Ottawa International Airport Authority
Administration de l'aéroport international d'Ottawa

ANNUAL REPORT
2021

Message from the Chair of the Board of Directors

These are interesting times that continue to have an unprecedented impact on our industry and everyday lives. Times that call on each of us to dig deep, and to find resilience we did not realize we possessed. As the Chair of the Board, I have a bird's-eye view of the Authority team doing precisely that – digging deep, keeping the Airport operating efficiently and all passengers and employees safe and moving forward toward a recovery we all hope will arrive soon.

We were encouraged to see passengers taking off to explore our beautiful country last summer. Although we faced setbacks along the way, including COVID-19 variant-related restrictions, we worked diligently to rebuild our air service, restore international landing rights to our Airport, and ultimately see flights to the U.S. and sun destinations returned to the schedule. And return, they did. The holiday travel season proved that people are anxious to escape to the sunny south and the ski slopes out west. We hope 2022 will bring a more robust schedule that allows us to connect to even more friends and families in more parts of the world.

Under the President and CEO Mark Laroche's guidance, the leadership team has not been sitting still. They diligently reviewed every project and expenditure for savings, all while pursuing longer-term strategic initiatives that can be realized when we recover.

They have also been exploring every avenue available to secure financial support as they strive for the ultimate goal of a return to financial sustainability. To that end, we are grateful that the federal government recognized our struggles and came through with funding for two specific projects through its Airport Critical Infrastructure Program. Transport Canada confirmed $6.4 million for the Light Rail Transit Airport Terminal Station (LRT station) in June and another $3.9 million for a significant taxiway rehabilitation project planned for the upcoming summer months. We also received $5.7 million from the federal Airport Relief Fund to cover a portion of our operating costs for the year. While these grants in no way make up for the extreme losses we've suffered since March 2020, they will allow the Authority to move forward on other critical projects that are in the queue to unlock key commercial development opportunities critical for YOW's recovery and continued success in serving our community.

Speaking of the LRT, each time I travel, I have the opportunity to see the incredible progress on both the City's track and the new LRT station at YOW. I have watched the station materialize and find it both exciting and impressive. I am pleased to say that despite supply chain and labour issues plaguing the construction industry, the team is tracking to schedule and budget. Once completed, the project will provide Airport employees and the general public with easier access to and from the Airport. It will also fulfill our goal of providing even more connectivity between the Airport and city core that befits a G7 capital city and will no doubt make Ottawa-Gatineau a more attractive destination for conferences and tourists for decades to come.

Our ability to advance the Authority's Strategic and Action Plan priorities like the LRT station during these difficult times can be traced to the excellent collaboration between the Authority team and the Board of Directors. It's also a credit to the Board's trust in Mark and his team to carefully examine all options and recommend the most prudent approach. I want to thank the entire Board for investing their time and attention toward the Airport's success, and for their flexibility and willingness to engage quickly as discussions and decisions were required.

On behalf of the entire Board, I would like to extend special thanks to At Large member Jacques Sauvé and Ottawa Board of Trade nominee Craig Bater. Jacques and Craig left the Board in 2021 after serving since 2012. Before joining the Board, Jacques was involved professionally in the new terminal construction project. He brought a wealth of engineering expertise to the Infrastructure Committee as well as many other projects over the years. Craig was heavily involved in the Governance Committee, among others, and also served as interim Chair of the Board. Both have left an indelible mark on the Authority and the Airport, for which we are all grateful.

I would also like to welcome John Proctor, who joined us as a nominee of the Ottawa Board of Trade. His business and technology skillset will be invaluable to the Authority, particularly given the increased spotlight on cybersecurity for critical infrastructure.

They say “it takes a village”, which is a particularly poignant anecdote during these challenging times. We rallied our village of selecting body partners and other local business and tourism organizations to lend their voices to our requests for financial assistance from the government. They have been steadfast in their support and advocating on our behalf. The greater community has also been very supportive and understanding as we have had to manoeuvre through the pandemic. On behalf of the Board and the Authority team, thank you. While things are looking brighter, we will still need your help as we build back. One of the best ways to help is by ensuring you include YOW in your plans when you begin to travel again.

I want to close my remarks with an analogy that I hope you will agree is appropriate given the ongoing situation, which brings together two passions of mine: YOW and sailing. Operating the Airport is like racing in a sailing regatta in rough water and howling wind. Each vessel requires a strong leader who can anticipate the changing environment and work with the crew to develop a solid strategy for keeping the boat on the right course regardless of conditions. Every crew member must trust the leader and the team, think quickly, pivot often, and communicate clearly as the boat navigates the obstacles. It is not enough to be fast nor is it enough to have a perfect plan; a winning crew needs both in order to win the race. Mark and his team have done a fantastic job navigating the swell and chop and have kept the vessel pointed in the right direction despite the many challenges thrown in their way. Needless to say, we are all looking forward to calmer waters in the months to come.

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Chair of the Board of Directors

Message from the President and Chief Executive Officer

Going into the third calendar year of the pandemic, it will come as no surprise that the Ottawa International Airport continues to suffer from its devastating effects. Key among them are passenger numbers and finances. As these indicators do not tell the entire story of YOW in 2021, I would like to share some other important highlights.

As expected, our domestic service was the first segment to begin recovering. Summer travel was busy with over 200 percent growth over 2020. Later in the year, transborder and international volumes started taking off as residents from the region satisfied their long pent-up travel wishes and headed to sunshine destinations in Florida and the Caribbean. While the Omicron variant put a damper on travel mid-December, we finished the year with 1,170,789 passengers and 984,707 departing seats respectively. Contrast these figures with 2019’s 5.1 million passengers and 3.4 million departing seats, and you can see we still have a long way to go.

Cargo operations continued to grow, with 30,272 metric tonnes moving through YOW, representing a 1.6% increase over 2020 figures. The breakdown of 37% inbound vs 63% outbound reflects the importance of the movement of goods to Canada’s North.

Achieving financial sustainability has been a priority since the pandemic started. The team did a fantastic job of cutting costs and maintaining an essential spending-only mindset to preserve funds. To help weather the pandemic more comfortably, we completed the issuance of $100 million in Series F Revenue Bonds in May. This financing effort was integral to the Authority’s financial sustainability strategy to ensure a strong balance sheet throughout the pandemic. We will use proceeds from the financing to repay $35 million in pandemic-related bank indebtedness, meet ongoing debt service commitments, and ensure a strong cash balance throughout the recovery phase of the pandemic.

All tolled, Airport revenues in 2021 were $56.6 million, which was 16.6% higher than 2020. With the exception of land and space rentals, the significant decrease in passenger volumes noted above negatively affected all revenue areas. The Authority finished 2021 by generating a loss before depreciation of $5.4 million compared to a loss of $19.5 million in 2020. A net loss of $36.7 million after depreciation in 2021 compares to a loss of $51.2 million in 2020.

The Chair mentioned his gratitude for the federal government’s financial support and I want to add my thanks as well. As critical infrastructure, the airport must remain open and operational in support of many government and medical air operations. This requirement comes at a steep cost. In the absence of meaningful aeronautical and non-aeronautical revenues, the Authority has been bleeding money since April 2020. Their Airport Relief Fund followed a formula applied to all airports and ultimately provided YOW with $5.7 million towards our operating costs for 2021.

We submitted two projects to the Airport Critical Infrastructure Fund for consideration – the LRT Airport Terminal Station (ATS) and the Taxiways A, M, AA, BB, CC Pavement Rehabilitation Program (Taxiway project). T ransport Canada approved the ATS project for 50% of the eligible costs incurred and paid after June 15, 2021, up to $6.4 million of the total project cost of $17 million. Funding for the Taxiway project was confirmed in December for a maximum of 50% of the total eligible expenditures, up to $3.9 million. The Taxiway project, which is vital to maintain YOW's high airside safety standard, will move forward in summer 2022. All of the funding support we received will allow the Authority to pursue other opportunities for commercial and airfield development, which are critical for YOW's recovery.

The work of the Business Development and Marketing team feeds the Authority's finances. Despite the lack of flights and passengers, they remained hard at work building and rebuilding air service, as the case may be. We found some silver linings among the COVID clouds.

Steadfast carriers Air Canada and WestJet maintained domestic service, which grew through the year to meet demand, and Canadian North kept Ottawa-Gatineau's vital connection with Canada's eastern Arctic, via Iqaluit.

Ottawa-Gatineau entered the ultra-low-cost arena in June when Edmonton's Flair Airlines commenced service. By the end of the year, Flair served ten destinations, including eastern and western Canada. They were the first carrier to fly to the U.S. since early 2020 with service to Fort Lauderdale, after which they added Orlando-Sanford and Cancún.

Newfoundland-based PAL Airlines also launched YOW service in July with flights to Fredericton and Moncton on their Q-400 aircraft.

Porter Airlines restarted service on September 8 after a 19-month break, with an inaugural flight between Toronto City Billy Bishop Airport and YOW. They have continued to restore destinations and frequencies across their network since.

Our first U.S. carrier to resume was United Airlines on October 31 with their YOW-Washington Dulles service. Air Canada also returned Fort Lauderdale and Tampa service to their schedule in December.

In November, Sunwing, Air Transat and WestJet resumed seasonal service to popular sun destinations in Cuba, Dominican Republic, Jamaica and Mexico.

In March 2020, the federal government restricted international landing rights to only four Canadian airports (Montreal, Toronto, Calgary and Vancouver). Understanding that restoring these landing rights was key to YOW' s recovery and that of the other three airports that were similarly without international flights (Halifax, Winnipeg and Edmonton), we invited them to work with us to encourage Transport Canada to reverse their decision. We also engaged our respective mayors to add their voices to the call for restored service in the interest of economic development. We were pleased that Transport Canada lifted the restrictions in August, paving the way for the above-noted air service returns.

Passengers need amenities – they want to pick up the necessities they forgot to pack or souvenirs for friends and family. They also want to relax and enjoy a beverage or a meal before their flight. Our grand plans to revitalize our concession plans were put on hold in 2020. I'm pleased to say that some work has resumed and that we made some terrific headway on the new centre court area that was made possible with the move of the Canada/International security screening operation to Level 3 last year.

On August 19, Paradies Lagardère, our retail Master Concessionaire, opened The Locks and Maison de la Presse, their new retail program's first two flagship stores. Both outlets are located at the bottom of the escalator, which brings you from the screening area on Level 3 to the new centre court in the Level 2 gate area. Sales are strong despite relatively low passenger numbers. Additional new stores will open in proportion to the return of passenger volumes over the next one to two years, as per our amended concession lease agreement.

SSP Canada, our food and beverage Master Concessionaire, maintains their intent to restart the final design and construction of Canal Market Hall, the first of their new locations, by fall or early winter 2022. As with the master retail program, the entire lineup of planned new restaurant locations will be constructed over the next one to two years according to the return of passenger traffic volumes. Our two duty free stores, which are managed under a different contract, paced their operations with international and transborder departure schedules.

Before the pandemic, the Authority put the pieces in place to extract aggregate from the Airport's southern lands. Cavanagh Construction, the successful proponent in a competitive tender process, received the required licenses and commenced site preparation last spring. They began the extraction operation in the summer. In all, more than 55,000 tonnes of sand aggregate were sold in 2021, representing a new revenue stream for the Authority.

Another critical revenue stream is Airport parking. In 2020, the Customer Transportation and Parking Services team initiated a project to update the parking revenue control system that had been in place since 2002 and was proving problematic. The new system, provided by Designa, was installed in the summer and went live on October 1. Despite challenges associated with the pandemic, including travel for Designa personnel who were required on-site for technical support, we enjoyed a cutover that was seamless for the public and employees alike.

In early September, we introduced an aggressive parking incentive for YOW promoting daily parking for only $1 for online bookings for a maximum of two weeks. The objective of the incentive was to encourage passengers from the region to include YOW in their travel plans rather than driving to Montreal or Toronto to catch flights. The campaign was highly successful, with 12,575 bookings. The campaign was an important means of demonstrating to our air carriers and stakeholders that we are doing our part to help the industry recover.

The Chair's positive impression of the LRT station is well placed; it's an impressive structure that is changing the Airport's landscape. Once completed, the 730 m^2, three-story elevated structure on Level 3 will connect the terminal to the City's station platform, elevated guideway and Airport Link. Work on the ATS started in April 2021 and progressed as scheduled and on budget throughout the year with anticipated completion in April 2022.

Necessary airside projects were also carried out, including replacing parts of Runway 07/25's stormwater line. The runway closed on September 27 and displaced all air traffic to Runway 14/32. Thanks to the diligent work of the project team and contractor, the work was completed and the runway reopened on October 21 – 10 days earlier than initially scheduled.

The Security and Emergency Management team took advantage of a quieter terminal to improve our emergency response capability. Activities included an update to the Airport Emergency Plan (AEP), implementation of the Incident Command System and comprehensive rollout of a new Emergency Coordination Centre (ECC) control group. Sub elements to these three initiatives also required redesign and update, including the Airport staging plan for emergency resource dispatch and the Airport communications plan to support our internal and external stakeholders.

To test the newly implemented plans and systems, the Authority hosted Exercise Jump Start on December 7. The exercise involved an aircraft incident on the airfield and brought several Authority teams, including the Airport Fire Service and Airport Operations Control Centre, together with agencies such as the Ottawa Police Service (OPS) – Airport Section, Ottawa Fire Service, Ottawa Paramedic Services, and NAV CANADA. The exercise tested and evaluated several facets of the AEP, including incident notification, activation of the ECC, police, fire and paramedic response, resource management, communications and the ability to return to normal operations quickly. The exercise is a federal regulatory requirement and an excellent opportunity to learn and improve our readiness.

Drone detection and mitigation continues to be a priority for the Authority. To that end, the Authority, in conjunction with Defence Research and Development Canada, Transport Canada, NAV CANADA, RCMP, OPS and several private partners, conducted a series of exercises aimed at testing YOW's readiness to respond to drone incursion incidents. These trials involved QinetiQ's Obsidian Micro Doppler Radar technology, Indro Robotics Aeroscope Detection system and Accipiter Radar's fusion software, all of which is deployed at YOW in a technical trial. Trials and testing have provided accurate situational awareness and timely analytics, allowing YOW and OPS to locate and respond to the threats as they were identified.

Completion of these and many more projects are thanks to the hard work of the incredible Authority team. The past two years have not been easy. Much of our team has had to remain working on-site under very different conditions than they were accustomed to, maintaining distance from co-workers, wearing masks, and having fewer resources upon which to rely. About 30% of our employees had to transition to remote work. Neither arrangement is perfect, albeit with different challenges.

We have endeavoured to keep everyone connected and safe through several initiatives. The Communications team brought employees together through interactive blog campaigns such as "Look what I made," where employees could share the creative outlets that have helped them through the pandemic. Another campaign featured a virtual lunch and learn series, where various departments had the opportunity to share what they are responsible for, the challenges they face and their fun stories. The most popular event of the year marked Remembrance Day and featured the father of one of our teammates who served as a Lancaster Bomber Pilot in WWII. He told stories of joining the military, and his experience in Europe, including his brave participation in one of the most historical moments in history – D-Day and the Battle of Normandy. It was a moving presentation that will likely give November 11 even more meaning to those who participated.

We understand that the post-pandemic workplace will look very different from how we worked before COVID struck. The Authority released a Remote Work Policy to ensure that we keep all employees' needs in mind once we return to a more typical scenario and maintain a positive culture. The Policy considers various factors that allow for a hybrid model for remote and on-site work arrangements for those whose roles permit them to work off-site.

The Authority implemented a COVID-19 Prevention Policy in consultation with both unions and the Workplace Health and Safety Committee early in 2021. The program intends to ensure the health and safety of all employees, whether working remotely or on-site, by offering a comprehensive and proactive program that includes fulsome and up-to-date information regarding the virus and the public health guidelines aimed at reducing spread. In September, we updated the Policy to reflect the mandatory requirement for vaccination. As of mid-October, 100% of our employees presented evidence of receiving both doses of an approved COVID-19 vaccine.

The Human Resources team was also busy choosing a new Human Resources Information System (HRIS) through a competitive process that began in 2020. A group of employees led by HR have been working on implementing the new system from successful proponent Ultimate Kronos Group (UKG). The project includes analysis, configuration, testing, training and reporting. The UKG solution replaces two legacy systems used to manage payroll, and time and attendance. The scalable solution will be implemented in several phases, the first of which went live on January 4, 2022.

Whether explicitly mentioned concerning a highlighted project or not, I want to thank every Authority employee for their patience, understanding, dedication, and hard work. You have all done an excellent job of keeping the Airport moving forward throughout the pandemic. Above all, I want to thank them for rolling up their sleeves to get vaccinated in the interest of keeping themselves and everyone around them as safe as possible. These really are extraordinary times, and I can say without reservation that we have an extraordinary team that I look forward to seeing in person as soon as possible.

Our Board of Directors has also been working differently throughout the pandemic. We're all tired of virtual meetings, but they have served us well for not only regular committee and board meetings but for special meetings where items required a timely and efficient discussion. I look forward to being back around the boardroom table with everyone, but in the meantime want to express my appreciation for the support we continue to receive from the Chair and every member. Your engagement and attention have and continue to be vital to our success.

