ASKING, LISTENING, ACTING.

International Airport Authority Ottawa Administration de l'aéroport international

Turning ideas into action

ANNUAL REPORT >>> 2011

>>> MISSION

Working with its partners, the Authority will be a leader in providing quality safe, secure, sustainable and affordable transportation facilities and services to the airport's customers and communities within the National Capital Region.

>>> VISION

To be the Transportation Hub for the National Capital Region

>>> STRATEGIC DIRECTIONS

- To be an industry leader in the planning, development and operation of world-class airport facilities.
- To manage securely those elements of the airport operation for which the Authority is responsible, and to proactively influence our partners to meet their responsibilities to assure security across the entire airport campus.
- To operate the airport facilities in a safe manner and in compliance with all applicable federal regulations.
- To continue to work proactively with all levels of government, the cities of Ottawa and Gatineau, local communities and major stakeholders to better serve the region.
- To foster partnerships that contribute to the viability of the airport and the socio-economic growth of the community.
- To develop and maintain productive, talented employees who are excited by their work, committed to the Authority's values and the achievement of its mission and business objectives.
- To provide the diverse and dynamic customer base with industry leading customer service.
- To further develop the commercial focus of the Authority.
- To manage the business in a financially, environmentally and socially responsible manner.
- To foster sustainability in all facets of its business and throughout the campus.

>>> ORGANIZATIONAL VALUES

The Authority conducts its business with:

- Responsibility;
- Transparency;
- Accountability; and
- Integrity.

TO REINFORCE THE AIRPORT AUTHORITY'S COMMITMENT TO THE ENVIRONMENT, THIS YEAR'S ANNUAL REPORT IS BEING DISTRIBUTED ELECTRONICALLY, AND WHERE REQUIRED, PRINTED ON AN AS-NEEDED BASIS.

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Paul Benoit, President and CEO, Raymond Brunet, Chairman of the Board

MESSAGE FROM THE CHAIRMAN AND PRESIDENT & CEO

At the beginning of 2011, it seemed to be business as usual. It didn't take long for us to realize that 2011 was anything but business as usual. From celebrating awards with our partners, welcoming new neighbours and completing projects, to growing passenger numbers and greeting the arrival of the newest royal couple, it was a memorable year. The following is a summary of our highlights.

The year was another record-setter in terms of the number of passengers that travelled through the airport. To break it down by travel segment, 3,429,310 passengers travelled within Canada, 750,486 passengers travelled to the United States, and 444,830 passengers travelled to an international destination for a grand total of 4,624,626 passengers! This figure represents a 3.37% increase over 2010 numbers, and it means that we are quickly approaching the 5 million passenger milestone. A mere five years ago, we projected that it would take until 2016 to reach this level, which is evidence that the Ottawa-Gatineau market is still healthier than many others in Canada and the United States.

The financial picture for 2011 was positive, with our revenues exceeding our expenses by $5.7 million. As always, the net earnings will be reinvested in operations, a financial injection that will ensure that the Authority is able to continue to update and maintain airport facilities in the face of the increased wear and tear that results from growing passenger volumes.

The Parkade Expansion Project that began in May of 2010 was completed in the fall of 2011, making 850 more spaces available to our clients in time for the holiday travel season. A new roof now graces the structure so that all customers, regardless of where they park in the facility, will come home to a vehicle that is not covered in snow. As always, the project was carried out on time and within budget.

We had a lot of activity in the terminal, including a redesign of space in the Canada Border Services Agency area that few passengers ever see, but that makes a very big difference to the travel experience for passengers who arrive from transborder and international locations. Work in Canada Customs and Immigration areas, which was completed in the summer, has improved passenger flow and increased efficiency.

We also had retail space changes, including the addition of Red Canoe, a store that sells vintage branded clothing and memorabilia from Canadian icons such as the RCAF and RCMP. And perhaps the most welcomed news of the year was the announcement and subsequent opening of Starbucks in the domestic/international holdroom. Our passengers had voiced their opinions loud and clear on Facebook, Twitter and in comment cards, so we were extremely excited to announce its arrival in October. Early indications declare it a success – business has exceeded expectations and our customers are very happy!

On the airfield, we continued to make investments in safety, including the final addition to the snow removal fleet. A new high speed multi-function snow removal unit was purchased and put into service during the year, bringing the new fleet to eight units. We also launched a multi-year runway rehabilitation project including the resurfacing of runway 04/22, and changes to the taxiways in the North Field which will improve efficiency and increase our ability to develop leasable land in the north-west corner of the airport campus.

Just off the campus, we welcomed our new neighbour, the CE Centre, Ottawa's newest convention and trade show facility, which was constructed on airport land at the corner of Uplands Drive and Airport Parkway Private. After what seemed like lightning fast construction throughout the year, the Centre hosted its first big event on December 26th, 2011.

In 2011, we broke another record on September 24th when we, along with an Air Canada A319, 29 teams (580 participants) and another 1000 spectators, helped raised $60,000 for Project Clear Skies and the Ottawa Sens Foundation at the Plane Pull Challenge. The Authority's organizing committee did an outstanding job of growing the event to include even more family activities than in previous years, such as fantastic musical entertainment, fly-ins by special Vintage Wings aircraft, Sens Street Team inflatables, face painting, and food and fun for all. Mark your calendars for Saturday, September 22nd 2012, when the 7th edition will take-off.

The Plane Pull wasn't the only example of the Authority doing great work for the community. There are many examples from throughout the year that made us extremely proud. There was the first airport firefighter boot drive to support Dreams Take Flight, an organization that takes children to Disney World for the day. There were activities throughout the year to support the Ottawa Food Bank. The firefighters made a comeback in December for more boot drives to support Muscular Dystrophy, local Christmas parades and the Authority's Christmas Drive for the Ottawa Food Bank. Add this to a successful Movember campaign by many of the "Men of the Authority" and the annual United Way Campaign, and you have a very compassionate and generous workplace that donated in the neighbourhood of $20,000 of their own money to worthy causes during the year.

Exciting things are happening in Ottawa, including the aforementioned opening of the CE Centre and the completion of the massive Ottawa Convention Centre redevelopment project. These two facilities alone mean that world class exhibition and convention space is now available in Ottawa-Gatineau and the region now has the ability to play host to previously unattainable large conventions and trade shows that require space that was simply non-existent. That potential, coupled with consistent growth in our passenger numbers has us looking at our facilities and infrastructure in terms of how it can and will handle future growth. The terminal, which opened in 2003 and was expanded in 2008, is now strained in terms of passenger processing and physical capacity. While we have no concrete plans as of yet, we are studying airside capacity, apron layout, and terminal layout in the context of our updated forecasts. We are looking at these issues based on three different timeframes: 2015, 2030, and ultimate capacity. In 2012, we will be applying even greater discipline to the process to ensure that whatever path we choose to take will be the one that will best position the Ottawa International Airport to handle whatever the future may bring.

The events, the planning, and the exceptional growth all demonstrate that the airport is a strong economic force; people often take for granted the role that the airport plays in building community and enhancing the quality of life for those who live and work here. This airport is so much more than a facilitator of leisure travel; it is a gateway to and from the world for the movement of people and goods, and it is a business driver. We are an employer, and our activities create downstream benefits in many sectors of the local economy, including manufacturing, tourism, food and beverage, and retail.

In 2011, we commissioned an independent study to better understand and quantify the role that the Ottawa International Airport plays in these areas. Here are a few of the report's highlights:

- Annual economic impact of $2.2 billion;
- Nearly 5,000 full time equivalent employees at the airport;
- An additional 5,300 indirect and induced employees in the region as a result of airport operations;
- Over $247 million paid in taxes to all levels of government; and
- Approximately 150 companies that operate at the airport.

These are important results that could not be possible without strong leadership, amazing partners and stronger employee commitment. The Airport Authority is fortunate enough to have all of these. Leadership comes in the form of a strong Board of Directors, comprised of members who are committed to and passionate about the success of the airport. Each shares their time and talent to ensure that the direction set by senior management is the right one.

We had to say farewell to a few of our Board members in 2011, including Geneviève Brown, Charlie Logue and Joan Sun McGarry, whose terms expired. Each made a significant contribution to the Authority's success and they leave with our gratitude. We had the good fortune of welcoming Brendan McGuinty, who was nominated by the City of Ottawa. We are confident that Brendan's skills and experience will be an asset to the Board and the Authority going forward.

We would also like to thank the Authority's employees for their continued support. Every day brings new challenges, and whether it's a snowstorm, an irregular operation or a project that comes up unexpectedly, our employees step up to provide the assistance that is needed. They are an important key to successful events such as the Plane Pull, and it's their passion and commitment to the airport that is reflected in our reputation in the community. We look forward to working with them to tackle whatever 2012 has in store.

We concluded last year's message with a bit of a caveat in the wake of many awards and accolades that had been received for 2010. We said it would be difficult to duplicate such a year, but did promise to continue to put our best foot forward in an effort to keep up the levels of service that our clients have come to expect. We would be remiss if we didn't provide an update on that effort.

Well, we did it! We were once again recognized by our clients with several Airport Service Quality awards. You'll read more about them later in the report, but we are very proud to say that we were named #1 in North America (all participating airports) and #2 in the World (for airports that serve between 2 and 5 million passengers). Finishing first in North America is particularly special because the airports included in the survey are the airports that our customers travel to most often – the ones that we ourselves are most familiar with. This is a very important tribute to all of our employees and to the facility itself.

