Town of Gander	3
Gander and Area Chamber of Commerce	1
Lewisporte and Area Chamber of Commerce	1
Exploits Regional Chamber of Commerce	1
GIAA Board of Directors	3 (1 vacant)
Town of New-Wes-Valley	1

A director may serve no more than a total of eight years. Collectively, directors are to possess knowledge relating to the aviation industry, air transportation, business, finance, administration, law, government, engineering, labour organizations and the interest of consumers.

Corporate Governance (cont.)

As of December 31, 2009 the GIAA Board of Directors, their nominating entity and the term expiry were as follows:

Frank Tibbo, Town of Gander, January 27, 2011
 Sandra Kelly, Town of Gander, January 27, 2011
 Barry Thomson, Town of Gander, June 29, 2011
 William Jones, Town of New Wes Valley, July 17, 2011
 George Innes, Federal Government, March 4, 2011
 Donald Manuel, Provincial Government, January 20, 2010
 Frederick Moffitt, GIAA, September 26, 2011
 Robert Daye, Exploits Regional Chamber, March 3, 2012
 Arthur Elliott, Lewisporte Chamber, July 7, 2013
 Robert Downey, GIAA, January 20, 2012
 Donald Farrell, Gander Chamber, February 18, 2012

Contracts in Excess of \$89,695 (\$75,000 2001 dollars)

All contracts awarded during 2009 that were in excess of \$89,695 were awarded as a result of a competitive tendering process.

Committees

There are four committees of the Board of Directors. Committees are only empowered to make recommendations to the board unless directed otherwise by the board. Whenever possible, all board decisions involve the entire board.

Committees and their chairs include: Executive Committee, chaired by Frederick Moffitt; Finance and Audit Committee, chaired by Don Manuel; Environmental Committee, chaired by Sandra Kelly and the Governance Committee, chaired by Frank Tibbo.

Senior Officers

Gary Vey, President & CEO
 Darren Dalton, Vice President and Chief Financial Officer
 Brian Hicks, Manager of Safety and Airside Operations
 Reg Wright, Director of Marketing and Communications
 Manager of Infrastructure (currently vacant)

Senior Officer Compensation

The remuneration paid to executive officers during 2009 was \$402,728. Officers were also eligible for a performance-based pay that is included above.

Board Compensation

In establishing appropriate compensation for directors, GIAA's Governance Committee conducted a compensation survey, which is reviewed regularly to ensure it is comparable to similar markets.

Directors Total Compensation 2009

Jack Granville	\$ 1,250
Al Hawkins	1,301
George Innes	4,889
William Jones	4,718
Don Manuel	5,709
Pat Redmond	4,608
Robert Wilton	3,148
Sandra Kelly	3,050
Frederick Moffitt	16,150
Frank Tibbo	5,250
Barry Thomson	4,275
Robert Daye	1,775
Robert Downey	2,800
Arthur Elliott	1,942
TOTAL	\$ 60,865

Code of Conduct for Directors

All directors of the Authority are required to comply with a Code of Conduct and Rules Concerning Conflict of Interest. These require that directors avoid and refrain from involvement in conflict of interest situations. All directors are in compliance with this code.

Board of Directors



Top, left: Fred Moffitt, Bill Jones, Don Manuel, Frank Tibbo, Sandra Kelly

Bottom, left: Arthur Elliott, Barry Thomson, George Innes, Bob Downey, Don Farrell

No photo: Robert Daye