I also extend my thanks to our selecting bodies, business partners, and the greater community. Your support and patience as we build back are appreciated. I would ask that you continue to support our recovery by including YOW in your travel plans. Every ticket that includes YOW is a data point that will demonstrate to the airlines we have a market that needs serving and will ultimately help us accelerate recovery for our community. We will continue to keep the Airport safe for all and will be ready to welcome you when you're ready to fly.

Mark Laroche
President and Chief Executive Officer

Strategic Initiatives | Five-year Projections

The Ottawa International Airport Authority (Authority)'s priorities and plans are linked to the Strategic Plan, which is developed in collaboration with the Board of Directors. The following identifies the initiatives within each Strategic Direction across the 2020-2024 timeline, as well as actual results compared to the Business Plan for 2021:

1. TO GROW STRATEGICALLY

- to grow non-aeronautical revenues; and
- to provide passengers and commercial airlines with world-class Airport facilities.

2. TO INCREASE THE ECONOMIC FOOTPRINT OF THE AIRPORT WITHIN CANADA'S CAPITAL REGION

- to increase the economic impact of the Airport by generating employment and economic activity on Airport land; and
- to ensure efficient transportation access to the Airport through continued advocacy with the City of Ottawa concerning a Light Rail Transit (LRT) Airport link.

3. TO OPTIMIZE OPERATIONAL PERFORMANCE, ENSURING SAFE AND SECURE OPERATIONS

- to be recognized for strong financial management practices and strong financial performance among airports in Canada;
- to show continued leadership in Airport safety and security; and
- to show continued leadership in sustainable Airport management and environmental practice.

4. TO PURSUE EXCELLENCE

- to continue to achieve consistently high customer satisfaction;
- to ensure excellence in employee engagement; and
- to demonstrate leadership in corporate governance.

5. TO PROVIDE ADDITIONAL FLIGHT FREQUENCIES AND DESTINATIONS

- to increase flight options through the implementation of an effective air service development strategy; and
- to support tourism, business and convention development in Ottawa by stimulating demand for air travel.

2021 Actual vs. Business Plan

(IN MILLIONS OF CANADIAN DOLLARS)	ACTUAL $	PLAN $	VARIANCE $	
Revenues	56.6	42.1	14.5	Despite the ongoing volatility of the COVID-19 pandemic, passenger volumes rose 14% year over year with increases in passenger related revenues, including the receipt of $5.7 million from the federal Airport Relief Fund.
Expenses	93.3	95.1	(1.8)	Ongoing COVID-19 pandemic spending restrictions favourably impacted spending in all expense lines and functions.
Capital expenditures	9.8	15.0	(5.2)	COVID-19 continued to cause a reassessment of non-core capital investment initiatives with the continuation of priority activities including LRT Airport Station, concessions enhancement programs, and apron and taxiway rehabilitation.

Financial Projections 2022 – 2026

(IN MILLIONS OF CANADIAN DOLLARS)	2022 $	2023 $	2024 $	2025 $	2026 $
Revenues	83.2	130.9	157.4	172.8	177.7
Expenses	113.9	122.3	130.3	134.7	136.9
Capital expenditures	20.8	20.0	27.0	35.0	35.0

Summary of Amounts Spent in the Ottawa Region

(IN MILLIONS OF CANADIAN DOLLARS)	2017 $	2018 $	2019 $	2020 $	2021 $	TOTAL $
Wage bill	23.8	24.4	24.9	23.7	**21.8**	118.6
Payments in lieu of municipal taxes	5.1	5.2	5.5	5.5	**1.5**	22.8
Operations costs	35.0	38.0	40.0	24.0	**22.0**	159.0
Capital costs	35.0	37.0	36.3	16.8	**9.8**	134.9
	98.9	104.6	106.7	70.0	**55.1**	435.3

Notes:
The wage bill includes benefits and excludes CEWS subsidy.
Payments in lieu of municipal taxes (PILT) – paid to the City of Ottawa.
Operations costs do not include rent, PILT, payroll, depreciation and interest expenses.

Passenger Growth by Sector

		DOMESTIC	%	TRANSBORDER	%	INTERNATIONAL	%	TOTAL	%
ACTUAL	1996	2,223,941		529,602		104,295		2,857,838	
	1997	2,435,534	9.5	502,072	(5.2)	108,762	4.3	3,046,368	6.6
	1998	2,414,355	(0.9)	563,085	12.2	133,108	22.4	3,110,548	2.1
	1999	2,426,288	0.5	628,203	11.6	157,116	18.0	3,211,607	3.3
	2000	2,562,282	5.6	719,200	14.5	152,863	(2.7)	3,434,345	6.9
	2001	2,625,630	2.5	618,694	(14.0)	146,971	(3.9)	3,391,295	(1.3)
	2002	2,445,770	(6.9)	600,365	(3.0)	170,751	16.2	3,216,886	(5.1)
	2003	2,491,691	1.9	588,088	(2.0)	182,566	6.9	3,262,345	1.4
	2004	2,736,779	9.8	641,157	9.0	231,949	27.0	3,609,885	10.7
	2005	2,779,895	1.6	719,150	12.2	236,388	1.9	3,735,433	3.5
	2006	2,807,377	1.0	735,753	2.3	264,626	12.0	3,807,756	1.9
	2007	3,052,813	8.7	746,435	1.5	289,280	9.3	4,088,528	7.4
	2008	3,255,540	6.6	740,369	(0.8)	343,315	18.7	4,339,224	6.1
	2009	3,141,812	(3.5)	682,822	(7.8)	408,196	18.9	4,232,830	(2.5)
	2010	3,303,170	5.1	725,781	6.3	444,943	9.0	4,473,894	5.7
	2011	3,429,310	3.8	750,486	3.4	444,830	0.0	4,624,626	3.4
	2012	3,454,387	0.7	775,040	3.3	456,529	2.6	4,685,956	1.3
	2013	3,363,685	(2.6)	772,678	(0.3)	442,228	(3.1)	4,578,591	(2.3)
	2014	3,434,209	2.1	741,285	(4.1)	440,954	(0.3)	4,616,448	0.8
	2015	3,488,629	1.6	735,755	(0.7)	431,976	(2.0)	4,656,360	0.9
	2016	3,679,232	5.5	673,434	(8.5)	390,425	(9.6)	4,743,091	1.9
	2017	3,813,672	3.6	647,574	(3.8)	378,431	(3.1)	4,839,677	2.0
	2018	4,002,209	4.9	720,770	11.3	387,822	2.5	5,110,801	5.6
	2019	3,993,553	(0.22)	686,297	(4.78)	426,637	10.01	5,106,487	(0.08)

		DOMESTIC	%	TRANSBORDER	%	INTERNATIONAL	%	TOTAL	%
	2020	1,032,037	(74.2)	163,093	(76.2)	168,382	(60.5)	1,363,512	(73,3)
	2021	1,143,950	10.8	11,242	(93.1)	15,597	(90.7)	1,170,789	(14.1)
FORECAST	2022	2,101,070	83.7	123,745	1000.7	75,185	382.1	2,300,000	96.4
	2023	3,221,099	53.3	292,606	136.5	236,295	214.3	3,750,000	63.0
	2024	3,780,049	17.4	431,268	47.4	288,683	22.2	4,500,000	20.0
	2025	3,993,364	5.6	627,265	45.4	379,371	31.4	5,000,000	11.1
	2030	4,408,592	10.4	692,551	10.4	418,857	10.4	5,520,000	10.4

Key Measurements

		PASSENGERS	ANNUAL GROWTH %	AIRCRAFT MOVEMENTS	ANNUAL GROWTH %	RENT TO TRANSPORT CANADA $	ANNUAL GROWTH %
ACTUAL	1997	3,046,368	6.6	67,867		3,977,000	
	1998	3,110,548	2.1	77,202	13.8	5,301,000	33.3
	1999	3,211,607	3.2	81,808	6.0	5,948,000	12.2
	2000	3,434,345	6.9	78,301	(4.3)	6,145,000	3.3
	2001	3,391,295	(1.3)	72,630	(7.2)	8,840,000	43.9
	2002	3,216,886	(5.1)	68,499	(5.7)	11,005,000	24.5
	2003	3,262,345	1.4	69,798	1.9	11,329,000	2.9
	2004	3,609,885	10.7	69,626	(0.2)	11,643,000	2.8
	2005	3,735,433	3.5	66,146	(5.0)	12,958,000	11.3
	2006	3,807,756	1.9	65,396	(1.1)	12,487,000	(3.6)
	2007	4,088,528	7.4	72,342	10.6	11,546,000	(7.5)
	2008	4,339,225	6.1	79,777	10.3	10,134,120	(12.2)
	2009	4,232,830	(2.5)	81,120	1.7	7,310,208	(27.9)
	2010	4,473,894	5.7	86,009	6.0	6,118,244	(16.3)
	2011	4,624,626	3.4	90,949	5.7	7,341,116	20.0
	2012	4,685,956	1.3	90,697	(0.3)	7,700,000	4.9
	2013	4,578,591	(2.3)	83,567	(7.9)	7,420,000	(3.6)
	2014	4,616,448	0.8	78,073	(6.6)	8,317,000	12.1
	2015	4,656,360	0.9	75,107	(3.8)	8,737,000	5.0

		PASSENGERS	ANNUAL GROWTH %	AIRCRAFT MOVEMENTS	ANNUAL GROWTH %	RENT TO TRANSPORT CANADA $	ANNUAL GROWTH %
	2016	4,743,091	1.9	74,345	(1.0)	8,994,000	2.9
	2017	4,839,677	2.0	74,755	0.6	9,626,000	7.0
	2018	5,110,801	5.6	77,728	4.0	10,553,000	9.63
	2019	5,106,487	(0.08)	75,799	(2.48)	10,530,000	(0.22)
	2020	1,363,512	(73.3)	23,388	(69.1)	439,000	(95.8)
	2021	1,170,789	(14.1)	17,397	(25.6)	—	(100.0)
FORECAST	2022	2,300,000	96.4	32,200	85.0	5,837,000	100.0
	2023	3,750,000	63.0	49,000	52.2	9,661,000	65.5
	2024	4,500,000	20.0	58,000	18.4	12,168,000	25.9
	2025	5,000,000	11.1	63,800	10.0	13,573,000	11.5

Notes:
Federal Government Net Book Value at time of transfer: $ 75 million
Total rent projected 1997-2025: $ 245.6 million
Forecast passenger volumes are as provided by outside consultants.
For financial planning purposes, the Authority forecasts on a more conservative basis.

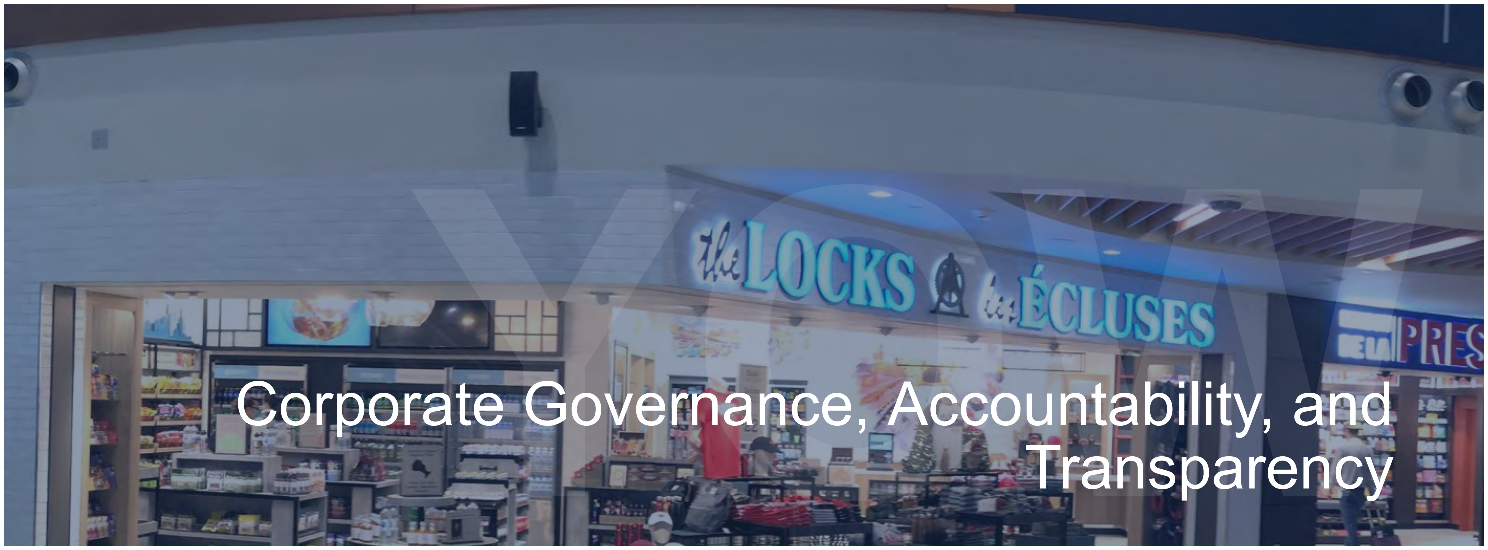
Five-year Review

(IN THOUSANDS OF CANADIAN DOLLARS)	2017 $	2018 $	2019 $	2020 $	2021 $
Revenues	132,623	138,060	138,062	48,584	**56,638**
Expenses before depreciation	99,801	99,751	101,838	68,110	**62,029**
Earnings (loss) before depreciation	32,822	38,309	36,224	(19,526)	**(5,391)**
Capital expenditures	35,528	37,027	36,300	16,853	**9,799**
AIF revenues	52,244	54,215	53,988	14,649	**19,343**

Average Daily Nonstop Departures (based on peak period)

	DOMESTIC	TRANSBORDER	INTERNATIONAL (WEEKLY)
1997	82	21	3
1998	88	23	6
1999	101	39	7
2000	93	43	7
2001	84	30	7
2002	80	35	8
2003	81	35	7
2004	71	35	7
2005	60	32	9
2006	60	29	9
2007	70	31	11
2008	77	32	13
2009	80	29	14
2010	86	30	17
2011	93	30	22
2012	91	31	25
2013	84	27	22
2014	80	24	23
2015	78	21	24
2016	80	20	23
2017	82	19	23
2018	85	20	20
2019	83	19	22
2020	27	4	11
2021	**34**	**2**	**2**

Origin and destination
97.8% of traffic (estimated)



Corporate Governance, Accountability, and Transparency

The Ottawa International Airport Authority’s mission is to be a leader in providing quality, safe, secure, sustainable, and affordable transportation services to the Airport’s customers and communities, and be a driver of economic growth within Canada’s Capital Region.

THE BOARD OF DIRECTORS

The adoption of the *National Airports Policy* in 1994 resulted in the creation of local airport authorities across the country. These authorities were created with community-nominated Boards of Directors (Board) who were tasked with overseeing the management of their local facility.

The Ottawa International Airport Authority’s (Authority) Board follows these guidelines, which are included in the Authority’s by-laws:

- includes professional representation nominated by all three levels of government as well as community and business organizations;
- Directors shall not be elected officials or government employees;
- each Director has a fiduciary duty to the Authority;
- meets 8 to 10 times during the year;
- views its principal responsibility as overseeing the conduct of the business and supervising management to ensure that long-term goals and strategies are met; and
- must meet Conflict of Interest rules, adhere to the Authority’s Code of Business Conduct and the Public Accountability Principles for Canadian Airport Authorities.

Each Director has filed a conflict of interest declaration for 2021, as required by the Authority’s by-laws. Furthermore, to the Authority’s knowledge, all Directors are in compliance with the conflict of interest and code of conduct guidelines noted above.

By-laws

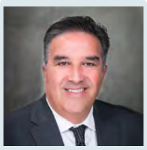
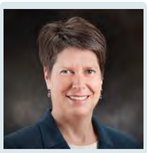
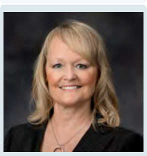
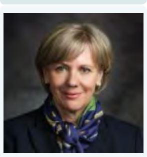
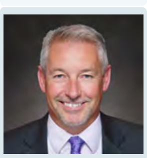
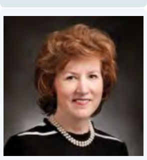
The Authority established by-laws at incorporation in 1995, which have been amended several times over the years. Under the current by-laws, the selecting bodies that provide nominees to the 14-member Board are as follows:

SELECTING BODIES	NUMBER OF DIRECTORS NOMINATED
Minister of Transport (Government of Canada)	2
Government of Ontario	1
City of Ottawa	2
City of Gatineau	1
Ottawa Board of Trade	1
Ottawa Tourism and Convention Authority	1
Chambre de commerce de Gatineau	1
Invest Ottawa	1
At Large	4
Total	**14**

A Director's term of office is a maximum of three years. Each Director may be re-elected for additional terms, but may not serve as a Director for more than nine years.

The qualifications required of a Director are included in the by-laws. Collectively, the Directors shall have experience in the fields of law, engineering, accounting and management, and aviation industry management. In addition, the by-laws include restrictions to eliminate possible conflicts of interest arising from relationships with selecting bodies, thereby ensuring the independence of Directors and reinforcing their fiduciary responsibilities to the Authority. The Governance Committee has the power to ensure that the selecting bodies provide candidates for nomination to the Board having the skills and expertise necessary for the Board as a whole to carry out its duties.