We are grateful to our airport partners and all airport campus employees for their contribution to our success – everyone who has an interaction with a client or who contributes to the warm ambiance of the airport shares in the awards.

And finally, a special thank you to our clients who continue to provide the feedback that keeps us on our toes and keeps us accountable. It's thanks to the time you took to complete surveys, to fill out comment cards and to connect with us through social media that we have achieved the rank of #1 in North America. Rest assured that we are still listening, we are ready to take action, and we will continue doing our best to keep your faith in us.

Raymond Brunet, Chairman of the Board

Paul Benoit, President and CEO

2011 IN REVIEW

ANOTHER FANTASTIC YEAR!

You may recall that the Ottawa Airport Authority's 2010 Annual Report was a celebration of many awards that the airport was honoured with that year. One award in particular brought the entire airport community together to toast what we like to call "The Stanley Cup" of airport awards, which was a first place finish in the Airport Service Quality (ASQ) Customer Satisfaction program. This was recognition for our class of airport, which includes those that serve between 2 and 5 million passengers per year, and after several years of finishing in second place, we were thrilled to be named #1 in the World!

In the months that followed, we worked hard not to become too comfortable with the title – we upped the ante, and renewed our commitment to making the customer experience everything that it could be in 2011. How did we do that? This report will take you through some of the initiatives that were aimed at customer service, increased safety and security, operational improvements and efficiencies, increased air service, more community relations initiatives and effective communications. Really, everything we do is aimed at our customers – we seek your feedback, we incorporate it and we strive to provide the quality travel experience that you've come to expect.

ASKING, LISTENING, ACTING – IT'S ABOUT OUR CUSTOMER

>>> IDEAS – LOTS OF IDEAS

Instead of assuming that we know what our customers want from their airport, the Authority implemented an on-line Ottawa Airport Ideas Campaign. In essence, users registered on a dedicated website where they could record any ideas they felt would enhance their travel experience. Registered users could read, rate and improve upon the posted ideas. Alternatively, they could also post their own ideas. The most popular ideas would rise to the top through high ratings and enhancements, and would provide the Authority with a roadmap for improvement. Throughout the campaign, the Authority team was able to respond to comments and offer examples where the posted ideas had already been acted upon, or to clear up any misperceptions by users.

When the campaign wrapped up after six weeks, a total of 697 registered users submitted 84 unique ideas, which received 322 ratings by users, and 136 improvements to the ideas were logged. The opportunity in 2012 will be to examine the results for trends, distill the list down to concrete, achievable goals, and to establish an action plan to turn the ideas into reality.

To that end, the Authority has further demonstrated its commitment to achieving its customer service goals by creating a Director of Passenger Experience position. The new Director is involved in all aspects of the operation that affect customer service, including fulfillment of the Ideas Campaign goals, and with an added emphasis on Ground Transportation and Parking, which is a critical aspect of the overall customer experience.

>>> ROLL OF EXCELLENCE

Airports Council International (ACI), the same organization that hosts the ASQ awards, announced its inaugural Director General's Roll of Excellence in Airport Service Quality in November, and named Ottawa to the distinguished list. Ottawa earned the distinction by "consistently delivering excellent customer service". Since joining the ASQ program in 2006, we maintained a 2nd place rank for five consecutive years, and then made it to the 1st place spot in our category in 2010. ACI also recognized our philosophy of engaging the entire airport community in customer service and celebrating excellence.

"We believe this recognition will solidly define you as a model of service excellence for airports around the world and we hope you will work with us to raise the bar in service standards and practices within the industry."
– Angela Gittens, ACI Director General

>>> CELEBRATING SUCCESS

On July 29th, the Authority welcomed employees from across the airport campus to a BBQ to celebrate being ranked #1 in the World. The not-yet-reopened fourth level of the newly-renovated Parkade provided a perfect venue for the celebration, and HMS Host happily served the hundreds of Airport Authority, airline, security, ground transportation, Canada Border Services Agency, Unites States Customs and Border Protection, Ottawa Police Service, Bee Clean and airport concession staff. Not only was it an opportunity for the Authority to say thank you to those who made the award possible, it also gave the employees a chance to meet some of the people they see around the airport regularly but don't get the chance to interact with in a social setting.

>>> AIRPORT SERVICE QUALITY – SO HOW DID WE DO IN 2011?

When the Authority joined the ASQ program late in 2004, a total of 65 airports were enrolled. Seven years later, an amazing total of 179 airports participate. It is now recognized as one of the most important vehicles for measuring customer satisfaction at airports.

In 2011, 30 new airports came on board, 13 of which are in the same category as Ottawa, being those airports that serve between 2 and 5 million passengers per year. We recognize that as the category grows, the challenge to remain at the top also grows. As previously mentioned, we are fully committed to doing what needs to be done to maintain our position, but more importantly to keep the faith our clients have expressed in us intact.

The results are in and we are pleased to say that despite an increase in entrants to the program and to our category of airport, we placed 2nd in the World for our class of airport (2 to 5 million passengers), and **1st in North America for all sizes of airport!**

#1 AIRPORT IN NORTH AMERICA

#2 AIRPORT IN THE WORLD 2-5 MILLION PASSENGERS

AIRPORTS COUNCIL INTERNATIONAL DIRECTOR GENERAL'S ROLL OF EXCELLENCE IN AIRPORT SERVICE QUALITY

>>> VOLUNTEERS MAKE A WORLD OF DIFFERENCE

Our Infoguide volunteers continued to wow our customers and visitors in 2011. They logged an impressive 7,560 hours, handled thousands of calls and had as many face to face interactions throughout the year. While we say thank you and celebrate their contributions to our airport and city, perhaps the people they help say it best. We receive regular feedback from appreciative clients, and many go the extra step of nominating volunteers, and other employees from across the campus, for Ottawa Tourism Stars of the City awards. These awards celebrate front line tourism representatives who make a difference. In 2011, several Infoguides were nominated, including Laura Williams and Amy Foy; each received a certificate from Ottawa Tourism and a lapel pin that they wear with pride.

photo: Teckles Photography www.tecklesphoto.com

From time to time, the outstanding service of a particular volunteer or employee will stand out and catch the attention of the Stars of the City evaluation committee. Anthony Vitanza, Infoguide since 2003, was that person in 2011. He has had many nominations over the years, and we have received countless comment cards and letters about how he goes above and beyond the call of duty. From staying late after his shifts, to tracking down lost items and fixing someone's car on the curb, Anthony never thinks twice about going the extra mile. For this and more, Ottawa Tourism honoured him with their "Good Citizen" award.

FINANCIAL

After a year of headlines that included the Japanese earthquake and nuclear disaster, the Arab Spring uprisings, S&P's credit rating downgrade of the United States, and the Euro zone debt crisis, and despite the slow recovery of economic growth in Canada, the 2011 results for the Ottawa Airport Authority reflect the stability and financial health of the Ottawa region. In 2011, passenger volumes again broke previous years' records, surpassing 4.6 million passengers – a 3.4% increase over 2010. Domestic and transborder growth were surprisingly robust.

Revenues in 2011 were 15% higher at $103.1 million compared to $89.7 million in 2010, reflecting the stable economy of Ottawa and higher passenger volumes. An increase in the Airport Improvement Fee from $15 per enplaned passenger to $20 per enplaned passenger effective February 1, 2011 was the most significant factor impacting financial results for the year. As a result, the Authority finished 2011 by generating earnings before depreciation of $27.9 million compared to $17.5 million for the year ended December 31, 2010. As always, these earnings continue to be reinvested in airport operations and development.

>>> ECONOMIC IMPACT

In 2011, the economic impact of the airport on the community was revisited. Since the previous study, which was completed in 2008, the impact of the airport in the National Capital Region has grown significantly. The number of jobs directly generated by airport activity grew 13% to 4,964 jobs (measured as full-time equivalents). Including indirect and induced employment, the total impact is well over 10,000 jobs.

The airport is also a significant generator of tax revenue for all three levels of government. The estimated amount of taxes remitted annually related to activities at the airport is close to a quarter of a billion dollars. The total economic impact, including indirect and induced impacts, has grown strongly, and now exceeds $2.2 billion each year.

BUSINESS DEVELOPMENT

>>> MORE PLACES IN THE SUN

Ottawa/Gatineau has a growing appetite for leisure travel and sunshine destinations, and this is being recognized by our carriers. If you recall, WestJet introduced direct service to Las Vegas in December of 2010. The service was so successful that they started the season much earlier in the fall of 2011. Sunwing and Air Transat also responded to the demand by adding new flights to the sunshine in Los Cabos, Mexico and La Romana, Dominican Republic.

SUMMARY OF AMOUNTS SPENT IN THE OTTAWA REGION >>> ($000)

	2007	2008	2009	2010	2011	TOTAL
Wage bill	$14,191	$15,733	$15,628	$16,885	$17,922	$80,359
Payments in lieu of municipal taxes	4,069	4,272	4,486	4,560	4,788	22,175
Operations costs	17,000	22,000	21,000	25,000	26,000	111,000
Capital costs	57,000	31,000	12,000	21,000	27,000	148,000
	$92,260	$73,005	$53,114	$67,445	$75,710	$361,534

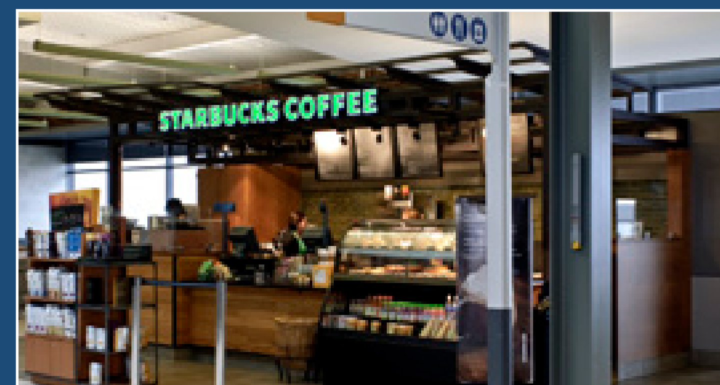
Notes:
Wage bill includes benefits.
Payments in lieu of municipal taxes (PILT) - paid to the City of Ottawa
Operation costs do not include Rent, PILT, Payroll, Depreciation and Interest Expenses.