The following represents the composition of the Board as at December 31, 2021.

	NAME AND POSITION	OCCUPATION	SELECTING BODY AND YEAR APPOINTED
	**Code Cubitt** Chair of the Board	Managing Director Mistral Venture Partners	Invest Ottawa 2015
	**Shane Bennett** (3)	Vice President Bennett Insurance Agency Limited	Government of Ontario 2019
	**Bonnie Boretsky** (2) Chair, Governance Committee	Retired Executive	Transport Canada 2019
	**Dick Brown** (3) Chair, Human Resources and Compensation Committee	Retired Executive	Ottawa Tourism 2016
	**Mario Cuconato** (1)(3)	Senior Manager Accenture	City of Ottawa 2020
	**Scott Eaton** (1)(4)	Business Lawyer	At Large 2013
	**Michèle Lafontaine** (4) Chair, Major Infrastructure and Environment Committee	Notary PME Inter Notaires	Ville de Gatineau 2017
	**Kevin McGarr** (2)	Executive Vice President VOTI Detection Principal McGarr Advisory Services	At Large 2019
	**Laurel Murray** (1) Chair, Audit Committee	President Murray Consulting Inc.	Transport Canada 2019
	**Carole Presseault** (2)(4)	Principal Consultant Presseault Strategies+	Chambre de commerce de Gatineau 2014
	**John Proctor** (4)	President & CEO Martello	Ottawa Board of Trade 2021
	**Lisa Stilborn** (2)	Vice President Canadian Fuels Association	City of Ottawa 2016

	NAME AND POSITION	OCCUPATION	SELECTING BODY AND YEAR APPOINTED
	**Janice Traversy** (1)(3)	Retired Airline Executive CPA, CMA	At Large 2013

(1) Member of Audit Committee
(2) Member of Governance Committee
(3) Member of Human Resources and Compensation Committee
(4) Member of Major Infrastructure and Environment Committee

Director’s Compensation in 2021

Annual Retainer

- Chair: $52,571
- Audit Committee Chair: $25,702
- Committee Chairs: $23,366
- All other Directors: $14,019

Per Meeting Fee

- $644 per meeting
- $233 per teleconference

Attendance at Board and Committee Meetings

BOARD MEMBER	BOARD MEETINGS ATTENDED	COMMITTEE MEETINGS ATTENDED WHILE MEMBER OF A COMMITTEE
Craig Bater(1)	3 out of 3	4 out of 4
Shane Bennett	9 out of 9	6 out of 6
Bonnie Boretsky	8 out of 9	12 out of 12
Dick Brown	9 out of 9	6 out of 6
Code Cubitt	9 out of 9	25 out of 25
Mario Cuconato	9 out of 9	7 out of 7
Scott Eaton	9 out of 9	12 out of 12
Michèle Lafontaine	8 out of 9	5 out of 5
Kevin McGarr	9 out of 9	4 out of 5
Laurel Murray	8 out of 9	7 out of 7
Carole Presseault	9 out of 9	13 out of 13
John Proctor(2)	6 out of 6	2 out of 2
Jacques Sauvé(1)	3 out of 3	2 out of 2
Lisa Stilborn	8 out of 9	7 out of 7
Janice Traversy	9 out of 9	13 out of 13

(1) Term ended on April 28, 2021
(2) New Board member effective April 28, 2021

Committees of the Board

The following is a list of Committees of the Board and the general mandate of each:

Governance Committee

- oversight and initiation of procedures to deliver best practices in the area of corporate governance;
- review the Annual Report as prepared by the President;
- establish the nomination procedures, the skill sets required for nominees and the length of term of selected nominees to the Board;
- evaluate and recommend nominees for Board positions to the Board;
- oversee the application of Conflict of Interest rules to Board members and nominees;
- develop a process for nomination of the Chair of the Board and oversee such process;
- review the annual Board evaluation process and any associated recommendations for change;
- review recommendations of the Chair of the Board regarding the composition of the Committees of the Board and appointment of the Committee Chairs;
- review changes to the Charters of all Board Committees and recommend changes for Board approval;

- review Director compensation and recommend any changes for Board approval;
- review the Authority's structures and procedures to ensure the Board is able to function independently from the management; and
- review and monitor the Authority's stakeholders' engagement.

Major Infrastructure and Environment Committee

- oversee the Authority's major infrastructure projects;
- oversee best practices in the area of environmental stewardship;
- review the overall technical merits of proposed major infrastructure projects, reports and other documents on design, cost (not affordability), quality, schedule, risk, and construction;
- review updates to the Authority's Master Plan;
- review the infrastructure investment plans prepared as part of the annual Business Plan in consultation with the Audit Committee; and
- review the Authority's environmental management reports including issues related to noise.

Audit Committee

- assist the Board in fulfilling its oversight responsibilities with regard to financial reporting, risk management, and audit functions;
- oversee selection, appointment, independence, compensation, performance review, and termination of the Authority's external auditor;
- oversee annual external audit process including review of audit plan, emerging issues, accounting principals, and communications with external auditors;
- annually review proposed fiscal operating and capital budgets for recommendation to and approval by the Board;
- review the annual audited financial statements of the Authority for recommendation to and approval by the Board;
- review and approve the interim unaudited quarterly financial statements of the Authority;
- oversee selection, appointment, termination, compensation, performance review, and audit plan of the Authority's internal audit function including the review of significant reports prepared by internal audit together with management's response and follow-up actions to these reports;
- oversee the Authority's processes for enterprise risk management including the review of financial and business risks, compliance with legal and regulatory requirements, review of the insurance program, and review of the Code of Conduct and whistleblower programs; and
- oversee matters having a material financial impact on the Authority, including financing and liquidity requirements and compliance with debtholder obligations and make recommendations to the Board, as required.

Human Resources and Compensation Committee

- review succession plans for senior management;
- review the competitiveness and appropriateness of the Authority's policies regarding management compensation, including the at risk pay program, pension plans, benefits, and all other aspects of compensation;
- recommend to the Board the remuneration plan for excluded employees as well as mandates for collective bargaining and changes to collective agreements for unionized employees;
- review key human resources metrics on a regular basis, including the results of employee satisfaction surveys and key performance indicators;
- monitor the workplace culture of the Authority and recommend initiatives to enhance engagement;
- ensure that appropriate policies and procedures are in place with respect to workplace harassment as well as ensuring such policies and procedures are followed with respect to any incidents of workplace harassment; and
- monitor compliance with employment and labour-related statutory requirements.

Other Ad-Hoc committees may be formed from time to time that include members of the Board.

Accountability

The Authority's policy is to be accountable to the community and to be transparent in relations with its business partners and customers. The Authority's mandate, as set out in its Articles of Continuance, establishes a standard against which its performance can be measured.

The mandate of the Authority is:

- to manage, operate and develop the Ottawa International Airport, the premises of which will be leased to the Authority by Transport Canada, and any other airport in Canada's Capital Region for which the Authority becomes responsible, 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 airport lands, for which it is responsible, for uses that are compatible with air transportation activities; and
- to expand transportation facilities and generate economic activity in ways that are compatible with air transportation activities.

In executing its objects, the Authority shall confer regularly with governments and community entities on matters affecting the operation and development of the airports for which it is responsible and shall engage only in those activities that are consistent with its objects.

The Authority accounts for its actions to the community in a number of ways:

- by publishing an Annual Report;
- by hosting an Annual Public Meeting;
- by hosting an annual meeting with selecting bodies;
- by establishing and/or reporting to the following consultation committees:
  - Airport Noise Committee
  - Airline Consultative Committee
  - Airport Operators Committee
  - Community Consultative Committee
  - Airside Safety Committee;
- through meetings and/or consultations with local city officials;
- through extensive public consultations on the periodic renewal of the Airport Master Plan, which was updated in 1998, 2008 and 2018, and the Land Use Plan, which was last updated and approved by the Minister of Transport in 2018; and
- by maintaining a corporate website at www.yow.ca.

In addition, a performance review must be conducted at least once every five years, in keeping with the Authority's Ground Lease with Transport Canada. This performance review was last completed in February 2017. Due to the impacts on the Authority related to the COVID-19, Transport Canada has provided an additional year for the Authority to submit the review that was originally due in February 2022.

Transparency

Procurement and Contracting

The Authority is transparent in its procurement practices. The Public Accountability Principles for Canadian Airport Authorities and the Authority's Ground Lease require that all contracts for the procurement of goods, services, and construction services with a value in excess of $123,658 ($75,000 in 1994 dollars adjusted for CPI to December 31, 2020), must be awarded through a competitive public tendering process, or be disclosed in the Authority's Annual Report together with the reasons why they were not awarded through a public competitive process.

Contracts in excess of $123,658 that were not awarded on the basis of a public competitive process during 2021:

CONTRACTOR	CONTRACT DESCRIPTION	REASON FOR SOLE SOURCE
ARINC	$131,052 Common use system software solutions support	See A below
R.W. Tomlinson	$153,600 Apron rehabilitation project – Gate 24, 25 and 26	See A below

A. Sole source to ensure integration, functionality and familiarity with existing systems and regulations and product/services originally purchased following a public competitive process.

Executive Management Salary Ranges

The base salary range for the President of the Authority in 2021 was between $314,114 and $366,438. The base salary ranges for Vice Presidents in 2020 was between $125,012 and $253,130.

In addition, under the management at risk pay program for non-represented employees, the President and the Vice Presidents receive their at risk pay following fiscal year-end based on the achievement of performance targets/objectives that are consistent with the Authority's Strategic Plan.

Fees and Charges

The Authority provides 60 days advance notice in local news media for all changes in user charges (excluding rent), together with an explanation for the noted increase. This includes aeronautical fees charged to air carriers and the Airport Improvement Fee (AIF).

While the Authority's goal is to keep the aeronautical fees it charges air carriers reasonable, it has been necessary to adjust these fees on occasion. The Authority's process for adjusting aeronautical fees and charges includes:

- prior to any change, consulting with air carriers through the Airline Consultative Committee, with necessary explanations and calculations showing how these fees were determined, at least 90 days in advance of the effective date of the change; and
- providing 60 days notice of the increase in fees to the airlines.

The Authority publicizes the reason for imposing an AIF, or for making changes to the fee. It last did this when it announced on February 27, 2021, that it was increasing its fee to $35 effective June 1, 2021. The purpose of the existing AIF is to pay for the construction of, and the debt associated with, the Authority's major infrastructure construction programs.

The process for adjusting the AIF is similar to the process for adjusting aeronautical fees and charges, including public notice in the local news media.

Public Access to Documents

In accordance with Public Accountability Principles for Canadian Airport Authorities, the Authority makes available by appointment the following documents for examination, at no charge, during its usual business hours:

- the current Airport Master Plan;
- a summary of the Authority's current Business and Strategic Plans;
- the most recent and the previous annual financial statements of the Authority, with the accompanying auditors reports (included in each year's Annual Report);

- its five most recent Annual Reports, each of which includes a general summary of the Authority's affairs during the previous fiscal year;
- summaries of the Authority's five most recent Business Plans;
- the Authority's Articles of Incorporation (its letters patent) and by-laws, including any amendments;
- all signed Airport transfer agreements; and
- a summary of the Authority's Five-year Performance Review document.

2021 Financial Review

This Financial Review reports on the results and financial position of the Ottawa International Airport Authority (Authority) for its year ended December 31, 2021. This review should be read in conjunction with the audited financial statements and related notes of the Authority. This review contains forward-looking statements, including statements regarding the business and anticipated financial performance of the Authority. These statements are subject to a number of risks and uncertainties that will cause actual results to differ from those contemplated in the forward-looking statements.

OVERALL PERFORMANCE

The Authority recorded a loss of $5.4 million before depreciation for the year ended December 31, 2021, and compares to a loss of $19.5 million for the year ended December 31, 2020. The Authority recorded depreciation of $31.3 million in 2021 compared to $31.7 million in 2020, reflecting depreciation of the terminal building, airfield facilities and other assets over their estimated economic lives. After subtracting depreciation, the Authority generated a net loss of $36.7 million in 2021 compared to a net loss of $51.2 million in 2020.

The Authority's net operating results for the three years ended December 31, 2021 are summarized as follows:

(IN MILLIONS OF CANADIAN DOLLARS)	2021 $	2020 $	2019 $
Revenues	**56.6**	48.6	138.1
Expenses	**62.0**	68.1	101.9
Earnings (loss) before depreciation	**(5.4)**	(19.5)	36.2
Depreciation	**31.3**	31.7	31.1
Net earnings (loss)	**(36.7)**	(51.2)	5.1
Total assets	**500.0**	478.8	510.7
Gross – long-term debt	**496.8**	409.9	418.7

The COVID-19 pandemic continued to weigh heavily on the Ottawa International Airport (Airport) and the Canadian and global travel industry throughout 2021. The emergence of vaccines in the early part of the year together with favourable seasonal trends, led to improvements in caseload levels and the release of some public health restrictions in the middle part of the year. The positive trajectory was then impacted negatively by a significant variant of concern and which led to further public health and government travel restrictions late in the fiscal year and which suppressed travel demand through the holiday season and into the early stages of 2022. Consequently, air carriers responded by cancelling and consolidating routes and delaying their efforts to increase capacity to match emerging demand. In 2021, passenger levels were 14,1% lower than 2020 and 77,1% lower than 2019.

There are ranges of opinions as to the pace of the air travel recovery and, given the unprecedented nature of this event, there is significant uncertainty on the length and shape of the recovery. The Authority and numerous industry sources predict that passenger aviation may not return to pre-pandemic levels for at least three to five years. This reduced activity continues to have a significant negative impact on the Authority's business and results of operations, including aeronautical and commercial revenues and Airport Improvement Fees. The pandemic may also impact the cost of capital in the future, which may arise from disrupted credit markets and negative credit rating actions.

At the onset of the COVID 19 pandemic in 2020, the Authority quickly implemented significant reductions to operating and capital expenditures, including staff reductions. As flight schedules slowly get back to pre-pandemic levels, the Authority is also reinstating terminal services and adjusting staffing levels responsibly, as required.

The Authority and the Canadian Airports Council are actively engaging with federal, provincial and municipal governments to discuss risks to the sector and related financial support. The Authority has participated in the following COVID-19 pandemic Government of Canada (GOC) support programs that will help reduce costs, preserve liquidity and engage stakeholders:

1. Canada Emergency Wage Subsidy (CEWS): In 2020, the GOC announced the CEWS program, which provided a wage subsidy to eligible employers for the period from March 15, 2020 to October 2021. For 2021, the Authority qualified with the program's requirements and resulted in benefits of $5.0 million (2020 – $6.6 million).

2. Ground rent waiver: In 2020, the GOC announced that, for the period from March 1, 2020, to December 31, 2020, and for the entire 2021 calendar year, it would waive the Authority's lease requirements for the payment of ground rent to help with the COVID-19 pandemic. For 2021, the Authority saved $3.3 million (2020 – $2.2 million) in ground rent that would have been otherwise payable pursuant to its GOC ground lease requirements.

3. Airport Relief Fund (ARF) Program: In 2021, the GOC announced a support program to provide financial relief to certain airports to help maintain operations. The Authority received $5.7 million as part of the program's prescribed funding formula based on airport size.

4. Airport Critical Infrastructure Program (ACIP): In 2021, the GOC announced a support program to assist financially Canada's larger airports with investments in critical infrastructure related to safety, security or connectivity. In 2021, the Authority qualified for $9.0 million in ACIP funding to support capital spending on two major construction projects. During 2021, $2.6 million of this subsidy was applied as a reduction to capitalized construction costs included in property, plant and equipment. The balance of the approved ACIP funding will be applied to project-specific construction costs incurred during 2022 and 2023.

RESULTS OF OPERATIONS

Operating activities

During 2021, the Airport saw a 14.1% decline in passenger volumes compared to 2020 and 77.1% lower than 2019.

The following table summarizes passenger volumes for the last three fiscal years:

				% CHANGE – 2021 VERSUS	
	2021	**2020**	**2019**	**2020**	**2019**
Domestic	**1,143,950**	1,032,037	3,993,553	**10.8**	**(71.3)**
Transborder	**11,242**	163,093	686,297	**(93.1)**	**(98.3)**
International	**15,597**	168,382	426,637	**(90.7)**	**(96.3)**
Total	**1,170,789**	1,363,512	5,106,487	**(14.1)**	**(77.1)**

Domestic passenger volumes were 10.8% higher on a year-over-year basis. The positive trends in COVID-19 pandemic caseloads in the early part of 2021 led to the relaxing of public health and travel restrictions across provincial and federal jurisdictions. This resulted in increased domestic flight activity and passenger volumes on a year-over-year basis. The emergence of a significant variant of concern late in 2021 impacted the holiday travel season negatively, and the Authority continues to monitor the recovery trajectory in 2022.

Transborder and international passengers decreased 93.1% and 90.7%, respectively, on a year-over-year basis. Ongoing restrictions on direct flights from the Airport to and from US and international destinations have eliminated all travel activity from these sectors from March 2020 to September 2021. Direct flights from the Airport to and from US and international destinations resumed with a small increase in flight activity to US and sun destinations in the latter half of Q4 2021.