>>> RETAIL THERAPY ANYONE?

The shopping mix in the terminal continues to evolve and respond to the market, including LS Travel Retail converting one of its spaces in the domestic/international holdroom to a Red Canoe airport store, selling vintage branded clothing including logo-wear from the RCMP, CBC and RCAF. Runway Essentials, an AerRianta store, also in the domestic/international holdroom, is changing its focus from fine jewelry to sunglasses and sporty accessories. If you're looking for a last minute gift for the kids or something special for that someone special, you'll find what you're looking for at the airport.

>>> INTRODUCING: STARBUCKS!

Over the years, one of the comments most frequently received by passengers concerned Starbucks – or the lack thereof – in the airport. Working closely with HMS Host, the airport's Master Food and Beverage Concessionaire, we were very pleased to announce that Starbucks would open near Gate 22 in the domestic/international holdroom. On October 8th, the new store opened to appreciative customers and great reviews. With seating for 28, and ample power outlets, Starbucks is the perfect place to plug in and relax while waiting for a flight. You asked, we listened!



DEVELOPMENT ON AIRPORT LANDS

>>> CE CENTRE

In December 2011, the Shenkman Corporation opened the doors of the CE Centre to its first major event. The 13 hectare site situated on airport land at the corner of Uplands and the Airport Parkway is now home to the 225,000 square foot, state-of-the-art trade show facility that features four separate halls that can be opened up into one unimpeded space, expansive outdoor display space and four additional large meeting rooms. Proximity to the airport and an abundance of on-site parking sets the facility apart.

PASSENGER GROWTH BY SECTOR >>>

		Domestic	%	Transborder	%	International	%	Total	%
	1996	2,223,941		529,602		104,295		2,857,838	
	1997	2,435,534	9.51%	502,072	-5.20%	108,762	4.28%	3,046,368	6.60%
	1998	2,414,355	-0.87%	563,085	12.15%	133,108	22.38%	3,110,548	2.11%
	1999	2,426,288	0.49%	628,203	11.56%	157,116	18.04%	3,211,607	3.25%
	2000	2,562,282	5.61%	719,200	14.49%	152,863	-2.71%	3,434,345	6.94%
	2001	2,625,630	2.47%	618,694	-13.97%	146,971	-3.85%	3,391,295	-1.25%
	2002	2,445,770	-6.85%	600,365	-2.96%	170,751	16.18%	3,216,886	-5.14%
	2003	2,491,691	1.88%	588,088	-2.04%	182,566	6.92%	3,262,345	1.41%
	2004	2,736,779	9.84%	641,157	9.02%	231,949	27.05%	3,609,885	10.65%
	2005	2,779,895	1.58%	719,150	12.16%	236,388	1.91%	3,735,433	3.48%
	2006	2,807,377	0.99%	735,753	2.31%	264,626	11.95%	3,807,756	1.94%
	2007	3,052,813	8.74%	746,435	1.45%	289,280	9.32%	4,088,528	7.37%
	2008	3,255,540	6.64%	740,369	-0.81%	343,315	18.68%	4,339,225	6.13%
	2009	3,141,812	-3.49%	682,822	-7.77%	408,196	18.90%	4,232,830	-2.45%
	2010	3,303,170	5.14%	725,781	6.29%	444,943	9.00%	4,473,894	5.70%
ACTUAL >>>	2011	3,429,310	3.82%	750,486	3.40%	444,830	-0.03%	4,624,626	3.37%
FORECAST >>>	2015	3,923,550	3.60%	887,250	4.56%	534,200	5.02%	5,345,000	3.89%
	2020	4,446,800	2.67%	1,055,500	3.79%	650,700	4.36%	6,153,000	3.02%
	2025	4,889,900	1.99%	1,226,300	3.24%	768,800	3.63%	6,885,000	2.38%

>>> HUNT CLUB PLACE

The airport land site at the corner of Hunt Club Road and Riverside Drive continues to expand its offering, most recently with the opening of The Firkin and Flyer Pub, a TD Bank branch, and several other retail and restaurant facilities. These establishments, along with anchor tenant T&T Supermarket and the rest of the retail/food and beverage mix, make Hunt Club Place a vibrant and busy part of the city and airport.

COMMUNICATIONS

>>> WE HAVE A NEW WEBSITE!

In late 2010, we hosted a short survey on our website that asked users what would make their visit more meaningful and helpful. We were pleased to receive a lot of great feedback and ideas. Armed with that information, and some ideas of our own, we built a new and improved website that puts the information that our customers are looking for within easy reach. The new site, which was launched towards the end of 2011, has been receiving great reviews from users – they like the friendly, uncluttered look, and are particularly pleased with the new mobile site that provides quick access to parking and flight information from smart devices. Perhaps the most telling change is that our e-mail inquiries since launching have been reduced to a fraction of what they once were, and this during our peak holiday travel season. We would love to hear from you if you have feedback or other ideas that would make the site more helpful for you. www.ottawa-airport.ca

>>> MORE SOCIAL MEDIA

The Authority connected with the community at unprecedented rates and efforts to strengthen our presence on Twitter and Facebook have also produced very favourable results, including recognition that the Authority is available and responsive on these platforms. Friends and followers are growing, which helps us get messages out to our audience quickly when required.

"We might be the luckiest city in the world to have @FlyYOW looking after us when we fly!"
@OttawaAtHomeMag

"@FlyYOW great job on the new website. Looks great."
@Whynot114

"Just noticed that @FlyYOW has an arrival screen outside in the pick-up and loading zone. How great!"
@KellyDeanOttawa

COMMUNITY RELATIONS – MAKING A DIFFERENCE FROM THE GROUND UP

>>> PROJECT CLEAR SKIES

The commitment to the community through project funding is as strong as ever, and with fundraising initiatives such as the Plane Pull Challenge, the Authority is able to give even more. The 2011 demand was very strong, with more than 50 applications submitted to Project Clear Skies, representing nearly $622,000 in funding requests. After careful review and much discussion, the projects in the chart on the right were chosen.

Project Clear Skies is not the only vehicle for community giving. The Authority provides additional community support in the form of sponsorships and donations. All told, the Authority invests in excess of $150,000 in the community each year.

Giving back goes beyond corporate activities; in 2011, employees from both the Authority and other organizations on the airport campus also gave back in a major way. From small, local fundraisers that were organized to help co-workers in need, to activities in support of Dreams Take Flight, employees were engaged and committed to the various causes. The following are a few Authority employee-led campaigns that made a difference:

ONTARIO

Organization	Project	Approved Funds
Alternative Learning Styles and Outlooks	Library upgrade	$ 5,000
Breast Cancer Action	Multimedia equipment	$ 533
Children at Risk, Ottawa	Specialized equipment and games	$ 5,854
First Place Options	HVAC upgrade	$ 1,600
Housing Help	Bedding	$ 5,000
Operation Come Home	New telephone system	$ 8,337
Palliative Care Outreach Program	Renovations	$ 1,922
The Salvation Army Bethany Hope Centre	Multimedia equipment	$ 8,000
The Sexual Assault Support Centre of Ottawa	Renovations	$ 12,370
The Social Planning Council of Ottawa	Kitchen equipment	$ 4,492
Youth Services Bureau of Ottawa	Appliances	$ 5,000
	Total Ontario	$ 58,108

QUEBEC

Organization	Project	Approved Funds
Arche Agapé Inc.	Community kitchen renovations	$ 20,000
Association des femmes immigrantes de l'Outaouais	Appliances and equipment	$ 2,500
Centre d'animation familiale	Renovations	$ 7,462
Fondation C.A.R.M.E.N.	Accessibility upgrade and therapeutic equipment	$ 8,750
La mie de l'entraide	Kitchen renovations	$ 6,000
	Total Quebec	$ 44,712
Total funds distributed for 2011		$102,820

>>> PLANE PULL 6 HAS A PERFECT TAKE-OFF!

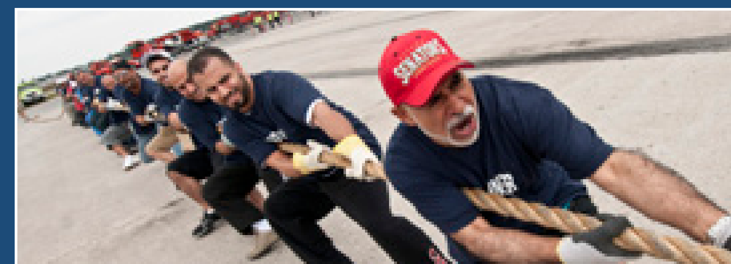
The 2011 edition of the Plane Pull Challenge was the biggest and best yet. Despite threats of rain, the weather held and nearly 1,500 team members and spectators enjoyed a fun-filled day that raised $60,000 for Project Clear Skies and the Sens Foundation.