By sector, a quarterly view of 2021 passenger volumes compared to comparable quarters in 2020 is as follows:

	DOMESTIC	TRANSBORDER	INTERNATIONAL
Q1	Lower by 89.8%	Lower by 100.0%	Lower by 100.0%
Q2	Higher by 146.9%	Lower by 100.0%	N/A
Q3	Higher by 245.0%	N/A	N/A
Q4	Higher by 321.9%	N/A	N/A
Total	Higher by 10.8%	Lower by 93.1%	Lower by 90.7%

By quarter, total passenger volumes were as follows:

	2021	2020	% CHANGE
Q1	**75,111**	1,068,243	(93.0)
Q2	**87,152**	36,359	139.7
Q3	**496,693**	143,953	245.0
Q4	**511,832**	114,957	345.2
Total	**1,170,789**	1,363,512	(14.1)

The size of an aircraft (based on maximum takeoff weight) and the number of "landed" seats on an aircraft (regardless of whether those seats are occupied by passengers) are the most significant drivers of aeronautical revenue. In 2021, the number of landed seats decreased by 9.7% from the comparable period in 2020. The lower rate of decrease in seat volumes than experienced in passenger volumes (9.7% vs 14.1%) in 2021 is attributable partly to lower load factors experienced during this pandemic period with air carriers maintaining higher capacity into the Airport as they anticipate and adjust to demand for air travel.

Domestic landed seats increased by 9.4%, while transborder and international landed seats decreased by 90.6% and 83.4%, respectively, on a year-over-year basis. Variances in the sectors mirror the variances experienced in passenger volumes, as explained above.

Revenues

In 2021, total revenues increased $8.1 million to $56.6 million from $48.6 million in 2020.

	2021	2020	CHANGE	
REVENUES BY CATEGORY (IN THOUSANDS OF CANADIAN DOLLARS)	$	$	$	%
Airport Improvement Fees	**19,343**	14,649	**4,694**	**32.0**
Terminal fees	**7,871**	9,440	**(1,569)**	**(16.6)**
Landing fees	**5,185**	5,216	**(31)**	**(0.1)**
Concessions	**5,884**	5,191	**693**	**13.3**
Car parking	**2,695**	4,481	**(1,786)**	**(39.9)**
Land and space rentals	**6,616**	6,583	**33**	**0.1**
Other revenue	**9,044**	3,024	**6,020**	**199.1**
	56,638	48,584	**8,054**	**16.6**

Airport Improvement Fees (AIF) $19.3 million in 2021 increased $4.7 million compared to 2020. The increase is attributable to the AIF rates moving from $28 to $35 per enplaned passenger effective June 1, 2021, and offset by the unfavourable impact of the 14.1% decrease in passenger volume on a year-over-year basis. Passengers connecting through Ottawa are exempt from the AIF. Under an agreement with the air carriers, AIF is collected by the air carriers in the price of a ticket and are remitted to the Authority on an estimated basis, net of air carrier administration fees of 7%, on the first of the month following the month of enplanement of passengers. Final settlement based on actual passenger enplanements occurs at the end of the month following the month of enplanement.

Aeronautical revenues of $13.0 million, including terminal and landing fees, loading bridge charges and security fees charged to air carriers, are 10.9% lower than 2020. The year-over-year decrease of 9.7% in landed seats in 2021 was partially offset by the favourable impact of the 3.0% increase in aeronautical fee rates effective February 1, 2021.

Revenues of $5.9 million from concessions decreased by 13.3% in 2021 as compared to the same period in 2020. The increase is attributable to higher demand for ground transportation and car rentals despite the lower passenger volumes combined with market driven price increases in car rental rates.

Parking revenues of $2.7 million are $1.8 million lower than 2020 and represent a decrease of 39.9%. A promotional offer for free daily parking from September to December 2021 accounted for $0.4 million of the decrease. The remainder of the decrease was attributable to the impact of the year-over-year decline of 14.1% in passenger volumes together with a notable shift of users from parking to ground transportation services.

Other revenues increased by $6.0 million from 2020. This is due primarily to receiving $5.7 million in GOC pandemic support through the ARF program in 2021.

Expenses

Total expenses before depreciation decreased by 8.9% to $62.0 million from $68.1 million in 2020.

	2021	2020	CHANGE	
EXPENSES BY CATEGORY (IN THOUSANDS OF CANADIAN DOLLARS)	$	$	$	%
Interest	**21,476**	20,189	**1,287**	**6.4**
Ground rent	**–**	439	**(439)**	**(100.0)**
Materials, supplies and services	**22,109**	24,596	**(2,487)**	**(10.1)**
Salaries and benefits	**16,975**	17,384	**(409)**	**(2.3)**
Payments in lieu of municipal taxes	**1,469**	5,502	**(4,033)**	**(73.3)**
	62,029	68,110	**(6,081)**	**(8.9)**

Interest expense reflected in the statement of operations results from borrowing to invest in the Authority's capital programs and includes interest incurred on bank indebtedness. Interest expense increased by $1.3 million in 2021 compared to 2020. This increase is related to the interest on the $100 million Series F Revenue Bonds issued on May 5, 2021, at 2.698% and due on May 5, 2031.

On March 31, 2020, the GOC announced its decision to waive ground rent obligations from March 1, 2020, to December 31, 2020. Accordingly, ground rent payable pursuant to the adjusted calculation for the months of January and February was recognized as the total ground rent for the year ended December 31, 2020. This represents a benefit of $2.2 million in waived ground rent that would have otherwise been payable in 2020 based on the application of prescribed rates throughout the 2020 fiscal year.

Furthermore, the GOC announced on November 30, 2020, in response to the prolonged decline in air traffic and in recognition of the significant financial impact on airport authorities, that the ground rent waiver for the Airport was extended for the entire 2021 calendar year. This represents a benefit of $3.3 million in waived ground rent that would have otherwise been payable in 2021 based on the application of prescribed rates throughout the 2021 fiscal year.

The Authority operates the Airport under the terms of a Ground Lease (as amended, the "Lease") with the GOC that sets out the formula for calculating annual rent. The amount reflected as rent expense is estimated based on that formula. The formula calculates rent as a royalty based on a percentage of gross annual revenues on a progressive scale. Rent is calculated as a percentage of gross annual revenues as defined in the Lease, with no rent payable on the Authority's first $5 million in annual revenue and an increasing rent percentage payable as revenue increases, on a cumulative basis.

Rent is levied at a maximum 12% rate on annual revenues in excess of $250 million as follows:

GROSS REVENUES	RENT PAYABLE %	CUMULATIVE MAXIMUM RENT $
On the first $5 million of revenues	0.0	0
On the next $5 million	1.0	50,000
On the next $15 million	5.0	800,000
On the next $75 million	8.0	6,800,000
On the next $150 million	10.0	21,800,000
On revenues over $250 million	12.0	

Based on the Authority's projections, estimated rent payments under the Lease for the next five years are as follows:

2022	$5.8 million
2023	$9.7 million
2024	$12.2 million
2025	$13.6 million
2026	$14.0 million

The cost of materials, supplies and services decreased $2.5 million as compared to 2020. Costs associated with the 2021 winter season decreased $0.8 million over the prior year as there was a lower number of snow events and complex weather conditions that required less airfield maintenance expenses, including fuel, winter maintenance chemicals, materials and repairs. Contract and professional fees decreased by $0.9 million as all non-essential spending was suspended. A further reduction of $0.8 million in expenses related to lower utility, repair, terminal building operations and service providers corresponded with the significant reduction in passenger volumes.

The cost of salaries and benefits decreased by $0.4 million in 2021 compared to 2020. Favourable savings arising from the staff reduction in 2020, slower hiring for vacant roles, lower overtime and lower pension and other benefit costs was offset by the unfavourable impact of lower contributions from the CEWS support program as compared to 2020 (2021 – $4.8 million vs. 2020 – $6.2 million).

Payments in lieu of municipal taxes (PILT) have decreased by 73.3% and reflects the impact of the provincial legislation, which prescribes the calculation of this payment. Under this legislation, PILT are based on a fixed legislated rate per passenger for the Authority, multiplied by the previous year's passenger numbers, but to a maximum increase of 5.0% over the previous year's amount. The $1.5 million paid for 2021 reflects this prescribed calculation.

Depreciation of $31.3 million in 2021 is similar to the $31.7 million recorded in 2020. The decrease over 2020 is due principally to a lower level of disposals in 2021 and related residual depreciation as compared to 2020.

SUMMARY OF QUARTERLY RESULTS

The Authority's quarterly results are influenced by passenger activity, aircraft movements, federal government travel restrictions and other factors such as weather and economic conditions and do not necessarily fluctuate consistently over time based on the season. Due to these external factors, the historic results on a quarterly basis cannot be relied upon as a predictor of future trends.

Selected unaudited quarterly financial information for the eight most recently completed quarters is set out below:

QUARTER ENDED (IN MILLIONS OF CANADIAN DOLLARS)	2020 $				2021 $			
	MARCH	JUNE	SEP.	DEC.	MARCH	JUNE	SEP.	DEC.
Revenues	31.7	6.6	3.9	6.4	**5.3**	**6.2**	**24.0**	**21.1**
Expenses	23.3	17.2	13.3	14.3	**14.9**	**13.5**	**15.4**	**18.2**
Earnings (loss) before depreciation	8.4	(10.6)	(9.4)	(7.9)	**(9.6)**	**(7.3)**	**8.6**	**2.9**
Depreciation	7.7	7.5	8.8	7.7	**7.6**	**7.6**	**8.1**	**8.0**
Net earnings (loss)	0.7	(18.1)	(18.2)	(15.6)	**(17.2)**	**(14.9)**	**0.5**	**(5.1)**

CAPITAL EXPENDITURES

In accordance with the Authority's mandate, all earnings are retained and reinvested in Airport operations and development, including investment in property, plant, and equipment to meet ongoing operating requirements.

As a result of the unprecedented COVID-19 pandemic, the Authority has reduced planned capital expenditures with a focus on a small number of high-priority critical infrastructure programs. During 2021, the Authority invested $12.4 million in its capital expenditure program with $8.7 million on the LRT Airport station, $0.9 million on Apron and taxiway refurbishment, $0.8 million on a new parking revenue control system and $2.0 million on Terminal enhancements and major fleet additions. After reflecting the impact of $2.6 million in federal support related to the ACIP program, the Authority invested a net amount of $9.8 million in its capital program.

CONTRACTUAL OBLIGATIONS

In addition to rent payments noted above, the Authority has operating commitments in the ordinary course of business requiring payments, which diminish as contracts expire, as follows:

	PAYMENTS FOR YEARS ENDING DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)						
	TOTAL	2022	2023	2024	2025	2026	THEREAFTER
Long-term debt [1]	496,797	14,023	14,988	16,014	17,107	18,271	416,394
Operating commitments	11,813	8,846	2,090	583	294		
Capital commitments	11,090	11,090					
Total contractual obligations	519,700	33,959	17,078	16,597	17,401	18,271	416,394

[1] Further information on interest rates and maturity dates on long-term debt are provided in Note 7 to the Authority's audited financial statements.

LIQUIDITY AND CAPITAL RESOURCES

As a non-share capital corporation, the Authority funds its operating requirements, including debt service, through operating revenues and AIF revenues. The Authority manages its operations to ensure that AIF revenues are not used to fund regular operational expenses or operational capital. AIF revenues are used to fund debt service costs and other expenses and cash flows related to the Authority's infrastructure investment programs, including Airport expansion projects. The Authority finances infrastructure expenditures by borrowing in the capital markets and by using bank indebtedness.

The Authority maintains access to an aggregate of $140.0 million in committed credit facilities (Credit Facilities) with two Canadian banks. The following table summarizes the amounts available under each of these Credit Facilities, along with their related expiry dates and intended purposes:

TYPE OF FACILITY	DEC 31, 2021 (IN MILLIONS OF CANADIAN DOLLARS)	DEC 31, 2020 (IN MILLIONS OF CANADIAN DOLLARS)	MATURITY	PURPOSE
Revolver – 364-Day	**40.0**	40.0	October 13, 2022	General corporate and capital expenditures
USD Contingency (US$10 million)	**—**	14.0	May 31, 2021	Interest rate hedging
Letter of Credit	**—**	6.0	May 31, 2021	Letter of credit and guarantee
Revolver – 2-Year	**50.0**	—	May 31, 2023	General corporate and capital expenditures
Revolver – 3-Year	**40.0**	40.0	June 4, 2023	General corporate and capital expenditures
Revolver – 5-Year	**40.0**	40.0	May 31, 2025	General corporate and capital expenditures
Total	**170.0**	140.0		

The Authority's cash and cash equivalents increased by $37.1 million during 2021 to $47.7 million as of December 31, 2021.

The Authority issues revenue bonds (collectively, "Bonds") under a trust indenture dated May 24, 2002, (as amended or supplemented, the "Master Trust Indenture") setting out the terms of all debt, including bank facilities and revenue bonds. Under the Master Trust Indenture, the Authority is required to maintain with the trustee under the Master Trust Indenture ("Trustee"), a debt service fund ("Debt Service Reserve Fund") equal to six months' debt service in the form of cash, qualified investments or letter of credit.

On May 5, 2021, the Authority completed the issuance of the Series F $100.0 million Revenue Bonds at 2.698% due on May 5, 2031. Part of the net proceeds from this offering were used for the repayment of $35.0 million in bank indebtedness and $1.4 million was allocated to satisfy the Debt Service Reserve Fund requirement for the Series F Revenue Bonds.

At December 31, 2021, the balance of cash and qualified investments held in the Debt Service Reserve Fund for the Series B Amortizing Revenue Bonds and the Series F Revenue Bonds was $8.3 million.

Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, $9.5 million of the Authority's Credit Facility has been designated to an irrevocable standby letter of credit in favour of the Trustee.

The Master Trust Indenture also requires that the Authority maintain an operating fund ("Operating and Maintenance Reserve Fund") in an amount equal to 25% of defined operating and maintenance expenses for the previous year. This fund may be maintained in the form of cash and investments held by the Authority or the undrawn availability of a committed credit facility. As at December 31, 2021, $11.0 million of the Authority's Credit Facilities had been allocated exclusively to the Operating and Maintenance Reserve Fund.

For the year ended December 31, 2020, due to the impact of the COVID-19 pandemic on the Authority's 2020 financial results, the Authority was not compliant with the debt service coverage ratio. However, the Authority remained in compliance with the gross debt service coverage ratio.

On April 23, 2021, the Authority received the support of bondholders to waive temporarily, for the fiscal years ended December 31, 2021 and 2022, the requirement to comply with the rate covenants [debt service coverage ratio and gross debt service coverage ratio], the additional indebtedness covenant and the requirement to comply with the rate covenant for the sale of assets. Accordingly, the Authority is compliant with all provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and the rate covenant requirements, as consented by the bondholders for the period ended December 31, 2021.

In 2021, Moody's reaffirmed the Authority's credit rating of Aa3 in respect of the Authority's Bonds under the Master Trust Indenture. In January 2021, S&P Global issued event-based ratings action on the Authority and several other large airport authorities in Canada. The result of this latest review and expectations of the air travel industry and related financial analysis over the next twelve to twenty-four months caused S&P Global to downgrade the rating for the Authority from A+ to A. Both Moody's and S&P Global updated its outlook for the Authority from "stable" to "negative" given the uncertainty of the rate and pace of the recovery of passenger volumes. This is not expected to cause any material impact to the Authority.

BALANCE SHEET AND OTHER HIGHLIGHTS

Accounts receivables increased $4.1 million to $9.4 million at December 31, 2021, and was consistent with the higher air carrier traffic and passenger volumes and their related receivables in 2021.

RISKS AND UNCERTAINTIES

COVID-19 Pandemic

Given the evolving situation with the COVID-19 pandemic and the uncertain impact on the economy, Management continues to analyze the extent of the financial impact, which is and continues to be material. While the full duration and scope of the pandemic is yet to be known, the Authority is focused on the long-term financial sustainability of the Airport. The Authority has implemented significant reductions in its operating expenditures, resource levels and capital investment programs. The Authority reviews frequently future operating, resource and capital requirements to align spending levels with emerging trends on the recovery of the air transportation sector to ensure long-term financial sustainability.

Aviation Activity

The Authority will continue to face certain risks beyond its control, which can have a significant impact on its financial condition. The Canadian airports model is based on the user community paying for all Authority activities with no government funding. Airports establish reasonable rates and charges to its user community and stakeholders that must ensure financial sustainability. Airport revenue is largely a function of passenger volumes. Air travel demand drives capacity and supply. The COVID-19 pandemic event together with global events of the past several years, have all emphasized the volatile nature of aviation. A multitude of external factors impact the commercial aviation sector and include economic conditions, health epidemics, geopolitical trends, government regulation, price of airfares, additional taxes on airline tickets, leakage of passengers to nearby airports, alternative modes of travel and financial uncertainty of the airline industry.