Competition was fierce among the 29 teams that pulled their hearts out to move Air Canada's 130,000 lb A319 aircraft a daunting 12 feet. In the end, the RCMP team managed the feat in an astounding 4.55 seconds! They were followed closely by the WestWay Taxi Roadrunners at 4.69 seconds and Team CIBC at 4.83 seconds.

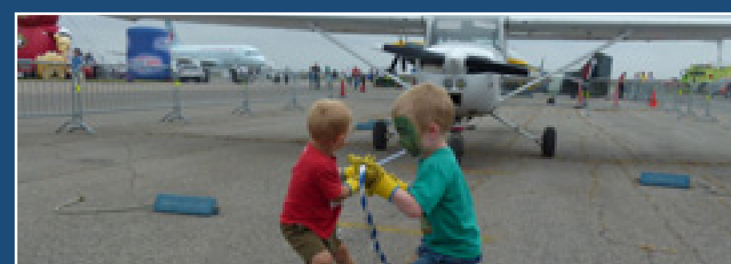
A big thank you goes out to each and every sponsor who not only helped us raise a record amount of money, but added to the fun and spirit of the event.

Team Unsung Hero was recognized as the top fundraising team, with over $4,000 in pledges.

Team RCMP was named the 6th Annual Plane Pull Champions, with a pull time of only 4.55 seconds.



Westway Taxi "Road Runners" give it their all. They finished in second place with a time of 4.69 seconds.



To add to the family fun, children were able to participate in a mini plane pull.

>>> OTTAWA FOOD BANK DRIVE AWAY HUNGER CAMPAIGN

In April of 2011, the Authority was honoured to be presented with a “Generous Helpings” award by the Ottawa Food Bank at its annual luncheon to honour those who support their organization. The award was presented in appreciation of the Authority’s efforts during the previous year’s “Drive Away Hunger” campaign. Of the almost 400 companies in Ottawa who participated in this campaign, only two companies were presented with this award. We were honoured for our generosity in terms of the amount of food and funds raised as well as our unique idea of scaling down our annual Christmas party and providing the additional funds to the Ottawa Food Bank.

During 2011, the Authority’s employees continued with their support of the Ottawa Food Bank by participating in the “Lunch Money Day” campaign in May and the “Holiday Food Drive” in December. Through both campaigns, the Authority raised a total of $5,665.85 and 744 pounds of food for those less fortunate in the community the airport serves.

>>> FIREFIGHTER BOOT DRIVE

The airport firefighters undertook several initiatives during the year to put their boots to good use – fundraising boot drives. Their first was held in the spring to support Dreams Take Flight, and then again in December in support of Muscular Dystrophy, the Help Santa Toy Parade (Ottawa), Santa’s Parade of Lights (Orleans) and the Ottawa Food Bank. Thanks to the generosity of the travelling public, the firefighters’ December efforts resulted in more than $6,200 raised.

>>> MOVEMBER

For the month of November, men from various organizations across the campus donated their faces to the Movember cause of raising funds and awareness for men’s health, and specifically prostate cancer. Fourteen of the Authority’s own joined the cause. It wasn’t pretty for much of the month, but in the end, they raised an impressive $3,869.00!

SAFETY AND SECURITY

Effectively securing a facility requires many elements – some are visible, while many are discreet. Because the safety and security of our passengers, employees and visitors, not to mention the facility, is critical to the Authority, we continually look to enhance security and we implement regulatory and operational changes as required. Several more visible programs were introduced/enhanced in 2011 as follows:

>>> CANINE UNIT

In our ongoing efforts to strengthen airport security, the decision was made to establish our own canine unit within the Authority. The Airport Canine Services Unit was established in March and is primarily focused on rapid first response to investigate unattended items. Once an item has been determined as suspect, usual police response procedures are followed. In addition, the unit completes regular foot patrols throughout the terminal and the Parkade.

Our Canine Services Unit has two members: Don Missen, Unit Manager and Canine Handler, and Danielle Grégoire (formerly Authority Human Resources) who has joined the team as a Canine Handler, drawing upon her previous experience as an obedience and companion dog trainer. The canine partners are two German Shepherd males, Samson and Benny, chosen for their high degree of socialization, intelligence and tractability and from proven working bloodlines. Following training and certification, the unit went operational on November 1st, and Samson and Benny are becoming familiar faces in the terminal.

Danielle Grégoire, Canine Handler, with Benny

>>> SAFETY MANAGEMENT SYSTEM

In 2011, the Authority worked closely with Transport Canada to obtain final acceptance of its Safety Management System (SMS). The program was first introduced in 2008, and in November, following a four year implementation schedule, the final phase covering Quality Assurance was accepted.

Airports were required to develop a SMS to help ensure aviation safety for employees and the travelling and general public. Our system now includes many processes to achieve this objective, including how to identify and manage risks, how to set and measure annual safety goals, and how to conduct periodic audits of our SMS to evaluate its effectiveness.

In June, the Authority began using Intelex, a web-based software program, to manage our SMS requirements. The system is used to report and track all safety incidents, investigate root causes and monitor corrective actions, and it identifies safety concerns or trends that develop.

We expect 2012 to be another challenging year, as the Authority aims to have all SMS components running and fully implemented. This includes completing our first management review of the program and the first system audit. SMS is a businesslike approach to safety which allows the Authority to anticipate and address safety issues before they lead to an incident or accident. It is part of our everyday safety culture and is shared by all employees.

FIVE-YEAR REVIEW >>> ($000)

	2007	2008	2009	2010	2011
Revenue	$84,713	$86,430	$83,798	$89,723	$103,058
Expenses before depreciation	66,491	72,113	69,039	72,226	75,167
Earnings before depreciation	18,222	14,317	14,759	17,497	27,891
Capital Expenditure	57,058	31,306	12,085	31,816	27,079
AIF Revenues	28,283	27,816	27,261	28,254	37,732

FIVE-YEAR FORECAST >>>

	Passengers	Annual Growth	Aircraft Movements	Annual Growth	Rent to Transport Canada	Annual Growth
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	3.3%	81,808	6.0%	$ 5,948,000	12.2%
2000	3,434,345	6.9%	78,301	-4.2%	$ 6,145,000	2.6%
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	2.0%	$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	4,809,000	4.0%	92,700	1.9%	$ 7,700,000	4.9%
2013	4,993,000	3.8%	94,275	1.7%	$ 8,100,000	5.2%
2014	5,175,000	3.6%	95,900	1.7%	$ 8,400,000	3.7%
2015	5,345,000	3.3%	97,500	1.7%	$ 8,800,000	4.8%
2016	5,514,000	3.2%	99,200	1.7%	$ 9,100,000	3.4%

Notes:
Federal Government Net
Book Value at time of transfer - $75M

Total rent projected
1997-2016 - $174M

Forecast passenger volumes are as provided by outside consultants.

For financial planning purposes, the Authority forecasts on a more conservative basis.

>>> AIRPORT WATCH

Previous reports have discussed the role that our Airport Watch volunteers play at the airport. In 2011, the mandate of the Airport Watch expanded to include specialized training for certain members in various aspects of security awareness. They include terminal visits in their duties to look for suspicious activity and items in public areas of the terminal and parking facilities. In 2011, their 40 active members logged more than 4,300 hours.

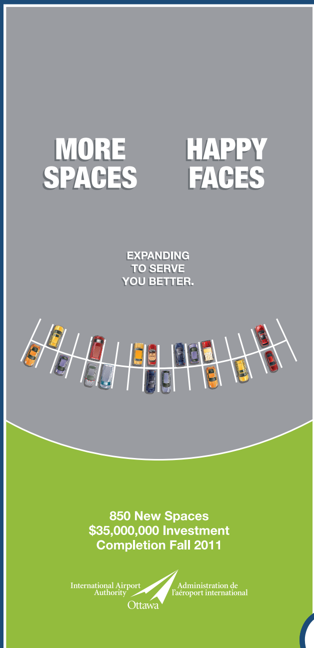
Airport Watch Chairman, Nelson Plamondon, presesnts John Davies with an award for 10,000 hours of service to Airport Watch.

>>> SEE SOMETHING, SAY SOMETHING

We have thousands of employees on the airport campus and even more passengers and visitors on a daily basis. They have the best opportunity to observe what's happening in and around the facility at any given time. To capitalize on the power of these extra eyes, we introduced a campaign called *See Something, Say Something*. Signs have been posted throughout the terminal, in restroom facilities and other places where the message will have high visibility and we invite anyone who sees anything that seems to be out of the ordinary to call a telephone number so that the situation can be dealt with.

OPERATIONS

The entire operations team, both airside and terminal, had an incredibly busy year. From several projects to improve lighting on the airfield, introducing the final piece of snow removal equipment to the fleet, to the completion of the Parkade Expansion Project and other construction projects in the terminal, much was accomplished in 2011. Here are a few of the highlights:



>>> MORE SPACES HAPPY FACES

After 20 months of construction, the Parkade Expansion Project was successfully completed. In the end, a total of 850 new spaces are now available to our customers, and every space in the structure is now protected from the elements thanks to the addition of a new roof. The $35 million project was completed on-time and within the anticipated budget.