The financial health of commercial aviation is an ongoing risk to the Authority and the COVID-19 pandemic has put an even greater financial stress on the industry. As travel advisories and governmental restrictions are lifted over time, these actions, combined with increased consumer confidence, should result in increased flight frequencies and passenger volumes. The Authority cautions that the recovery will take years. A number of factors, including a different pace of recovery for business and leisure travellers, traveller discretion on mode of travel and associated environmental impact and pace of economic recovery may present risks to the resumption of flights to their previous activity levels as well as to all previous destinations. The high level of origin and destination passengers activity (97.8% – 2021; 96.9% – 2020) continues to be a strong driver and predictor of the strength of the Ottawa market as flight activity resumes over the foreseeable future.

Aviation Liability Insurance

The availability of adequate insurance coverage is subject to the conditions of the overall insurance market and the Authority’s claims and performance record. The Authority participates with an insurance buying group that also includes airport authorities from Vancouver, Edmonton, Calgary, Winnipeg, Montreal, and Halifax. This group has been successful in placing all of its insurance needs.

Financial Statements
December 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of Ottawa Macdonald-Cartier International Airport Authority is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, which for publicly accountable enterprises, and in the case of the Authority, require International Financial Reporting Standards. Their preparation necessarily involves the use of management's best estimates and careful judgement, particularly in those circumstances where transactions affecting a current period are dependent upon future events. All financial information in the Annual Report is consistent with the information and data contained in the financial statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and reliable preparation of financial statements.

The Board of Directors discharges its responsibilities for the financial statements primarily through its Audit Committee, which is composed solely of directors who are neither officers nor employees of the Authority. This committee meets periodically with management and the independent auditors to review performance and to discuss audit, internal control, accounting policy, and financial reporting matters. The Audit Committee reports its findings to the Board of Directors which reviews and approves the annual financial statements. These financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The financial statements have been audited by Ernst & Young LLP, who were appointed at the annual general meeting. Their report is presented below.

Mark Laroche
President and Chief Executive Officer

Rob Turpin, CPA, CA, CPA (Illinois, USA)
Vice President, Finance and Chief Financial Officer

Ottawa Ontario Canada
February 23, 2022

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Ottawa Macdonald-Cartier International Airport Authority

Opinion

We have audited the financial statements of Ottawa Macdonald-Cartier International Airport Authority [the "Authority"], which comprise the balance sheet as at December 31, 2021, and the statement of operations and comprehensive loss, statement of changes in equity (deficiency) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young LLP

Chartered Professional Accountants, Licensed Public Accountants
Ottawa, Canada
February 23, 2022

Balance sheet [expressed in thousands of dollars]

As at December 31

	2021 $	2020 $
ASSETS		
Current		
Cash and cash equivalents	**47,716**	10,647
Trade and other receivables *[note 11]*	**9,350**	5,209
Consumable supplies	**3,309**	3,511
Prepaid expenses and advances	**1,147**	951
Current portion of Debt Service Reserve Fund *[note 7[a]]*	**8,296**	—
Total current assets	**69,818**	20,318
Debt Service Reserve Fund *[note 7(a)]*	**—**	6,867
Finance lease receivables *[note 12]*	**11,643**	11,612
Property, plant and equipment, net *[note 3 and 13]*	**413,141**	434,738
Post-employment pension benefit asset, net *[note 9]*	**263**	—
Other assets *[note 4]*	**5,162**	5,226
	500,027	478,761
LIABILITIES AND EQUITY (DEFICIENCY)		
Current		
Bank indebtedness *[note 5]*	**—**	30,000
Accounts payable and accrued liabilities *[note 9]*	**14,981**	14,315
Current portion of long-term debt *[note 7]*	**14,023**	13,116
Total current liabilities	**29,004**	57,431
Other post-employment benefit liability *[note 9]*	**8,944**	9,337
Long-term debt *[note 7]*	**480,251**	394,450
Total liabilities	**518,199**	461,218
Commitments and contingencies *[note 16]*		
Equity (deficiency)		

	2021 $	2020 $
ASSETS		
Retained earnings (deficit)	**(8,743)**	27,945
Accumulated other comprehensive loss	**(9,429)**	(10,402)
Total equity (deficiency)	**(18,172)**	17,543
	500,027	478,761

See accompanying notes

On behalf of the Board:

Director

Director

Statement of operations and comprehensive loss [expressed in thousands of dollars]

Year ended December 31

	2021 $	2020 $
REVENUE		
Airport Improvement Fees *[note 8]*	**19,343**	14,649
Terminal fees and loading bridge charges	**7,871**	9,440
Landing fees	**5,185**	5,216
Concessions	**5,884**	5,191
Car parking	**2,695**	4,481
Land and space rentals *[note 12]*	**6,616**	6,583
Other revenue *[note 13]*	**9,044**	3,024
	56,638	48,584
EXPENSES		
Interest *[note 7[b]]*	**21,476**	20,189
Ground rent *[note 12 and 13]*	**—**	439
Materials, supplies and services	**22,109**	24,596

	2021 **$**	**2020** **$**
Salaries and benefits *[note 9 and 13]*	**16,975**	17,384
Payments in lieu of municipal taxes	**1,469**	5,502
	62,029	68,110
Loss before depreciation	**(5,391)**	(19,526)
Depreciation	**31,297**	31,638
Net loss for the year	**(36,688)**	(51,164)
Other comprehensive income		
Item that will never be reclassified subsequently to net loss		
Remeasurement of defined benefit plans *[note 9]*	**973**	1,424
Comprehensive loss for the year	**(35,715)**	(49,740)

See accompanying notes

Statement of changes in equity (deficiency) [expressed in thousands of dollars]

	2021 $	2020 $
Retained earnings, beginning of year	**27,945**	79,109
Net loss for the year	**(36,688)**	(51,164)
Retained earnings (deficit), end of year	**(8,743)**	27,945
Accumulated other comprehensive loss, beginning of year	**(10,402)**	(11,826)
Items that will never be recycled into net loss		
Income on remeasurement of defined benefit plan *[note 9]*	**973**	1,424
Accumulated other comprehensive loss, end of year	**(9,429)**	(10,402)
Total equity (deficiency)	**(18,172)**	17,543

See accompanying notes

Statement of cash flows [expressed in thousands of dollars]

Year ended December 31

	2021 $	2020 $
OPERATING ACTIVITIES		
Net loss for the year	**(36,688)**	(51,164)
Add items not involving cash		
Depreciation	**31,297**	31,638
Amortization of deferred financing costs	**228**	139
Interest expense	**21,476**	20,189
Decrease in other assets	**63**	63
Increase in other post-employment benefit liability	**317**	257
	16,693	1,122
Net change in non-cash working capital balances related to operations *[note 14]*	**(2,043)**	2,456
Cash provided by operating activities	**14,650**	3,578
INVESTING ACTIVITIES		
Purchase of property, plant and equipment *[note 3]*	**(9,799)**	(16,853)

	2021 $	2020 $
Proceeds on disposal of property, plant and equipment	**100**	60
Lease payments received from finance leases	**512**	504
Change in accounts payable and accrued liabilities related to investing activities	**(2,950)**	391
Interest received	**112**	267
Cash used in investing activities	**(12,025)**	(15,631)
FINANCING ACTIVITIES		
Increase in bank indebtedness and long-term debt *[note 14]*	**135,000**	30,000
Increase in Debt Service Reserve Fund *[note 7[a]]*	**(1,428)**	(121)
Debt issue transaction costs	**(404)**	—
Settlement of interest rate hedge	**283**	—
Interest paid	**(20,891)**	(20,103)
Repayment of bank indebtedness and long-term debt *[note 14]*	**(78,116)**	(8,753)
Cash provided by financing activities	**34,444**	1,023
Net increase (decrease) in cash during the year	**37,069**	(11,030)
Cash and cash equivalents, beginning of year	**10,647**	21,677
Cash and cash equivalents, end of year	**47,716**	10,647

See accompanying notes

Notes to financial statements
December 31, 2021
[expressed in thousands of dollars]

1. DESCRIPTION OF BUSINESS

Ottawa Macdonald-Cartier International Airport Authority [the “Authority”] was incorporated January 1, 1995 as a corporation without share capital under Part II of the Canada Corporations Act and continued under the *Canada Not-for-profit Corporations Act* on January 17, 2014. All earnings of the Authority are retained and reinvested in Airport operations and development.

The objectives of the Authority are:

(a) To manage, operate and develop the Ottawa Macdonald-Cartier International Airport [the “Airport”], the premises of which are leased to the Authority by the Government of Canada *[note 12]*, and any other airport in the National Capital Region for which the Authority becomes responsible, 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 that are compatible with air transportation activities.

The Authority is governed by a 14-member Board of Directors, 10 of whom are nominated by the Minister of Transport for the Government of Canada, the Government of the Province of Ontario, the City of Ottawa, the City of Gatineau, the Ottawa Chamber of Commerce, the Ottawa Tourism and Convention Authority, Chambre de commerce de Gatineau, and Invest Ottawa. The remaining four members are appointed by the Board of Directors from the community at large.

On January 31, 1997, the Authority signed a 60-year ground lease [that was later extended to 80 years in 2013] with the Government of Canada and assumed responsibility for the management, operation and development of the Airport.

The Authority is exempt from federal and provincial income taxes and Ontario capital tax. The Authority is domiciled in Canada. The address of the Authority’s registered office and its principal place of business is Suite 2500, 1000 Airport Parkway Private, Ottawa, Ontario, Canada, K1V 9B4.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorized for issue by the Board of Directors on February 23, 2022. The financial statements and amounts included in the notes to the financial statements are presented in Canadian dollars, which is the Authority's functional currency.

The Authority prepares its financial statements in accordance with International Financial Reporting Standards ["IFRS"]. These financial statements have been prepared on a going concern basis using the historical cost basis, except for the revaluation of certain financial assets and financial liabilities measured at fair value, which include the post-employment benefit liability.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and short-term investments with original terms to maturity of 90 days or less. Such short-term investments are recorded at fair value.

Government assistance

Government grants are not recognized until there is reasonable assurance that the Authority will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Authority are recognized in the statement of operations and comprehensive loss as either other revenues, net of operating expenses or as a reduction in purchases of property, plant and equipment in the period in which they become receivable.

Consumable supplies

Inventories of consumable supplies are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value, based on estimated replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost, net of government assistance, if any, and include only the amounts expended by the Authority. These assets will revert to the Government of Canada upon the expiration or termination of the Authority's ground lease with the Government of Canada. Property, plant and equipment do not include the cost of facilities that were included in the original ground lease with the Government of Canada. Incremental borrowing costs incurred during the construction phase of qualifying assets are included in the cost. During the years ended December 31, 2021 and 2020, no incremental borrowing costs were capitalized.

Amounts initially recognized in respect of an item of property, plant and equipment are allocated to its significant parts and depreciated separately when the cost of the component is significant in relation to the total cost of the item and when its useful life is different from the useful life of the item. Residual values, the method of depreciation and estimated useful lives of assets are reviewed annually and adjusted if appropriate.

Depreciation is provided on a straight-line basis over the useful lives of individual assets and their component parts as follows:

BUILDINGS AND SUPPORT FACILITIES	3–40 years
RUNWAYS, ROADWAYS AND OTHER PAVED SURFACES	10–50 years
INFORMATION TECHNOLOGY, FURNITURE AND EQUIPMENT	2–25 years
VEHICLES	3–20 years
LAND IMPROVEMENTS	10–25 years

Construction in progress is recorded at cost and is transferred to buildings and support facilities and other asset categories as appropriate when the project is complete and the asset is available for use, or is written off when, due to changed circumstances, management does not expect the project to be completed. Assets under construction are not subject to depreciation until they are available for use.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition [determined as the difference between net disposal proceeds and the carrying amount of the item] is included as an adjustment of depreciation expense when the item is derecognized.

Impairment of non-financial assets

Property, plant and equipment and other assets are tested for impairment at the cash-generating unit level when events or changes in circumstances indicate that their carrying amount may not be recoverable, and in the case of indefinite-life assets, at least annually. A cash-generating unit is the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets. An impairment loss is recognized when the carrying value of the assets in the cash-generating unit exceeds the recoverable amount of the cash-generating unit.

Because the Authority's business model is to provide services to the travelling public, none of the assets of the Authority are considered to generate cash flows that are largely independent of the other assets and liabilities of the Authority. Consequently, all of the assets are considered part of the same cash-generating unit. In addition, the Authority's unfettered ability to raise its rates and charges as required to meet its obligations mitigates its risk of impairment losses. While the impact of the coronavirus disease ["COVID-19"] has been significant to the Authority in 2020 and 2021, given the decline in usage of Airport operations and facilities, management has assessed that there are no indicators of impairment affecting non-financial assets.

Deferred financing costs

Transaction costs relating to the issuance of long-term debt including underwriting fees, professional fees, termination of interest rate swap agreements and bond discounts are deferred and amortized using the effective interest rate method over the term of the related debt. Under the effective interest rate method, amortization is recognized over the life of the debt at a constant rate applied to the net carrying amount of the debt. Amortization of deferred financing costs is included in interest expense. Deferred financing costs are reflected as a reduction in the carrying amount of related long-term debt.

Leases

The Authority has applied IFRS 16, *Leases* ["IFRS 16"].

At inception of a contract, the Authority assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Authority has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Authority has the right to direct the use of the asset. The Authority has this right when it has the decision- making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the Authority has the right to direct the use of the asset if either:
  - The Authority has the right to operate the asset; or
  - The Authority designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Authority allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, for the leases of land and buildings, the Authority has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Authority as lessee

Except for the ground lease, the Authority elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of 12 months or less and leases of low-values assets, including photocopiers and printers. The Authority recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Ground lease

The Authority recognizes its ground lease as a short-term lease given the payments are variable in nature. Rent imposed under the ground lease with the Government of Canada is calculated based on Airport revenues for the year as defined in the lease and is considered contingent rent. Ground rent expense is accounted for as a short- term lease in the statement of operations and comprehensive loss.

COVID-19-related rent concessions

The Authority has applied *COVID-19-related rent concessions – Amendment to IFRS 16*. The Authority has applied the practical expedient where rent concessions that are a direct consequence of the COVID-19 pandemic are not subject to further assessment as possible "lease modifications" as defined in IFRS 16. All other rent concessions are evaluated in accordance with IFRS 16 criteria.

The Authority as lessor

When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Authority makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Authority considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Authority applies IFRS 15, *Revenue from Contracts with Customers* ["IFRS 15"] to allocate the consideration in the contract.

The Authority recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of lease revenue.

The amount receivable from the lessee in accordance with a finance lease is recognized at an amount equal to the net investment of the Authority in the lease. Payments received from finance leases are recognized over the term of the lease in order to reflect a constant periodic return on the Authority's net investment in the finance lease as part of "other revenue."

Revenue recognition

The Authority's principal sources of revenue comprise revenue from the rendering of services for landing fees, terminal fees, Airport Improvement Fees ["AIF"], parking, concession, land and space rental and other income.

Revenue is measured by reference to the fair value of consideration received or receivable by the Authority for services rendered, net of rebates and discounts.

Revenue is recognized when the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the entity, when the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Authority's different revenue activities have been met, as described below.

Landing fees, terminal fees and parking revenues are recognized as the Airport facilities are utilized.

AIF are recognized upon the enplanement of origination and destination passengers using information from air carriers obtained after enplanement has occurred. AIF revenue is remitted to the Authority based on airlines self-assessing their passenger counts. The Authority performs an annual reconciliation with air carriers.

Concession revenue is recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum annual guarantees. In 2020 and for 2021, the minimum annual guarantees for concessionaires were temporarily waived by the Authority due to the significant decline in passenger volumes at the Airport as a result of initiatives determined by management during the COVID-19 pandemic.

Operating land and space rental revenue is recognized over the lives of respective leases, licenses and permits. Tenant inducements associated with leased premises, including the value of rent-free periods, are deferred and amortized on a straight-line basis over the term of the related lease and recognized as part of material, supplies and service expenses.

Other income includes income from other operations and is recognized as earned.

Pension plan and other post-employment benefits

The post-employment pension benefit asset (liability) recognized on the balance sheet is the fair value of plan assets less the present values of defined pension benefit obligations as at the balance sheet date. The accrued benefit obligation is discounted using the market interest rate on high-quality corporate debt instruments as at the measurement date, approximating the terms of the related pension liability.

The Authority accrues its obligations under pension and other post-employment benefit plans as employees render the services necessary to earn these benefits. The costs of these plans are actuarially determined using the projected unit credit method based on length of service. This determination reflects management's best estimates at the beginning of each fiscal year of the rate of salary increases and various other factors including mortality, termination, retirement rates and expected future health care costs. For the purpose of calculating the net interest cost on the pension obligations net of pension plan assets, the pension plan assets are valued at fair value.

The other post-employment benefit liability recognized on the balance sheet is the present value of the defined benefit obligation as at the balance sheet date. The accrued benefit obligation is discounted using the market interest rate on high-quality corporate debt instruments as at the measurement date, approximating the terms of the related other post-employment benefit liability.

Pension expense for the defined benefit pension plan includes current service cost and the net interest cost on the pension obligations, net of pension plan assets calculated using the market interest rate on high-quality corporate debt instruments as determined for the previous balance sheet date. Past service costs are recognized immediately in the statement of operations and comprehensive loss. Pension expense is included in salaries and benefits on the statement of operations and comprehensive loss.