In related news, the Long Term and Overheight lot also underwent an expansion and redesign, although it was not as dramatic as the Parkade's. The project, which was completed in less than a year, included surface grading, new asphalt, snow gates, light poles and fixtures, as well as an upgrade of lighting, signage and other equipment at the exit plaza. When finished, approximately 285 more spaces were added, most of which will remain available even during snow events due to easier snow removal using the new snow gates.

TOTAL NONSTOP DESTINATIONS >>>

1997	20
1998	21
1999	25
2000	26
2001	29
2002	30
2003	32
2004	25
2005	39
2006	44
2007	49
2008	49
2009	49
2010	50
2011	49

AIRCRAFT MOVEMENTS >>>

1997	68,000
1998	77,202
1999	81,808
2000	78,301
2001	72,630
2002	68,499
2003	69,798
2004	69,626
2005	66,146
2006	65,396
2007	72,342
2008	79,777
2009	81,120
2010	86,009
2011	90,949

DAILY NONSTOP FLIGHTS >>>

	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

ORIGIN AND DESTINATION >>>

90% of Traffic (estimated)

>>> CANADA BORDER SERVICES AGENCY REDESIGN

The project included modifications to CBSA in order to improve processing time and decrease congestion in the international arrivals area. The first phase of the project was completed in December 2010 prior to the holiday and charter season. The modifications added two booths to the primary inspection line area (an increase from 8 to 10), improved queuing, revised access to Immigration though the existing secondary area and improved circulation for connecting passengers.

The second phase was completed through the summer of 2011 when traffic through the hall was lower. This work increased the secondary screening area and the processing capacity used for customs inspections, and reconfigured the immigration area to further improve passenger flow and reduce processing times.

The plans also include an upgrade to the CBSA cargo space located in a separate facility on the campus. This project, to be completed in 2012, will increase office area and processing capacity.

>>> TECHNOLOGY TO THE RESCUE

The Information Technology team helped in our goal to improve customer service by installing flight information display screens on the arrivals curb. Because drivers are not permitted to leave their vehicles unattended on the curb for security reasons, the availability of flight arrival information will keep the curb safer. Those who are picking up friends and loved ones can now be seated comfortably in their vehicle while they wait.

>>> INFORMATION TECHNOLOGY IN NUMBERS

Passenger reliance on technology shows no sign of diminishing, as demonstrated by a few statistics that were collected for the year:

- NUMBER OF WI-FI USERS: 250,800
- NUMBER OF BAGGAGE TAGS ISSUED: 118,758
- NUMBER OF KIOSK TRANSACTIONS: 678,677

When you consider that the kiosks are only used by departing passengers, the figure represents a significant percentage relative to our passenger volume for the year.

>>> MANAGING AIRCRAFT NOISE

Efforts to reduce the impact that our operations have on the environment were maintained in 2011, including tracking and dealing with all noise complaints to ensure that Transport Canada regulations are followed. In 2011, a total of 68 noise complaints were received, of which 36 were attributed to police aircraft activity. It should be noted that we also receive inquiries related to aircraft activity from other airports, which we do not formally track, but do respond to in order to ensure that the complainants are advised accordingly.

>>> ON THE AIRFIELD

A new high speed combination runway snowplow, sweeper and air blower unit arrived and is in service as per our fleet renewal capital plan. This brings our fleet of high speed combination units to eight. In addition, a new two stage blower was purchased in late 2011 for the airfield and arrived just in time for the winter season. This new unit replaces a 1988 single stage blower and will provide increased reliability and capacity.

In October, the Authority contracted a company called Skidabrader to texturize portions of our runways. Although our runways exceed Transport Canada requirements, runway micro-texturing increases the friction characteristics of the runway and provides an increased level of safety.

Rehabilitation of the North Field runway and associated taxiways began in late August. The scope of work included the removal of abandoned runway 17-35 and sections of old taxiway P, re-grading to improve run-off, and the reinstatement and resurfacing of runway 04/22 and taxiway P. In addition, sections of taxiway P were reworked to improve efficiency and increase potentially leasable land in the north-west corner of the campus. Paving was completed on September 24th.

>>> TRIBUTE

It is impossible to discuss airport operations, particularly those on the airfield, without including Mike Hendrick in the discussion. Mike has been a fixture at the airport for nearly 50 years, first as a summer student with Transport Canada, then as a full time employee, and later with the Authority. While he held many positions in the operations domain, his greatest pride and joy was taking care of "his airfield" which he did with great skill and devotion. There are many examples of his outstanding work, but one that stands out is the fact that during the great ice storm of 1998, the airport remained open and operational.

Mike wasn't the only Hendrick who worked at the airport; his father, Allan Hendrick, also worked here for more than 20 years. As a tribute to the Hendrick legacy, the Authority renamed the Combined Services Building the Hendrick Building to mark Mike's retirement from the Authority in November.

WHERE DO WE GO FROM HERE?

>>> PLANNING FOR THE FUTURE

Prudent planning in lean times can mean additional planning challenges when business success is achieved. Our success means that we have to plan for additional growth in the years to come if we are to be prepared to take on increased demand and accommodate changing client needs.

>>> GROUND TRANSPORTATION STUDY

A Groundside Transportation Access and Curbside Study was undertaken to identify and assess existing capacity and the performance of the ground transportation system. The study undertook to quantify demand capacity over two time horizons, 2015 and 2020, and to assess future impacts. Study findings resulted in a comprehensive set of recommendations for operational, physical and technological improvements. Many of the identified improvements are being considered for implementation in the 2012 to 2015 timeframe.

>>> AIRSIDE CAPACITY, APRON, TERMINAL LAYOUT STUDY

Strong and stable growth has characterized passenger activity over the last 5 years. Phase II expansion of the terminal, which opened just four years ago, provided sufficient capacity to meet then projected volumes to 2020, however accelerated passenger growth rates have strained the domestic passenger and baggage processing systems and created deficiencies, particularly in the international and transborder areas.

These higher demands on capacity and space have imposed constraints on the airport's ability to meet its projections for passenger growth. The Authority undertook a study to examine airside capacity as well as apron and terminal layout in the context of updated forecasting to identify runway capacity over three time horizons: 2015, 2030, and ultimate capacity. The study identified processing program and gating requirements to meet projections over each set of timelines. Finally, apron and terminal layout plans were prepared and evaluated to identify an option that makes the most sense. Additional work to refine the preferred option continues, including interim activities that will facilitate future expansion once a program definition has been established.

WELCOMING SPECIAL GUESTS

>>> DUKE AND DUCHESS OF CAMBRIDGE

Royal watching hit a fever pitch when Prince William and his new bride, Kate, touched down at the Ottawa Airport on June 30th. Welcomed by Governor-General David Johnston and a small group of greeters, their arrival marked the beginning of a nine-day

source: Department of Canadian Heritage, 2011.

visit to Canada, including participating in Canada Day ceremonies on Parliament Hill and at the Governor-General's residence, and visits to Montreal, Quebec City, Prince Edward Island, Yellowknife and Calgary, where they kicked-off the Calgary Stampede.

>>> KINGFISHER LAKE EVACUEES

On July 20th, the Authority's assistance was requested to help coordinate the arrival of 300 evacuees from the community of Kingfisher Lake in Northern Ontario. Evacuation was necessitated by massive forest fires that threatened several communities in the area. With key partners, the Ottawa Police Service, the Canada Reception Centre at Hangar 11, the City of Ottawa's Office of Emergency Management, Emergency Management Ontario, the Ottawa Paramedic Service, the Red Cross and the Salvation Army, a welcome and triage centre was established inside the Canada Reception Centre at the airport.

Numerous evacuees required at-risk medical attention and were evaluated by the Ottawa Paramedic Service and a few were sent to local hospitals for more comprehensive care. Four flights were processed in the Centre over a two-day period, after which the visitors were transported to the student residences at Algonquin College for the duration of their 10-day stay in Ottawa. The Canada Reception Centre was again used as an assembly point when the evacuees, numbering more than 800 for the return legs, boarded flights to Thunder Bay and then on to their respective communities.

Senior Management Team (left to right) Louise Bergevin, Executive Assistant to the President and CEO, Michael Crockatt, Vice President, Business Development and Marketing, Ian Bell, Vice President, Infrastructure and Technology, John Weerdenburg, Vice President and Chief Financial Officer, Paul Benoit, President and CEO, Lisa Dwyer Hurteau, Vice President, Legal Affairs, Krista Kealey, Vice President, Communications and Public Affairs

CORPORATE GOVERNANCE, ACCOUNTABILITY AND TRANSPARENCY

The Ottawa International Airport Authority's mission is to work with its partners to be a leader in providing safe, secure, sustainable and affordable transportation facilities and services to the airport's customers and communities within the National 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 first created with community-appointed Boards of Directors which were tasked with overseeing the management of their local facility.

The Ottawa International Airport Authority's Board of Directors 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 Airport Authority;
- meets 6 to 8 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 Code of Business Conduct, and the Public Accountability Principles.

Each director has filed a conflict of interest declaration for 2011, as required by the Authority's by-laws. Furthermore, all directors are in compliance with the conflict of interest and code of conduct guidelines noted above.

>>> REVISED BY-LAWS

The Authority established by-laws at incorporation in 1995, which were first amended in 2003 and further amended in 2010. Under the current by-laws, the selecting bodies that provide nominees to the 14-member Board are as follows:

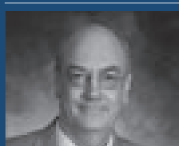
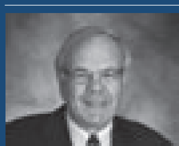
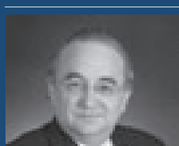
Selecting Bodies	Number of Directors Nominated
Minister of Transport (Government of Canada)	2
Government of the Province of Ontario	1
City of Ottawa	2
City of Gatineau	1
Ottawa Chamber of Commerce	1
Ottawa Tourism	1
Chambre de commerce de Gatineau	1
Ottawa Centre for Research and Innovation	1
Ottawa Macdonald-Cartier International Airport Authority (at large)	4
TOTAL	14

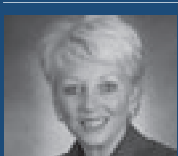
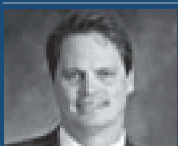
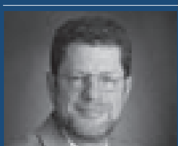
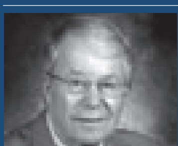
Under the by-laws revised in 2010, the Air Transport Association of Canada (ATAC) ceased to be a selecting body. In 2013, at the end of the term of ATAC's current nominee, this Board seat will become an "at large" position.

A director's term of office is a maximum of three years, and each director may serve up to three terms, thereby allowing a director to serve a maximum of nine years. Amendments to the by-laws in 2010 permit one director to extend his maximum term by one additional year.

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 air carrier 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 of Directors as at December 31, 2011. The two positions appointed by the Minister of Transport (Government of Canada) were vacant as at December 31, 2011.

Director	Name and Position	Occupation	Selecting Body and Year Appointed
	**Raymond Brunet (2) (3) (4)** Chairman of the Board Chair, Executive Committee Chair, Major Infrastructure and Environment Committee	President, Ed Brunet & Associés Inc.	Chambre de commerce de Gatineau, 2006 Ville de Gatineau, 2003-2006
	**Gilles Lalonde (1) (2) (3)** Vice-Chair	President and CEO, Provance Technologies Inc.	Ville de Gatineau, 2008
	**Michael Skrobica (1) (2)** Secretary	Vice-President, Industry Monetary Affairs, Air Transport Association of Canada	Air Transport Association of Canada, 2004
	**John Boyd (1)**	Partner, Professionals for Independent Planning	Province of Ontario, 2010
	**Chris Carruthers (4)**	Retired MD, Health Care Consultant	At Large, 2010
	**Ron Clifton (3) (4)**	President, Clifton Group International Limited	Ottawa Centre for Research and Innovation, 2007

Director	Name and Position	Occupation	Selecting Body and Year Appointed
	**Barbara Farber (1) (3)**	President, Leikin Group Inc.	City of Ottawa, 2010 At Large, 2007
	**Patrick Kelly (2) (4)**	President, Ottawa Convention Centre	Ottawa Tourism, 2007
	**Brendan McGuinty (4)**	President, Strategies 360 Inc.	City of Ottawa, 2011
	**Eric McSweeney (4)**	President, McSweeney & Associates Consulting Inc.	Ottawa Chamber of Commerce, 2004
	**J. Peter Vice (1) (2) (3) (4)** Past-Chair, Chair Governance, Human Resources & Compensation Committee	Partner, Vice Hunter Labrosse LLP	At Large, 2003
	**James Wright (1) (2) (4)** Chair, Audit Committee	Chartered Accountant	At Large, 2003

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

>>> DIRECTORS' COMPENSATION IN 2011

Annual Retainer	Chair	$ 45,000
	Vice-Chair	$ 15,000
	Committee Chairs	$ 20,000
	All other Directors	$ 12,000
Per meeting fee	$550 per meeting	
	$200 per teleconference	

>>> ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Board Member	Board Meetings Attended	Committee Meetings Attended while Member of a Committee
Raymond Brunet	9 out of 9	11 out of 12
John Boyd	9 out of 9	3 out of 4
Geneviève Brown (note 2)	2 out of 3	1 out of 1
Chris Carruthers	8 out of 9	5 out of 5
Ron Clifton	7 out of 9	4 out of 4
Barbara Farber	8 out of 9	4 out of 4
Pat Kelly	9 out of 9	7 out of 8
Gilles Lalonde	7 out of 9	7 out of 8
Charlie Logue (note 2)	3 out of 3	2 out of 2
Brendan McGuinty (note 1)	4 out of 6	1 out of 2
Eric McSweeney	9 out of 9	5 out of 5
Michael Skrobica	8 out of 9	7 out of 7
Joan Sun McGarry (note 2)	3 out of 3	1 out of 1
J. Peter Vice	9 out of 9	14 out of 14
James Wright	9 out of 9	12 out of 12

Note 1- new board member effective April 27, 2011
Note 2- term ended on April 27, 2011

>>> COMMITTEES OF THE BOARD

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

>>> EXECUTIVE COMMITTEE

- annual review and assessment of the performance of the President;
- review the Annual Report as prepared by the President;
- recommend directors for the Governance, Human Resources & Compensation Committee,
- recommend chairs of committees;
- review the Authority's commitment to corporate social responsibility; and
- oversee risk management.

>>> MAJOR INFRASTRUCTURE AND ENVIRONMENT COMMITTEE

- oversee the development and progress of major construction projects; and
- oversee the environmental program.

>>> AUDIT COMMITTEE

- review matters relating to the appointment of external auditors, including fees, and recommend to the members the appointment of the external auditors. The external auditors report to the Audit Committee;
- annually review with the external auditors and management matters relating to conduct of the annual audit and any recommendations of the auditors regarding internal controls;

- annual review of 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 quarterly financial statements of the Authority; and
- review matters having a material financial impact on the Authority, including financing requirements and options, and recommendation to the Board.

>>> GOVERNANCE, HUMAN RESOURCES & COMPENSATION COMMITTEE

- establish the nomination procedures, the skill sets required for nominees and the length of term of selected nominees;
- evaluate nominees and report to the Board;
- review succession plans and provide advice on development and career planning for potential successors;
- recommend the remuneration plan to the Board;
- review the results of the tri-annual employee satisfaction survey;
- annual review of Board governance and compensation;
- oversee the application of Conflict of Interest rules to Board members and nominees;
- evaluate the performance of the Board and individual directors;
- evaluate the communications flow between the Board and management;
- review the governance section of the Annual Report;
- study and adopt evolving best practices in corporate governance; and
- recommend to the Board the hiring of external advisors by individual board members and establish circumstances when it is appropriate or inappropriate to do so.

Other ad-hoc committees may be formed from time to time that include members of the Board of Directors. One ad hoc committee was formed during 2011 to oversee a review of the Authority's procurement and contracting policies.

>>> ACCOUNTABILITY

The Authority's policy is to be accountable to the community and transparent in relations with business and customers. The Authority's mandate, as set out in its Letters Patent, 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, which is leased to the Authority by Transport Canada, 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;
- 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 which are compatible with air transportation activities.

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 and again in early 2008, and the Land Use Plan, which was last updated in 2008, and approved by the Minister of Transport in 2009; and
- by maintaining a corporate website at **www.ottawa-airport.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 early 2007 and a review will be conducted in 2012.

Board of Directors, (standing left to right) J. Peter Vice, John Boyd, Michael Skrobica, Brendan McGuinty, Patrick Kelly, Barbara Farber, James Wright, Eric McSweeney (seated left to right) Gilles Lalonde, Raymond Brunet, Paul Benoit

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 $105,000 ($75,000 in 1994 dollars adjusted for CPI), 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 $105,000 that were not awarded on the basis of a public competitive process during 2011 are as follows:

Contractor	Contract Description	Reason for Sole Source
Complete Entry Systems And Services	$471,000 over a 5-year term Preventative maintenance, minor repairs to all revolving and sliding doors	See A below
Jacques Lamont Ltd.	$209,740 Supply and install floor covering, CBSA renovation	See B below
Vipond Inc.	$227,460 over a 5-year term Sprinkler system inspection and service	See A and B below
Cisco Systems Capital Canada Co.	$271,528 Core network upgrade	See B below
Lindian Enterprises Inc.	$369,895 Supply and install security film on passenger terminal building glass windows	See A below
ITW Commercial GSE	$234,955 Supply and install ground power units	See B below
JAE Automation	$138,567 Supply and install variable frequency drives for HVAC system	See B below
Eagle Airfield Ltd.	$710,000 Purchase Oshkosh blower	See B below

A – Prior experience, knowledge of the facility, capacity and resources, or experience of the contractor in a specialized area.

B – To ensure integration and functionality with existing systems and equipment originally purchased following a public competitive process.

>>> EXECUTIVE MANAGEMENT SALARY RANGES

The base salary range for the President of the Authority in 2011 was between $230,000 and $280,000. The base salary range for each of the Vice Presidents in 2011 was between $110,000 and $200,000.

In addition, under the management incentive plan, the President and the Vice Presidents receive appropriate bonuses based on achieving targets/objectives that are approved by the Board at the beginning of each year.

>>> 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 parking rates, aeronautical fees charged to air carriers, and airport improvement fees (AIF).

While the Authority's goal is to keep the aeronautical fees it charges air carriers constant, it has been necessary to adjust these fees on a few occasions. 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, as it last did when it announced it had increased its fee to $20 effective on February 1st, 2011. The purpose of the existing AIF is to pay for the construction of and the debt associated with the Airport Expansion Program.

The process for adjusting AIFs 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 Ottawa Airport 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.