Actuarial gains and losses [experience gains and losses that arise because actual experience for each year will differ from the beginning-of-year assumptions used for purposes of determining the cost and liabilities of these plans] and the effect of the asset ceiling are recognized in full as remeasurements of defined benefit plans in the period in which they occur in other comprehensive loss ["OCI"] without recycling to the statement of operations and comprehensive loss in subsequent periods.

Pension expense for the defined contribution pension plan is recorded as the benefits are earned by the employees covered by the plan.

Employee benefits other than post-employment benefits

The Authority recognizes the expense related to compensation and compensated absences, such as sick leave and vacations, as short-term benefits in the period the employee renders the service. Costs related to employee health, dental and life insurance plans are recognized in the period that expenses are incurred. The liabilities related to these benefits are not discounted due to their short-term nature.

Financial instruments

Financial assets

Pursuant to IFRS 9, *Financial Instrument*s ["IFRS 9"], the Authority classifies its financial assets in the measurement categories outlined below, and the classification will depend on the type of financial assets and the contractual terms of the cash flows.

1. Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are initially recognized at fair value plus any transaction costs. They are subsequently measured at amortized cost using the effective interest rate, net of an allowance for expected credit loss ["ECL"]. The ECL is recognized in the statement of operations and comprehensive loss for such instruments. Gains and losses arising on derecognition are recognized directly in the statement of operations and comprehensive loss and presented in other gains.

2. Fair value through other comprehensive income ["FVOCI"]: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent solely payments of principal and interest. Financial assets at FVOCI are initially recognized at fair value plus any transaction costs. They are subsequently measured at fair value. ECL are recognized on financial assets held at FVOCI. The cumulative ECL allowance is recorded in OCI and does not reduce the carrying amount of the financial asset on the balance sheet. The change in the ECL allowance is recognized in the statement of operations and comprehensive loss. Unrealized gains and losses arising from changes in fair value are recorded in OCI until the financial asset is derecognized, at which point cumulative gains or losses previously recognized in OCI are reclassified from accumulated other comprehensive loss to net gains (losses) on financial instruments.

3. Fair value through profit or loss ["FVTPL"]: Assets that do not meet the criteria for classification as financial assets at amortized cost or financial assets at FVOCI are measured at FVTPL unless an irrevocable election has been made at initial recognition for certain equity investments to have their changes in fair value be presented in OCI. Financial assets at FVTPL are initially recognized and subsequently measured at fair value. Unrealized gains and losses arising from changes in fair value and gains and losses realized on disposition are recorded in net gains (losses) on financial instruments. Transaction costs are expensed as incurred.

The Authority's financial assets including cash and cash equivalents, trade and other receivables and the Debt Service Reserve Fund are classified at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or loans and borrowings at amortized cost. All financial liabilities are initially recognized at fair value plus any transaction costs. They are subsequently measured, depending on their classification, at fair value with gains and losses through statement of operations and comprehensive loss or at amortized cost using the effective interest rate method.

The Authority's financial liabilities including bank indebtedness, accounts payable and accrued liabilities and long- term debt are classified at amortized cost.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Authority uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Valuation based on quoted prices in active markets for identical assets or liabilities obtained from the investment custodian, investment managers or dealer markets.
- Level 2: Valuation techniques with significant observable market parameters including quoted prices for assets in markets that are considered less active.
- Level 3: Valuation techniques with significant unobservable market parameters.

The Authority recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

There have been no transfers between levels of the fair value hierarchy as at the end of the reporting period.

Measurement of ECLs

ECL is defined as the weighted average of credit losses determined by evaluating a range of possible outcomes using reasonable supportable information about past events and current and forecasted future economic conditions.

The Authority has developed an impairment model to determine the allowance for ECL on trade and other receivables classified at amortized cost. The Authority determines an allowance for ECL at initial recognition of the financial instrument that is updated at each reporting period throughout the life of the instrument.

The ECL allowance is based on the ECL over the life of the financial instrument ["Lifetime ECL"], unless there has been no significant increase in credit risk since initial recognition, in which case the ECL allowance is measured at an amount equal to the portion of Lifetime ECL that results from default events possible within the next 12 months. ECL is determined based on three main drivers: probability of default, loss given default and exposure at default.

The Authority assesses on a forward-looking basis the ECL associated with its financial instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Authority uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Authority's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The Authority has adopted the simplified approach, and as such the Authority does not track changes in its customers' credit risk, but instead recognizes a loss allowance based on Lifetime ECLs at each reporting date. The Authority has established a provision that is based on its historical credit loss experience adjusted for forward- looking factors specific to the debtors and the economic environment.

Therefore, the Authority recognizes impairment and measures ECL as Lifetime ECL. The carrying amount of these assets in the balance sheet is stated net of any loss allowance. Impairment of trade and other receivables is presented within materials, supplies and service expenses in the statement of operations and comprehensive loss.

The Authority will use a "three-stage" model for impairment, if any since initial recognition, on financial instruments other than trade and other receivables, based on changes in credit quality as summarized below.

- Stage 1 – A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and its credit risk is continuously monitored by the Authority. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of Lifetime ECLs that result from default events possible within the next 12 months.
- Stage 2 – If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The ECL is measured based on the Lifetime ECL basis.
- Stage 3 – The financial instrument is credit-impaired and the financial instrument is written off as a credit loss.

Estimation uncertainty and key judgments

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 revenue and expenses during the reporting period. Accounting estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

These accounting estimates and assumptions are reviewed on an ongoing basis. Actual results could significantly differ from those estimates. Adjustments, if any, will be reflected in the statement of operations and comprehensive loss in the period of settlement or in the period of revision and future periods if the revision affects both current and future periods.

Key judgment areas, estimations and assumptions include leases, the useful lives of property, plant and equipment, valuation adjustments including ECLs, the cost of employee future benefits and provisions for contingencies.

Leases

The Authority applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

When a lease contract contains an option to extend or terminate a lease, the Authority must use its best estimate to determine the appropriate lease term. The Authority will consider all facts and circumstances to determine if there is an economic benefit to exercise an extension option or to not exercise a termination option.

The lease term must be reassessed if a significant event or change in circumstance occurs. Lease liabilities will be estimated and recognized using a discount rate equal to the Authority's estimated incremental borrowing rate. This rate represents the rate that the Authority would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

The Authority will evaluate all new lease agreements as a lessor and will determine whether these leases are classified as an operating or as a finance lease. This process will be reviewed on a quarterly basis with further analysis completed annually to ensure that leases are adequately recognized within the standard.

Useful lives of property, plant and equipment

Critical judgments are used to determine depreciation rates, useful lives and residual values of assets that impact depreciation amounts.

Loss allowance

The Authority establishes an ECL that involves management review of individual receivable balances based on individual customer creditworthiness, current economic trends and the condition of the industry as a whole, and analysis of historical bad debts. The Authority is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of trade and other receivables could be materially affected and the Authority may be required to record additional allowances. Alternatively, if the Authority provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

Cost of employee future benefits

The Authority accounts for pension and other post-employment benefits based on actuarial valuation information provided by the Authority's independent actuaries. These valuations rely on statistical and other factors in order to anticipate future events. These factors include discount rates and key actuarial assumptions such as expected salary increases, expected retirement ages and mortality rates.

Provisions for contingencies

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of economic resources will be required to settle the obligation, and when the amount can be reliably estimated.

Payment in lieu of municipal taxes

In December 2000, the Province of Ontario amended the Assessment Act to change the methodology for determining payments in lieu of taxes ["PILT"] for airports in Ontario. Under regulations signed in March 2001, PILT paid by airport authorities designated under the *Airport Transfer (Miscellaneous Matters) Act* are based on a fixed rate specific to each airport multiplied by the airport's prior year passenger volumes. This legislation effectively removes airports in Ontario from the effects of market value assessment.

Total comprehensive loss

Total comprehensive loss is defined to include net income (loss) plus or minus OCI for the year. Other comprehensive income (loss) includes actuarial gains and losses related to the Authority's pension plan and other post-employment benefits. Other comprehensive income (loss) is accumulated as a separate component of equity (deficiency) called accumulated other comprehensive loss.

Current accounting changes

The Authority actively monitors new standards and amendments to existing standards that have been issued by the International Accounting Standards Board ["IASB"]. The Authority has consistently applied the accounting policies to all periods presented in these financial statements.

In the current year, the Authority has not applied any new or proposed amendments to IFRS Standards and Interpretations issued by the IASB due to the fact that no new amendments are applicable and will have no impact the presentation of these financial statements of the Authority.

Future changes in accounting policies

The IASB has issued new amendments to existing standards. The Authority has reviewed all potential amendments that impact the financial results on future periods. Management is currently evaluating the following amendment to determine how it may potentially impact the Authority's accounting policies in future periods.

Amendments to IAS 1, *Presentation of Financial Statements – Non-current Liabilities with Covenants*:

This amendment modifies the requirements on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The IASB proposes that if a right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting date, those conditions do not affect whether the right to defer settlement exists at the reporting date for the purpose of classifying a liability as current or non-current. Additional presentation and disclosure requirements would be applicable in such circumstances, including presenting non-current liabilities that are subject to covenants to be complied with within 12 months after the reporting period, separately in the statement of financial position.

The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

3. PROPERTY, PLANT AND EQUIPMENT

2020	BUILDINGS AND SUPPORT FACILITIES $	RUNWAYS, ROADWAYS AND OTHER PAVED SURFACES $	INFORMATION TECHNOLOGY, FURNITURE AND EQUIPMENT $	VEHICLES $	LAND IMPROVEMENTS $	CONSTRUCTION IN PROGRESS $	TOTAL $
GROSS VALUE							
As at – January 1, 2020	514,672	124,294	54,935	34,861	11,184	23,665	763,611
Additions	—	—	102	2,338	—	14,413	16,853
Transfer	23,510	367	2,502	340	137	(26,856)	—
Disposals	(2,323)	—	(132)	(725)	—	—	(3,180)
As at December 31, 2020	535,859	124,661	57,407	36,814	11,321	11,222	777,284
ACCUMULATED DEPRECIATION							
As at – January 1, 2020	212,999	42,741	34,234	15,775	8,279	—	314,028
Depreciation	20,257	4,436	4,326	2,165	454	—	31,638
Disposals	(2,323)	—	(132)	(665)	—	—	(3,120)
As at December 31, 2020	230,933	47,177	38,428	17,275	8,733	—	342,546
NET BOOK VALUE							
As at December 31, 2020	304,926	77,484	18,979	19,539	2,588	11,222	434,738

2021	BUILDINGS AND SUPPORT FACILITIES $	RUNWAYS, ROADWAYS AND OTHER PAVED SURFACES $	INFORMATION TECHNOLOGY, FURNITURE AND EQUIPMENT $	VEHICLES $	LAND IMPROVEMENTS $	CONSTRUCTION IN PROGRESS $	TOTAL $
GROSS VALUE							
As at – January 1, 2021	535,859	124,661	57,407	36,814	11,321	11,222	777,284
Additions	—	—	—	—	—	9,799	9,799
Transfer	5,045	972	1,388	(226)	—	(7,179)	—
Disposals	(1,048)	—	(1,535)	(1,154)	—	—	(3,737)
As at December 31, 2021	539,856	125,633	57,260	35,434	11,321	13,842	783,346
ACCUMULATED DEPRECIATION							
As at – January 1, 2021	230,933	47,177	38,428	17,275	8,733	—	342,546
Depreciation	19,979	4,402	4,196	2,285	435	—	31,297
Disposals	(1,048)	—	(1,536)	(1,054)	—	—	(3,638)
As at December 31, 2021	249,864	51,579	41,088	18,506	9,168	—	370,205
NET BOOK VALUE							
As at December 31, 2021	289,992	74,054	16,171	16,929	2,153	13,842	413,141

4. OTHER ASSETS

	2021 $	2020 $
Interest in future proceeds from 4160 Riverside Drive, at cost	**2,930**	2,930
Tenant improvements and leasehold inducements, net of amortization	**2,232**	2,296
	5,162	5,226

Interest in future proceeds from 4160 Riverside Drive

In an agreement signed on May 27, 1999, the Authority agreed to assist the Regional Municipality of Ottawa- Carleton [now the City of Ottawa, the "City"] in acquiring lands municipally known as 4160 Riverside Drive by contributing to the City 50% of the funds required for the acquisition. In return, the City agreed to place restrictions on the use of the lands to ensure the lands are used for purposes that are compatible with the operations of the Authority. In addition, the Authority will receive 50% of the net proceeds from any future sale, transfer, lease or other conveyance of the lands.

Tenant improvements and leasehold inducements

During 2011, the Authority entered into a long-term lease with a subtenant that included a three-year rent-free period and provided, as a tenant inducement, a payment of $1.5 million towards the cost of utilities infrastructure and other site improvements, and the value of this rent-free period has been amortized over the term of the lease.

5. CREDIT FACILITIES

The Authority maintains access to an aggregate of $170.0 million [2020 – $140.0 million] in committed credit facilities ["Credit Facilities"] with two Canadian banks. The 364-day Credit Facilities that expired on October 13, 2021 have been extended for another 364-day term expiring on October 13, 2022. The Credit Facilities are secured under a trust indenture dated May 24, 2002 [as amended or supplemented, the "Master Trust Indenture"] *[note 7[a]]* and are available by way of overdraft, prime rate loans, or bankers' acceptances. Indebtedness under the Credit Facilities bears interest at rates that vary with the lender's prime rate and bankers' acceptance rates, as appropriate.

The following table summarizes the amounts available under each of the Credit Facilities, along with their related expiry dates and intended purposes:

TYPE OF FACILITY	MATURITY	PURPOSE	2021 $ MILLIONS	2020 $ MILLIONS
Revolver – 364-day	October 13, 2022	General corporate and capital expenditures	**40**	40
USD contingency [US$10 million]	May 31, 2021	Interest rate hedging	**—**	14
Letter of credit	May 31, 2021	Letter of credit and letter of guarantee	**—**	6
Revolver – 2-year	May 31, 2023	General corporate and capital expenditures	**50**	—
Revolver – 3-year	June 4, 2023	General corporate and capital expenditures	**40**	40
Revolver – 5-year	May 31, 2025	General corporate and capital expenditures	**40**	40
			170	140

As at December 31, 2021, there was no bank indebtedness under these facilities. The bank indebtedness as at December 31, 2020 bearing interest at an average rate of 0.49%.

As at December 31, 2021, $11.0 million [2020 – $12.1 million] of the Credit Facilities has been designated to the Operating and Maintenance Reserve Fund *[note 7[a]]*.

In order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, an irrevocable standby letter of credit in favour of the Trustee in the amount of $9.5 million has been drawn from the available Credit Facilities.

6. CAPITAL MANAGEMENT

The Authority is continued without share capital under the *Canada Not-for-profit Corporations Act* and, as such, all earnings are retained and reinvested in Airport operations and development. Accordingly, the Authority's only sources of capital for investing in Airport operations and development are bank indebtedness, long-term debt and accumulated income included on the Authority's balance sheet as retained earnings.

The Authority incurs debt, including bank indebtedness and long-term debt, to finance development. It does so on the basis of the amount that it considers it can afford and manage based on revenue from AIF and to maintain appropriate debt service coverage and long-term debt per enplaned passenger ratios. This provides for a self- imposed limit on what the Authority can spend on major development of the Airport, such as the Authority's major infrastructure construction programs.

The Authority manages its rates and charges for aeronautical and other fees to safeguard the Authority's ability to continue as a going concern and to maintain a conservative capital structure. It makes adjustments to these rates in light of changes in economic conditions, operating expense profiles and regulatory environment to maintain sufficient net earnings to meet ongoing debt coverage requirements.

The Authority is not subject to capital requirements imposed by a regulator, but manages its capital to comply with the covenants of the Master Trust Indenture *[note 7[a]]* and to maintain its credit ratings in order to secure access to financing at a reasonable cost.

7. LONG-TERM DEBT

	2021 $	2020 $
6.973% Amortizing Revenue Bonds, Series B, due May 25, 2032, interest payable on May 25 and November 25 of each year until maturity commencing November 25, 2002, scheduled accelerating semi-annual instalments of principal payable on each interest payment date commencing November 25, 2004 through to May 25, 2032	**107,751**	113,494
3.933% Amortizing Revenue Bonds, Series E, due June 9, 2045, interest payable on June 9 and December 9 of each year commencing December 9, 2015 followed by scheduled fixed semi-annual instalments of $9,480 including principal and interest payable on each interest payment date commencing December 9, 2020 through to June 9, 2045	**289,046**	296,420
2.698% Revenue Bonds, Series F, due May 5, 2031, interest payable on May 5 and November 5 of each year until maturity commencing November 5, 2021 through to May 5, 2031	**100,000**	—
	496,797	409,914
Less deferred financing costs	**2,523**	2,348
	494,274	407,566
Less current portion	**14,023**	13,116
	480,251	394,450

(a) Bond issues

The Authority issues revenue bonds [collectively, “Bonds”] under the Master Trust Indenture. In May 2002, the Authority completed its original $270.0 million revenue bond issue with two series, the $120.0 million Revenue Bonds, Series A at 5.64% due on May 25, 2007, and the $150.0 million Amortizing Revenue Bonds, Series B at 6.973% due on May 25, 2032. In May 2007, the Authority completed a $200.0 million Revenue Bonds, Series D at 4.733%, in part to refinance the Series A Revenue Bonds repaid on May 25, 2007.