>>> CONTACTING THE AUTHORITY

There are a number of methods available to the public to contact and provide input to the Authority:

- submit questions, comments or concerns through the Authority's website at **www.ottawa-airport.ca**;
- complete a customer comment card which is available at both of the airport's information kiosks;
- call the general inquiries lines at 613-248-2125 or 613-248-2141;
- call the noise information line at 613-248-2023;
- write to individual Airport Authority departments at the following address:
  Suite 2500, 1000 Airport Parkway Private,
  Ottawa, ON Canada K1V 9B4
- fax questions, comments or concerns to 613-248-2068;
- twitter.com/flyyow; and
- facebook.com/flyyow

In addition, the Authority conducts quarterly customer satisfaction surveys in the terminal.

The Authority's policy is to respond to all questions, comments and concerns as expeditiously as possible.

2011 FINANCIAL REVIEW

This Financial Review reports on the results and financial position of the Ottawa International Airport Authority (the Authority) for its year ended December 31st, 2011. 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.

The Authority's financial statements for the year ended December 31st, 2011 are the first annual financial statements to be prepared in accordance with International Financial Reporting Standards (IFRS). All comparative financial information contained in this Financial Commentary has been restated using IFRS unless otherwise noted.

OVERALL PERFORMANCE

Earnings before depreciation for the year ended December 31st, 2011 were $27.9 million compared to $17.5 million for the year ended December 31st, 2010. An increase in the AIF from $15 per enplaned passenger to $20 per enplaned passenger effective February 1st, 2011 was the most significant factor impacting earnings for the year.

The Authority recorded depreciation of $22.2 million in 2011 compared to $21.5 million in 2010, reflecting depreciation of the terminal building and facilities over their estimated economic lives, and reflecting retroactive adjustments to the useful lives of components of the Authority's assets in accordance with IFRS. After subtracting depreciation, the Authority generated net earnings of $5.7 million in 2011 compared to the excess of expenses over revenues of $4.0 million in 2010.

The Authority's net operating results for the two years ended December 31st, 2011 are summarized as follows:

(in millions)	2011	2010
Revenues	$ 103.1	$ 89.7
Expenses before depreciation	75.2	72.2
Earnings before depreciation	27.9	17.5
Depreciation	22.2	21.5
Net earnings	$ 5.7	$ (4.0)
Total assets	$ 414.0	$ 407.7
Total long-term debt	$344.8	$347.1

RESULTS OF OPERATIONS

>>> OPERATING ACTIVITIES

During 2011, Ottawa Airport saw passenger volumes increase by 3.4% over 2010. A total of 4,624,626 enplaned and deplaned passengers moved through the airport in 2011 as compared to 4,473,894 passengers in 2010.

Some of this increase has come from growth in the number of passengers connecting through Ottawa en route to other destinations. Increases to transborder destinations exceeded expectations, and domestic traffic also increased significantly to exceed pre-recession levels as follows:

				% change – 2011 versus	
	2011	2010	2009	2010	2009
Domestic	3,429,310	3,303,170	3,141,812	3.8%	9.2%
Transborder	750,486	725,781	682,822	3.4%	9.9%
International	444,830	444,943	408,196	0.0%	9.0%
Total	4,624,626	4,473,894	4,232,830	3.4%	9.3%

Passenger volumes between Ottawa and domestic locations were 3.8% higher in 2011 than in 2010. A factor in the increased domestic growth is that it occurred at the expense of international growth. While domestic economic conditions remained sound despite turbulence in Europe, Air Canada reduced capacity on its Ottawa-Heathrow flights and more passengers were routed through domestic locations like Toronto. The three major domestic carriers, Air Canada, WestJet and Porter Airlines (Porter) focused and competed vigorously on the Ottawa-Toronto route. Porter saw significant volume increases in its flight offerings to Toronto Billy Bishop Airport and WestJet added capacity in flights to Toronto Pearson Airport.

Transborder volumes were 3.4% higher than in 2010 as Canadian vacationers took advantage of favourable Canadian-US exchange rates and more attractive vacation deals in the US. An increase in leisure travel to the US driven by the strong Canadian dollar is believed to have reduced the decrease in transborder traffic that would have otherwise occurred given weak US economic conditions.

While WestJet saw total Ottawa passenger volumes increase in 2011, with significant increase in volumes to domestic destinations, total passengers carried by Air Canada decreased from 2010, primarily in its flights to domestic destinations. Porter's 2011 domestic volumes for Ottawa continued to increase very strongly, augmenting strong double-digit growth that has occurred each year since Porter started operations in late 2006. Porter's service to Billy Bishop Airport in downtown Toronto continues to be an exceptionally popular option for accessing Toronto, particularly for business travellers.

By sector, for each quarter of 2011 passenger volumes compared to comparable quarters in 2010 were as follows:

	Domestic	Transborder	International
Q1	Higher by 2.1%	Higher by 8.4%	Lower by 4.3%
Q2	Higher by 1.0%	Higher by 2.4%	Higher by 4.7%
Q3	Higher by 6.8%	Lower by 2.1%	Lower by 6.6%
Q4	Higher by 5.1%	Higher by 4.2%	Higher by 11.6%

By quarter, total passenger volumes were as follows:

	2011	2010	% change
Q1	1,158,941	1,135,323	2.1%
Q2	1,137,316	1,120,432	1.5%
Q3	1,164,707	1,114,664	4.5%
Q4	1,163,662	1,103,475	5.5%
Total	4,624,626	4,473,894	3.4%

The size (weight) of an aircraft and number of "landed" seats on an aircraft (regardless of whether those seats are occupied by passengers) are the most significant factors in the determination of aeronautical fees charged to airlines. In 2011, the number of landed seats increased by 4.5% from 2010.

The largest increases in seat volumes came from Porter and WestJet, with Air Canada decreasing its capacity across all markets. Porter's domestic volumes for Ottawa have increased very strongly each year since their start-up in late 2006, and volumes have continued to grow in 2011 as Porter has added frequency and routes. WestJet has added domestic capacity, with significant increases to add frequency and compete in the Toronto-Ottawa corridor, but has also added capacity on routes to sunshine destinations.

>>> REVENUES

Total revenues increased by 15% to $103.1 million in 2011 compared to $89.7 million in 2010.

Revenues by category ($ in thousands)	2011	2010	Change	%
Airport improvement fees	$ 37,732	$28,254	$ 9,478	33%
Terminal fees and loading bridge charges	23,706	22,028	1,678	8%
Landing fees	11,437	10,642	795	8%
Concessions	10,017	9,773	244	3%
Car parking	11,865	11,337	528	5%
Land and space rentals	5,623	5,036	587	12%
Other revenue	2,678	2,653	25	1%
Total	$103,058	$89,723	$13,335	15%

AIFs at $37.7 million in 2011 increased from $28.3 million in 2010 by 33.5%. This increase was commensurate with the increase in the rate from $15 to $20 per enplaned passenger effective February 1st, 2011, the increase in passenger volumes in the year, and minor fluctuations in the percentage of departing passengers originating in Ottawa (versus connecting through Ottawa). Passengers connecting through Ottawa are exempt from the AIF. An average of approximately 90 – 91% of departing passengers originated in Ottawa (versus connected through Ottawa) in 2011. Under an agreement with the airlines, AIFs are collected by the airlines in the price of a ticket and are paid to airport authorities on an estimated basis, net of airline collection fees of 6%, on the first of the month following the month of enplanement. Final settlement based on actual passenger volumes occurs at the end of the month following the month of enplanement.

At $35.1 million in 2011, total aeronautical revenues, which include terminal fees, loading bridge charges and landing fees charged to air carriers, were 7.6% higher than revenues of $32.7 million in 2010. The increase reflects 4.5% higher seat volumes provided by airlines, plus a 2% increase in landing fee and general terminal fee rates and minor changes in the fleet mix of aircraft sizes serving Ottawa. As the growth in airline volumes has not kept pace with inflation over the years since transfer, the Authority has increased its aeronautical fee rates by 3.1% effective February 1st, 2012. Despite these increases, the Authority's average aeronautical fee rates remain among the lowest in Canada. Because of a decrease in fees passed along to the airlines in 2008, despite subsequent increases, the Authority's general terminal fee rates in 2012 will be only approximately 1.9% higher than the rates charged in 2006.

Concession revenues increased to $10.0 million in 2011 from $9.8 million in 2010, primarily as a result of adjustments to minimum annual guarantees provided under these concession agreements.

Car parking revenues increased to $11.9 million from $11.3 million in 2010, an increase of 4.7% that is also commensurate with increased passenger volumes and the availability of parking options. Demand for parking and the availability of convenient parking options continue to impact management's investment decisions. The Authority completed two parking construction projects in 2011. It opened a second 850 stall addition to its Parkade in late 2011 and also added more surface parking to accommodate the travelling public. Through the year, parking revenues were impacted by the mix of passengers. Domestic passengers tend to park for shorter periods of time for business purpose day-trips. Leisure travellers, transborder passengers and international passengers park at the airport for longer periods of time.

Revenues from land and space rentals increased primarily as a result of a new lease on excess Authority lands. During 2011, the Authority entered into a long-term lease with a subtenant that included a 3-year rent-free period. In accordance with IFRS, lease income from this operating lease is being recognized in income on a straight line basis over the term of the lease.