On June 9, 2015, the Authority completed a $300.0 million Amortizing Revenue Bonds, Series E, which bear interest at a rate of 3.933% and are due on June 9, 2045. Part of the net proceeds from this offering were used to prefund the repayment of the $200.0 million Series D Bonds, which matured and were repaid on May 2, 2017.

On May 5, 2021, the Authority completed the issuance of the Series F $100.0 million Revenue Bonds that bear interest at a rate of 2.698% and are due on May 5, 2031. Part of the net proceeds from this offering were used for the repayment of $35.0 million in bank indebtedness and $1.4 million was allocated to satisfy the Debt Service Reserve Fund requirement for the Series F Revenue Bonds.

The Series B Amortizing Revenue Bonds are redeemable, in whole or in part, at the option of the Authority at any time, and the Series E Amortizing Revenue Bonds are redeemable until six months prior to the maturity date, upon payment of the greater of:

> [i] The aggregate principal amount remaining unpaid on the Bonds to be redeemed; and
>
> [ii] The value that would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium is 0.24% for the Series B Amortizing Revenue Bonds,0.42% for the Series E Amortizing Revenue Bonds and 0.27% for the Series F Revenue Bonds. If the Series E Amortizing Revenue Bonds are redeemed within six months of the maturity date, the Series E Amortizing Revenue Bonds will be redeemable at a price equal to 100% of the principal amount outstanding plus any accrued and unpaid interest.

The net proceeds from these offerings were used to finance the Authority’s infrastructure construction programs, and for general corporate purposes. These purposes included refinancing existing debt and bank indebtedness incurred by the Authority in connection with these construction programs and funding of the Debt Service Reserve Fund [see below].

Under the Master Trust Indenture, all of these bond issues are direct obligations of the Authority ranking pari passu with all other indebtedness issued. All indebtedness, including indebtedness under Credit Facilities, is secured under the Master Trust Indenture by an assignment of revenues and related book debts, a security interest on money in reserve funds and certain accounts of the Authority, a security interest in leases, concessions and other revenue contracts of the Authority, and an unregistered mortgage of the Authority's leasehold interest in Airport lands.

For the year ended December 31, 2020 and due to the impact of the COVID-19 pandemic on the Authority's financial results, the Authority was not compliant with the debt service coverage ratio. However, the Authority remained in compliance with the gross debt service coverage ratio. On April 23, 2021, the Authority received the support of bondholders to waive temporarily, for the fiscal years ended December 31, 2021 and 2022, the requirement to comply with the rate covenants [debt service coverage ratio and gross debt service coverage ratio], the additional indebtedness covenant and the requirement to comply with the rate covenant for the sale of assets. Accordingly, the Authority is compliant with all provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and the rate covenant requirements, as consented by the bondholders for the period ended December 31, 2021.

Pursuant to the Authority's corporate documents, the Authority has the unfettered ability to raise its rates and charges as required to meet its obligations. Under the Master Trust Indenture, the Authority is required to take all lawful measures to revise its schedule of rates and charges necessary to achieve the ratios and has already taken action to increase rates in 2020 and 2021. Notwithstanding the temporary non-compliance with the debt service coverage ratio as at December 31, 2020, the Authority continues to meet its debt service obligations.

Under the terms of the Master Trust Indenture, the Authority is required to maintain with the Trustee a Debt Service Reserve Fund equal to six months' debt service in the form of cash, qualified investments or letter of credit. As at December 31, 2021, the balance of cash and qualified investments held to satisfy the Debt Service Reserve Fund requirements is $8.3 million [2020 – $6.9 million] and includes the Debt Service Reserve Fund requirement for the Series B Amortizing Revenue Bonds of $6.9 million [2020 – $6.9 million] and the Debt Service Reserve Fund requirement for the Series F Revenue Bonds of $1.4 million [2020 – nil]. Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, an irrevocable standby letter of credit in favour of the Trustee in the amount of $9.5 million has been drawn from the available Credit Facilities. These trust funds are held for the benefit of the bondholders for use and application in accordance with the terms of the Master Trust Indenture. In addition, the Authority is required to maintain an Operating and Maintenance Reserve Fund equal to 25% of defined operating and maintenance expenses from the previous 12 months. As at December 31, 2021, $11.0 million [2020 – $12.1 million] of the Credit Facilities has been designated to the Operating and Maintenance Reserve Fund *[note 5]*.

(b) Interest expenses

	2021 $	2020 $
Bond interest	**21,109**	19,942
Other interest and deferred financing expense	**367**	247
	21,476	20,189

(c) Future annual principal payments for all long-term debt

	$
2022	14,023
2023	14,988
2024	16,014
2025	17,107

	$
2026	18,271
Thereafter	416,394
	496,797

(d) Deferred financing costs

	2021 $	2020 $
Deferred financing costs	**5,155**	4,751
Less accumulated amortization	**2,632**	2,403
	2,523	2,348

8. AIRPORT IMPROVEMENT FEES

AIF are collected by the air carriers in the price of a ticket and are paid to the Authority on an estimated basis, net of air carrier administrative fees of 7% [2020 – 7%], on the basis of estimated enplaned passengers under an agreement between the Authority, the Air Transport Association of Canada and the air carriers serving the Airport. Under the agreement, AIF revenue may only be used to pay for the capital and related financing costs of Airport infrastructure development. AIF revenue is recorded at its gross amount on the statement of operations and comprehensive loss. Administrative fees paid to the air carriers were $1.3 million [2020 –$1.0 million].

AIF funding activities in the year are outlined below:

	2021 $	2020 $
Earned revenue	**19,343**	14,649
Air carrier administrative fees	**(1,350)**	(1,026)
Net AIF revenue earned	**17,993**	13,623
Eligible capital asset purchases	**(9,342)**	(16,686)
Eligible interest expense	**(23,253)**	(21,853)
Eligible other expenses	**(1,038)**	(272)
	(33,633)	(38,811)
Deficiency of AIF revenue over AIF expenditures	**(15,640)**	(25,188)

AIF funding activities on a cumulative basis since inception of the AIF are outlined below:

	2021 $	2020 $
Earned revenue	**730,248**	710,904
Air carrier administrative fees	**(44,152)**	(42,801)
Net AIF revenue earned	**686,096**	668,103
Eligible capital asset purchases	**(745,452)**	(736,110)
Eligible interest expense	**(426,089)**	(402,837)
Eligible other expenses	**(2,746)**	(1,707)
	(1,174,287)	(1,140,654)
Deficiency of AIF revenue over AIF expenditures	**(488,191)**	(472,551)

The AIF will continue to be collected until the cumulative excess of expenditures over AIF revenue is reduced to zero.

9. PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The amounts recognized as the post-employment benefit assets and liabilities on the balance sheet as at December 31 are as follows:

	2021 $	2020 $
Post-employment pension benefit asset, net	**263**	—
Post-employment pension benefit liability, net [Included in accounts payable and accrued liabilities]	**—**	38
Other post-employment benefit liability	**8,944**	9,337

The Authority sponsors and funds a pension plan for its employees, which has defined benefit and defined contribution components.

Under the defined contribution plan, the Authority pays fixed contributions into an independent entity to match certain employee contributions. The Authority has no legal or constructive obligation to pay further contributions after its payment of the fixed contribution.

The defined benefit plan includes employees who were employees of the Authority on the date of transfer of the responsibility for the management, operation and development of the Airport from Transport Canada on January 31, 1997 *[note 1]*, including former Transport Canada employees, the majority of whom transferred their vested benefits from the Public Service Superannuation Plan to the Authority's pension plan. Pension benefits payable under the defined benefit component of the plan are based on members' years of service and the average of the best six years' consecutive earnings near retirement up to the maximums allowed by law. Benefits are indexed annually to reflect the increase in the consumer price index to a maximum of 8% in any one year.

Pension plan costs are charged to operations as services are rendered based on an actuarial valuation of the obligation.

In addition to pension plan benefits, the Authority provides other post-employment and retirement benefits to some of its employees including health care insurance and payments upon retirement or termination of employment. The Authority accrues the cost of these future benefits as employees render their services based on an actuarial valuation. This plan is not funded.

As at the date of the most recent actuarial valuation of the pension plan, which was as at December 31, 2020, and was completed and was filed in June 2021 as required by law, the plan had a surplus on a funding [going concern] basis of $4,737 assuming a discount rate of 4.00% [2019 – $5,528 surplus assuming a discount rate of 4.00%]. This amount differs from the amount reflected below primarily because the obligation is calculated using the discount rate that represents the expected long-term rate of return of assets. For accounting purposes, it is calculated using an interest rate determined with reference to market rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

The Pension Benefits Standards Act, 1985 [the "Act"] requires that a solvency analysis of the plan be performed to determine the financial position [on a "solvency basis"] of the plan as if it were fully terminated on the valuation date due to insolvency of the sponsor or a decision to terminate. As at December 31, 2020, the plan had a deficit on a solvency basis of $1,811 [2019 – $2,438] before considering the present value of additional solvency payments required under the Act. In 2021, the Authority made additional solvency payments of $362 [2020 – $488] to amortize this deficiency.

The next required actuarial valuation of the defined benefit pension plan, which will be as at December 31, 2021, is scheduled to be completed and filed by its June 2022 due date. The plan's funded position and the amounts of solvency payments required under the Act are subject to fluctuations in interest rates. It is expected that, once the actuarial valuation is completed, the additional solvency payments that are required for 2022 will be $362 [2021 – $362]. In addition, the Authority expects to contribute approximately $300 [2021 actual – $354] on account of current service in 2022 to the defined benefit component of the pension plan for the year ending December 31, 2022.

Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2020 and extrapolated to December 31, 2021 by the Authority's actuaries, the estimated status of the defined benefit pension plan is as follows:

	2021 **$**	**2020** **$**
ACCRUED BENEFIT OBLIGATION – DEFINED BENEFIT PENSIONS		
Balance, beginning of year	**70,683**	65,653
Employee contributions	**63**	97
Benefits paid	**(3,109)**	(2,246)
Current service cost	**453**	571
Interest cost on accrued benefit obligation	**1,741**	1,956
Actuarial loss (gain) – change in economic assumptions	**(4,778)**	5,046
Actuarial gain – change in plan experience	**(114)**	(394)
Balance, end of year	**64,939**	70,683

	2021 $	2020 $
PLAN ASSETS – DEFINED BENEFIT PENSIONS		
Fair value, beginning of year	**70,645**	67,543
Employee contributions	**63**	97
Employer contributions	**354**	443
Employer contributions, special solvency payments	**362**	488
Benefits paid	**(3,109)**	(2,246)
Interest on plan assets [net of administrative expenses]	**1,549**	1,804
Actuarial gain (loss) on plan assets	**(676)**	2,516
Fair value – plan assets	**69,188**	70,645
Effect of limiting the net defined benefit asset to the asset ceiling	**(3,986)**	—
Fair value, end of year	**65,202**	70,645
Post-employment pension benefit asset (liability), net	**263**	(38)

The net defined benefit pension plan expense for the year ended December 31 was as follows:

	2021 $	2020 $
Current service cost	**453**	571
Interest cost on accrued benefit obligation	**1,741**	1,956
Interest on plan assets [net of administrative expenses]	**(1,549)**	(1,765)
Defined benefit pension plan expense recognized in salaries and benefits expense in net loss	**645**	762

In addition to pension benefits, the Authority provides other post-employment benefits to its employees. The status of other post-employment benefit plans, based on the most recent actuarial reports, measured as of December 31 is as follows:

	2021 $	2020 $
ACCRUED BENEFIT OBLIGATION – OTHER POST-EMPLOYMENT BENEFITS		
Balance, beginning of year	**9,337**	11,085
Benefits paid	**(327)**	(440)
Current service cost	**444**	541
Interest cost	**233**	363
Actuarial gain – change in economic assumptions	**(743)**	(1,012)
Actuarial gain – change in demographic assumptions	**—**	(167)
Actuarial gain – change in plan experience	**—**	(1,033)
Balance, end of year	**8,944**	9,337

The net expense for other post-employment benefit plans for the year ended December 31 was as follows:

	2021 $	2020 $
Current service cost	**444**	541
Interest cost	**233**	363
Expense recognized in salaries and benefits expense in net earnings	**677**	904

The amount recognized in other comprehensive loss for pension plans and other post-employment benefit plans for the year ended December 31 was as follows:

	2021 $	2020 $
DEFINED BENEFIT PENSION PLANS		
Actuarial loss (gain) – change in economic assumptions	**(4,778)**	5,046
Actuarial gain – change in plan experience	**(114)**	(394)
Actuarial loss (gain) on plan assets	**676**	(2,516)
Effect of limiting the net defined benefit asset to the asset ceiling	**3,986**	(1,348)
OTHER POST-EMPLOYMENT BENEFIT PLANS		
Actuarial gain – change in economic assumptions	**(743)**	(1,012)
Actuarial gain – change in demographic assumptions	**—**	(167)
Actuarial gain – change in plan experience	**—**	(1,033)
Total income recognized in other comprehensive loss	**(973)**	(1,424)

The costs of the defined benefit component of the pension plan and of other post-employment benefits are actuarially determined using the projected benefit method prorated on services. This determination reflects management's best estimates of the rate of return on plan assets, rate of salary increases and various other factors including mortality, termination and retirement rates.

The significant economic assumptions used by the Authority's actuaries in measuring the Authority's accrued benefit obligations as at December 31 are as follows:

	2021 %	2020 %
DEFINED BENEFIT PENSION PLAN		
Discount rate to determine expense	**2.50**	3.00
Discount rate to determine year-end obligations	**3.00**	2.50
Interest rate on plan assets	**2.50**	3.00
Rate of average compensation increases	**3.00**	3.00
Rate of inflation indexation post-retirement [consumer price index]	**2.00**	2.00
OTHER POST-EMPLOYMENT BENEFIT PLANS		
Discount rate to determine expense		
Health care	**2.50**	3.25
Severance program	**2.25**	3.00
Discount rate to determine year-end obligation		
Health care	**3.00**	2.50
Severance program	**2.75**	2.25
Rate of average compensation increases	**3.00**	3.00
Rate of increases in health care costs		
Trend rate for the next fiscal year	**5.30**	5.40
Ultimate trend rate	**4.00**	4.00
Fiscal year the ultimate trend rate is reached	**2036**	2036

The Authority's defined benefit pension plans and post-retirement benefit plans face a number of risks, including inflation, but the most significant of these risks relates to changes in interest rates [discount rate]. The defined benefit pension plan's liability is calculated for various purposes using discount rates set with reference to corporate bond yields. If plan assets underperform this yield, this will increase the deficit. A decrease in this discount rate will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings. In addition to the risks of fluctuations in interest rates [discount rate] outlined above, the Authority's pension plans are subject to a number of other risks. The Authority has taken steps to reduce the risk of fluctuations in interest rates and other factors by purchasing fully indexed annuities from a leading Canadian insurance provider covering 96% [2020 – 98%] of all retired members. Relative to the actuarial assumptions noted above, the financial impact of changes in key assumptions is outlined below:

	CHANGE IN ASSUMPTION	IMPACT ON OBLIGATION AFTER INCREASE IN ASSUMPTION $	IMPACT ON OBLIGATION AFTER DECREASE IN ASSUMPTION $
DEFINED BENEFIT PENSION PLAN			
Discount rate	1%	(8,121)	10,130
Inflation	1%	9,430	(7,753)
Compensation	1%	99	(126)
Life expectancy	1 year	2,133	—
Discount rate – solvency liability at December 31, 2020	1%	(11,445)	14,714
OTHER POST-EMPLOYMENT BENEFIT PLANS			
Discount rate			
Health care	1%	(976)	1,295
Severance program	1%	(251)	295
Health care costs	1%	1,304	(1,000)
Life expectancy	1 year	284	(287)

The Authority's pension and other post-employment benefit plans are designed to provide benefits for the life of the member. Increases in life expectancy will result in an increase in the plans' liabilities. The obligations for these plans as at December 31, 2021 have been estimated by the Authority's actuaries using the most recent mortality tables available [Canadian Pensioner Mortality 2014 Combined Sector Mortality Table].

The investment policy for the pension plan's defined benefit funds was revised in 2018 to adopt a strategy based on plan maturity with segmentation based on retirees and all other members. This approach involved setting up a liability-matching fund for retirees and a balanced growth fund for managing the assets related to the liabilities of all other members. Under this strategy, the proportion of liability matching assets [fixed income funds and indexed annuity arrangements] will be increased and the proportion of growth assets [equity and other funds] will be decreased over time as the average age of members rises. Under the liability matching fund, the pension plan purchased, in late 2020, a fully indexed buy-in annuity contract for five additional retired members as at December 31, 2020. As at December 31, 2021, 96% [2020 – 98%] of all retired members were covered by fully indexed buy-in annuity contracts. For future retirements of active members, additional buy-in or buy-out annuities may be considered depending on market conditions. The defined benefit plan is a closed plan. As at the date of the most recent actuarial valuation as at December 31, 2020, the average age of the 10 active members was 54 years of age. The average age of the 64 retired members was 69 years of age.

Responsibility for governance of the plans including overseeing aspects of the plans such as investment decisions lies with the Authority through a Pension Committee. The Pension Committee in turn has appointed experienced independent experts such as investment advisors, investment managers, actuaries and a custodian for assets.

The percentage distribution of total fair value of assets of the pension plans by major asset category as at December 31 is as follows:

	2021 %	2020 %
Fixed income fund	**16**	11
Annuity buy-in contract	**64**	68
Equity funds – Canadian funds	**4**	4
Equity funds – International and global funds	**7**	9
Emerging market fund	**2**	2
Real estate fund	**7**	6

The Authority's contribution to the defined contribution component of the pension plan is a maximum of 8% of the employee's gross earnings to match employee contributions. Information on this component is as follows:

	2021 $	2020 $
Employer contributions – defined contribution plan	**1,061**	1,174
Employee contributions – defined contribution plan	**1,184**	1,311
Net expense recognized in salaries and benefits expense	**1,061**	1,174

10. FAIR VALUE MEASUREMENT

Fair values are measured and disclosed in relation to the fair value hierarchy [as discussed in note 2] that reflects the significance of inputs used in determining the estimates.

The Authority has assessed that the fair values of cash and cash equivalents, trade and other receivables, bank indebtedness, accounts payable and accrued liabilities and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Authority's long-term debt, including Revenue Bonds outstanding, is reflected in the financial statements at amortized cost *[note 7]*. As at December 31, 2021, the estimated fair value of the long-term Series B, Series E Amortizing Revenue Bonds and Series F Revenue Bonds is $133.4 million, $313.7 million and $102.2 million, respectively [2020 – $148.3 million and $323.0 million for Series B and Series E, respectively]. The fair value of the bonds is estimated by calculating the present value of future cash flows based on year-end benchmark interest rates and credit spreads for similar instruments.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Authority is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include interest rate risk, liquidity risk, credit risk and concentration risk. The Authority's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following financial instruments are subject to interest rate risk as at December 31:

	2021		2020	
	CARRYING VALUE $	**EFFECTIVE YEAR-END INTEREST RATE %**	**CARRYING VALUE $**	**EFFECTIVE YEAR-END INTEREST RATE %**
Cash and cash equivalents [floating rates] [1]	**56,012**	**0.83**	17,514	0.84
Bank indebtedness	**—**	**0.00**	30,000	0.49
Long-term debt [at fixed cost]	**494,274**	**See note 7**	407,566	See note 7

[1] Includes Debt Service Reserve Fund $8,295 [2020 – $6,867]

The Authority has entered into fixed rate long-term debt, and accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced. Changes in prevailing benchmark interest rates and credit spreads, however, may impact the fair value of this debt. The Authority's most significant exposure to interest rate risk relates to its future anticipated borrowings and refinancing.

In addition, the Authority's cash and cash equivalents and its Debt Service Reserve Fund are subject to floating interest rates. Management has oversight over interest rates that apply to its cash and cash equivalents and the Debt Service Reserve Fund. These funds are invested from time to time in short-term bankers' acceptances and guaranteed investment certificates as permitted by the Master Trust Indenture, while maintaining liquidity for purposes of investing in the Authority's capital programs. Management has oversight over interest rates that apply to its bank indebtedness and fixes these rates for short-term periods of up to 90 days based on bankers' acceptance rates.

If interest rates had been 50 basis points [0.50%] higher/lower and all other variables were held constant, including timing of expenditures related to the Authority's capital expenditure programs, the Authority's loss for the year would have increased/decreased by $0.3 million as a result of the Authority's exposure to interest rates on its floating rate assets and liabilities. The Authority believes, however, that this exposure is not significant and that interest income is not essential to the Authority's operations as these assets are intended for reinvestment in Airport operations and development, and not for purposes of generating interest income.

Liquidity risk

The Authority manages its liquidity risks by maintaining adequate cash, bank indebtedness and Credit Facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis and by matching its long-term financing arrangements with its cash flow needs. The Authority believes it has a strong credit rating that gives it access to sufficient long-term funds as well as committed lines of credit through Credit Facilities with two Canadian banks.

The Authority has unfettered ability to raise its rates and charges as required to meet its obligations. Under the Master Trust Indenture entered into by the Authority in connection with its debt offerings *[note 7[a]]*, the Authority is required to take all lawful measures to maintain its compliance with the gross debt service coverage ratio of 1.25 and the debt service coverage ratio of 1.0. If this debt service covenant ratio is not met in any year, the Authority is not in default of its obligations under the Master Trust Indenture. Due to the Authority's increased Credit Facilities and together with the unfettered ability to increase rates and charges, it expects to continue to have sufficient liquidity to cover all of its obligations as they come due, including interest payments of approximately $21.6 million per year. The future annual principal payment requirements of the Authority's obligations under its long-term debt are described in note 7(c).

Credit risk and concentration risk

The Authority is subject to credit risk through its cash and cash equivalents, its Debt Service Reserve Fund, and its trade and other receivables. The counterparties of cash and cash equivalents and the Debt Service Reserve Fund are highly rated Canadian financial institutions. The trade and other receivables consist primarily of current aeronautical fees and AIF owing from air carriers. The majority of the Authority's trade and other receivables are paid within 47 days [2020 – 46 days] of the date that they are due. A significant portion of the Authority's revenue, and resulting receivable balances, is derived from air carriers. The Authority performs ongoing credit valuations of receivable balances and maintains an allowance for potential credit losses. The Authority's right under the *Airport Transfer (Miscellaneous Matters) Act* to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. ECLs are maintained, consistent with the credit risk, historical trends, general economic conditions and other information, as described below, and are taken into account in the financial statements.

Impairment analysis is performed at each reporting date using a credit loss provision model to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns [i.e., airlines, concessionaires, land tenants, etc.]. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The impact of COVID-19 on the recoverability of receivables from contracts has been considered. While the methodologies and assumptions applied in the base ECL calculations remain unchanged from those applied in the prior financial year, the Authority has incorporated estimates, assumptions and judgments specific to the impact of the COVID-19 pandemic and the associated customer support packages provided. While there have been no material recoverability issues identified, there is a risk that the economic impacts of COVID-19 could be deeper or more prolonged than anticipated, which could result in higher credit losses than those modelled under the base case.

Over the course of the COVID-19 pandemic, the Authority has been focused on supporting tenants who are experiencing financial difficulties and in 2020 has offered financial assistance measures including temporary rent deferrals and participation in pandemic-related tenant-focused programs delivred by the federal government where program qualification criteria were met by the tenant. The Authority has granted rent relief based on each tenant's circumstances. As at December 31, 2020, the gross carrying value of rent deferrals included in trade and other receivables that are subject to a COVID-19 financial assistance package total $0.1 million and comprise rent deferrals expiring at certain dates up to June 30, 2021.

The Authority has adopted the simplified method to evaluate the required ECLs provision for trade and other receivables. Approximately 97% of the Authority's trade and other receivables are in the current category [less than 30 days overdue]. The Authority has recognized $50 in 2021 as an ECL provision [2020 – $50], which is largely represented by the 1.17% [2020 – 1.02%] of ECL rate in the less than 30 days overdue category.

The Authority derives approximately 49% [2020 – 47%] of its landing fee and terminal fee revenues from Air Canada and its affiliates. Management believes, however, that the Authority's long-term exposure to any single air carrier is mitigated by the fact that approximately 98% [2020 – 97%] of the passenger traffic through the Airport is origin and destination traffic, and therefore other carriers are likely to absorb the traffic of any carrier that ceases operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

12. LEASES

The Authority as lessee

On January 31, 1997, the Authority signed a 60-year ground lease [as amended, the "Lease"] with the Government of Canada [Transport Canada] for the management, operation and development of the Airport. The Lease contains provisions for compliance with a number of requirements, including environmental standards, minimum insurance coverage, specific accounting and reporting requirements, and various other matters that have a significant effect on the day-to-day operation of the Airport. The Authority believes that it has complied with all requirements under the Lease.

On February 25, 2013, the Minister of Transport for the Government of Canada signed an amendment to the Lease to extend the term from 60 years to 80 years ending on January 31, 2077. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the Airport to the Government of Canada.

The Authority recognizes its ground lease as a short-term lease given the payments are variable in nature. Rent imposed under the ground lease with the Government of Canada is calculated based on Airport revenue for the year as defined in the Lease and is considered contingent rent. Ground rent expense is accounted for as a lease in the statement of operations and comprehensive loss. From March 1, 2020 to December 31, 2021, the Authority was granted a ground rent relief waiver that waived all ground rent payments for this period. This waiver is described in more detail in note 13.

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

	$
2022	5,837
2023	9,661
2024	12,168
2025	13,573
2026	13,991

The Authority as lessor

Finance leases

The Authority has entered into two land lease arrangements as a lessor that are considered finance leases. This is the result of the Authority transferring substantially all of the risks and rewards of ownership of these assets to the lessee and Authority as the lessor recognizes these agreements as a receivable pursuant to the IFRS 16 standard.

Finance lease receivables are classified under non-current assets.

The maturity analysis of the finance lease receivables, including the undiscounted lease payments to be received, are as follows:

	2021 $
Less than 1 year	**519**
1–2 years	**527**
2–3 years	**534**
3–4 years	**542**

	2021 $
4–5 years	**550**
Over 5 years	**24,383**
Total undiscounted lease payments receivable	**27,055**
Unearned finance income	**(15,412)**
Net investment in the leases	**11,643**

Operating leases

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

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

	$
2022	6,793
2023	6,886
2024	7,055
2025	7,376
2026	7,499

13. GOVERNMENT ASSISTANCE

Canada Emergency Wage Subsidy

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ["CEWS"] program in April 2020, which provided a wage subsidy grant on eligible remuneration to eligible employers based on meeting certain criteria.

During 2020 and 2021, the Authority qualified for this subsidy from the effective date of March 15, 2020 through to October 23, 2021. Accordingly, the Authority has claimed $5.0 million [2020 – $6.6 million] in subsidy grants for 2021. This subsidy grant has been recorded as a reduction of $4.8 million [2020 – $6.2 million] to the eligible remuneration expenses under salaries and benefits in the statement of operations and comprehensive loss and $0.2 million [2020 – $0.4 million] as a reduction in capitalized compensation costs included in property, plant and equipment incurred by the Authority during this period.

Government of Canada ground rent relief waiver

On March 31, 2020, the Government of Canada announced its decision to waive ground rent obligations for the period from March 1, 2020 to December 31, 2020. Accordingly, ground rent payable pursuant to the prescribed calculation for the months of January and February was recognized as the total ground rent for the year ended December 31, 2020. This represents a benefit of $2.2 million in waived ground rent that would have otherwise been payable in 2020 based on the application of prescribed rates throughout the 2020 fiscal year.

Furthermore, the Government of Canada announced on November 30, 2020 that, in response to the prolonged decline in air traffic and in recognition of the significant financial impact on airport authorities, the ground rent waiver for the Airport was extended for the entire 2021 fiscal year. This represents a benefit of $3.3 million in waived ground rent that would have otherwise been payable in 2021 based on the application of prescribed rates throughout the 2021 fiscal year.

Canada Emergency Commercial Rent Assistance Program

The Authority participated in the Canada Emergency Commercial Rent Assistance Program where the Authority's qualifying commercial tenants benefited from this program. The Authority agreed to reduce rent from qualifying small business lessees by 25% for the period of April to September 2020. This program has resulted in a $0.1 million reduction in operating lease revenue for 2020.

Airport Relief Fund ["ARF"] program and Airport Critical Infrastructure Program ["ACIP"]

On May 11, 2021, the Government of Canada launched two new contribution funding programs to help Canada's airports recover from the effects of the COVID-19 pandemic:

- ACIP will to financially assist Canada's larger airports with investments in critical infrastructure related to safety, security or connectivity.
- ARF will provide financial relief to targeted Canadian airports to help maintain operations in 2021.

ACIP Program

In 2021, the Authority qualified for a maximum of $9.0 million in federal government ACIP funding to support capital spending on two major construction projects. During 2021, $2.6 million of this subsidy was applied as a reduction to capitalized construction costs included in property, plant and equipment incurred by the Authority. The balance of the ACIP funding will be applied to construction costs on these approved projects, as incurred, during 2022 and 2023.

ARF Program

The Authority was granted $5.7 million as part of the program's prescribed funding formula that was based on airport size. These funds were received in 2021 and are included as other revenue in the statement of operations and comprehensive loss.

14. STATEMENT OF CASH FLOWS

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

	2021 $	2020 $
Trade and other receivables	**(5,080)**	(4,107)
Prepaid expenses, advances and consumable supplies	**6**	673
Accounts payable and accrued liabilities	**3,031**	(2,324)
	(2,043)	2,456

Increase in bank indebtedness and long-term debt consists of the following:

	2021 $	2020 $
Bank indebtedness	**35,000**	30,000
Long-term debt	**100,000**	—
	135,000	30,000

Repayment of bank indebtedness and long-term debt consists of the following:

	2021 $	2020 $
Bank indebtedness	**65,000**	—
Long-term debt	**13,116**	8,753
	78,116	8,753

15. RELATED PARTY TRANSACTIONS

Compensation paid, payable or provided by the Authority to key management personnel during the year ended December 31 is recorded at cost and is as follows:

	2021 $	2020 $
Salaries and short-term benefits	**2,550**	2,525
Post-employment benefits	**210**	199
	2,760	2,724

Key management includes the Authority's Board of Directors and members of the executive team, including the President and CEO, and six vice-presidents.

The defined pension plan referred to in note 9 is a related party to the Authority. The Authority's transactions with the pension plan include contributions paid to the plan, which are disclosed in note 9. The Authority has not entered into other transactions with the pension plan and has no outstanding balances with the pension plan as at the balance sheet date.

16. COMMITMENTS AND CONTINGENCIES

Ground lease commitments

The Lease requires the Authority to calculate rent payable to Transport Canada utilizing a formula reflecting annual Airport revenues *[note 12]*.

Operating and capital commitments

As at December 31, 2021, the Authority has total operating commitments from the ordinary course of business in the amount of $11.8 million [2020 – $18.0 million], for which payments of $8.8 million relate to 2022 and diminishing in each year over the next five years as contracts expire. In addition to these operating commitments, there are further capital investment commitments related to contracts for the purchase of property, plant and equipment of approximately $11.1 million.

Contingencies

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business. The Authority does not expect the outcome of any proceedings to have a material adverse impact on the financial position or results of operations of the Authority.

17. POST-REPORTING-DATE EVENTS

No adjusting events have occurred between the reporting date and February 23, 2022, when the financial statements were authorized for issue.

18. COMPARATIVE FIGURES

Certain comparative information in the balance sheet and statement of operations and comprehensive income has been reclassified to conform with this year's presentation. The net impact did not result in any changes to retained earnings.

19. COVID-19 PANDEMIC

The COVID-19 pandemic continued to weigh heavily on the Airport and the Canadian and global travel industry in 2021. The emergence of vaccines in the early part of 2020 together with favourable seasonal trends led to improvements in caseload levels and the loosening of some public health restrictions in the middle part of 2021. The positive trajectory was then impacted negatively by a significant variant of concern and which led to a tightening of public health and government travel restrictions late in the fiscal year and which suppressed travel demand through the holiday season and into the early stages of 2022. Consequently, air carriers responded by cancelling and consolidating routes and delaying their efforts to increase capacity to match emerging demand. The Airport experienced a 14.1% decline in passenger volumes in 2021 as compared to 2020 and this is a reduction of 77.1% as compared to 2019 and continues to impact negatively the financial results of the Authority. With vaccination rates increasing throughout 2021 and early 2022, COVID-19 caseloads reducing and the easing of public health measures and restrictions, there are encouraging signs of a recovery emerging with the expectation of the gradual easing of travel restrictions. There are ranges of opinions as to the pace of the air travel recovery and, given the unprecedented nature of this event, there is significant uncertainty on the length and shape of the recovery.

The Authority and numerous industry sources predict that passenger aviation may not return to pre-pandemic levels for a significant period of time. This reduced activity continues to have a significant negative impact on the Authority's business and results of operations including aeronautical and passenger-driven revenues together with commercial revenues.

Given the evolving situation with the COVID-19 pandemic and the uncertain impact on the economy, Management continues to analyze the extent of the financial impact, which is and continues to be material. While the full duration and scope of the pandemic is yet to be known, the Authority is focused on the long-term financial sustainability of the Airport. The Authority has implemented significant reductions in its operating expenditures, resource levels and capital investment programs. The Authority reviews frequently future operating, resource and capital requirements to align spending levels with emerging trends on the recovery of the air transportation sector to ensure long-term financial sustainability.

The Authority has access to strong liquidity through Credit Facilities with two Canadian banks *[note 5]*.

The Government of Canada has waived ground rent for the period of March 2020 to December 2020 *[note 13]* and has extended the program for the 2021 calendar year. The Authority has also benefited from the CEWS, ACIP and ARF programs *[note 13]*.