>>> EXPENSES

Expenses by Category ($ in thousands)	2011	2010	Change	%
Interest	$ 18,789	$19,715	$ (926)	(5%)
Ground rent	7,341	6,118	1,223	20%
Materials, supplies and services	26,327	24,948	1,379	6%
Salaries and benefits	17,922	16,885	1,037	6%
Payments in lieu of municipal taxes	4,788	4,560	228	5%
Total	$ 75,167	$72,226	$ 2,941	4%

Expenses before depreciation increased to $75.2 million in 2011 from $72.2 million in 2010. Depreciation increased to $22.2 million in 2011 from $21.5 million in 2010. The increase in depreciation reflects depreciation on continuing investment in property, plant and equipment during 2011.

Interest expense reflected in the statement of operations results from borrowing to invest in the Authority's capital programs. Interest expense has decreased as a result of principle payments on debt and $940,000 in interest costs that were capitalized in connection with construction of the addition to the Parkade. The Authority capitalizes interest costs during construction of major construction projects until the project becomes operational.

The amount reflected as ground rent expense is estimated based on the rent formula which is calculated on gross annual revenues. Ground rent payable to the Government of Canada increased by 20% to $7.3 million in 2011 due to higher revenues, in particular AIFs. The Authority operates the airport under the terms of a ground lease with the Government of Canada that sets out the calculation of the annual ground rent. Ground 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 ground rent
On the first $5 million of revenues	0%	$0
On the next $5 million	1%	$50 thousand
On the next $15 million	5%	$800 thousand
On the next $75 million	8%	$6,800 thousand
On the next $150 million	10%	$21,800 thousand
On revenues over $250 million	12%	

Estimated ground rent payments under the amended ground lease for the next five years are as follows:

2012	$ 7.7 million
2013	$ 8.1 million
2014	$ 8.4 million
2015	$ 8.8 million
2016	$ 9.1 million

The cost of materials, supplies and services increased from $24.9 million in 2010 to $26.3 million in 2011, an increase of 5.5%. The increase was primarily due to contracted rate increases for contracted services, including policing, security, building cleaning, and other outsourced services, but also due to the increased costs of fuel and utilities.

The cost of salaries and benefits increased 6.1% from $16.9 million in 2010 to $17.9 million in 2011. The increase occurred largely as a result of contracted rate and benefit increases, and an increase in the number of employees.

The final determination of the Authority's collective agreement with emergency response personnel, which expired on June 30th, 2007, was settled through binding arbitration in early April 2011. The term of the renewal collective agreement for the emergency response personnel extended to, and expired on June 30th, 2011, coincident with the end of the term for the collective agreement covering the Authority's other unionized staff. The Authority is in the early stages of collective bargaining for a new contract with emergency response personnel whereas the collective agreement covering the Authority's other unionized staff has been settled.

Payments in lieu of municipal taxes increased by 5% to comply with provincial legislation that prescribes the calculation of this payment. Under this legislation, payments in lieu of municipal taxes are based on a fixed legislated rate for the Authority, multiplied by the previous year's passenger numbers, but to a maximum increase of 5% over the previous year's payment amount. The $4.8 million paid for 2011 reflects this prescribed calculation that limited the increase over 2010 to 5%. Payments in lieu of taxes will increase in 2012 by 4.1% over the 2011 amount based on this legislation reflecting the large increase in passenger volumes that occurred in 2010.

SUMMARY OF QUARTERLY RESULTS

The Authority's quarterly results are influenced by passenger activity, aircraft movements, maintenance project decisions, and other factors such as weather conditions 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:

(in millions)	2010				2011			
Quarter ended	Mar	June	Sept	Dec	Mar	June	Sept	Dec
Revenue	$ 23.2	$22.1	$21.8	$22.6	$25.9	$25.3	$25.7	$26.2
Expense	18.6	17.1	17.1	19.4	18.5	17.9	18.3	20.5
Earnings before depreciation	4.6	5.0	4.7	3.2	7.4	7.4	7.4	5.7
Depreciation	5.5	5.3	5.3	5.4	5.5	5.5	5.8	5.4
Net earnings	$ (0.9)	$ (0.3)	$ (0.6)	$ (2.2)	$ 1.9	$ 1.9	$ 1.6	$ 0.3

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.

During 2011, the Authority made cash payments of $31 million related to its capital expenditure program, including payments of $19.4 million for construction costs related to expanding the parking facility. After completing the construction of the original parking garage in 2003, the first addition to the garage was completed in 2005. To respond to increasing demand, the Authority proceeded with the planning and design of another addition to the Parkade in 2009 and in early 2010 the Board of Directors approved the start of construction at a budgeted cost of $33 million (excluding capitalized interest). Construction commenced in the spring of 2010 and the addition was completed in late 2011 at a total cost of $31.1 million.

CONTRACTUAL OBLIGATIONS

In addition to ground rent payments previously noted, 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)	Total	2012	2013	2014	2015	2016	Thereafter
Long-term debt (note 1)	$344,793	$ 2,097	$ 2,409	$2,747	$3,111	$3,271	$331,158
Operating commitments	29,430	11,330	8,209	6,339	2,698	854	
Capital commitments	2,728	2,728					
Total contractual obligations	$376,951	$16,155	$10,618	$9,086	$5,809	$4,125	$331,158

Note 1 – Further information on interest rates and maturity dates on long-term debt are provided in note 7 to the 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 revenue. The Authority manages its operations to ensure that AIF revenue is not used to fund regular ongoing expenses of operations or sustaining capital. AIF revenue is used to fund debt service costs and other expenses related to the Authority's major infrastructure construction programs, including the Airport Expansion Program (AEP). The Authority funds major infrastructure expenditures by borrowing in the capital markets and bank credit.

The Authority maintains access to an aggregate of $118 million in committed 364-day revolving credit facilities with two Canadian banks. The current facilities have again been extended for another 364-day term expiring on October 19th, 2012. Included in such facilities are a $20 million operating credit to fund day to day financial requirements and an additional $98 million in the aggregate to fund general corporate purposes, to provide liquidity support, and to fund major capital expenditures on a short term basis prior to securing longer term financing in the capital markets.

In 2002, during Phase I of the AEP, the Authority established a Capital Markets Platform under a Master Trust Indenture (MTI) setting out the terms of all debt, including bank facilities and revenue bonds. Under the MTI, the Authority is required to maintain with the Trustee, a Debt Service Reserve Fund equal to six months' debt service. At December 31st, 2011, the balance in the Debt Service Reserve Fund was just over $10.6 million, an amount in excess of the amount required under the MTI. The MTI also requires that the Authority maintain an 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 31st, 2011, $10.6 million of the Authority's credit facilities had been allocated exclusively to the Operating and Maintenance Reserve Fund. At December 31st, 2011 the Authority was in full compliance with the provisions of its debt facilities, including the MTI's provisions related to reserve funds, the flow of funds and the rate covenant.

The Authority has accessed its existing bank credit facilities to fund the construction costs related to expanding the Parkade, and expects to access these facilities on an ongoing basis to fund its capital programs.

The Authority completed 2011 with bank indebtedness of $6.7 million as a result of investing in its capital programs. Based on its current plans, the Authority's maximum borrowing requirements under these facilities is not expected to exceed $10 million during 2012. From time to time, surplus cash is invested in short-term investments permitted by the MTI, while maintaining liquidity for purposes of investing in the Authority's capital programs.

As at December 31st, 2011, the Authority's accounts payable had decreased from 2010 by $3.1 million to $15.9 million. The decrease is primarily attributable to decreased accounts payable, holdbacks, and accruals related to construction of the addition to the Parkade.

During 2011, Moody's, Standard & Poors and DBRS reaffirmed the Authority's credit ratings with stable outlooks in respect of the Authority's revenue bonds under the MTI at Aa3, A+ and A(high) respectively.

RISKS AND UNCERTAINTIES

>>> LEVELS OF AVIATION ACTIVITY

The Authority will continue to face certain risks beyond its control which may or may not have a significant impact on its financial condition. Airport revenue is largely a function of passenger volumes. Passenger volumes are driven by air travel demand. The events of the past several years have emphasized the volatile nature of air travel demand and the impact of external factors such as economic conditions, health epidemics, geopolitical unrest (September 11th, 2001), government regulations, the price of airfares, additional taxes on airline tickets and the financial uncertainty of the airline industry.

The financial uncertainty of the airline industry, although currently relatively stable in Canada, remains an ongoing risk to the Authority. This is mitigated by the fact that approximately 91% of the passenger activity at the airport originates or terminates at the Ottawa International Airport, as opposed to connecting through Ottawa. Connecting passenger volumes are more vulnerable to fluctuation due to routing and scheduling changes by airlines. In addition, a greater percentage of the traffic through the airport is by business travellers, whose travel decisions are less discretionary than those of leisure travellers.

>>> 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 the Authority's insurance needs. In previous years, there have been significant changes in the insurance markets for aviation, largely driven by the events of September 11th, 2001. These events limited certain insurance products and resulted in higher pricing. The Government of Canada has extended an indemnification for third-party aviation war risk liability for all essential aviation service operators in Canada. The amount of this indemnification is in excess of US $50 million, the limit of insurance coverage which is currently available to airport operators on the market. The Government of Canada originally provided this indemnification in response to a decision by international insurers to withdraw third-party aviation war risk liability coverage that was available before September 11th, 2001. The Government of Canada has given no indication that it will cease providing excess indemnity coverage.

FINANCIAL STATEMENTS OF THE OTTAWA MACDONALD-CARTIER INTERNATIONAL AIRPORT AUTHORITY

December 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of the 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, 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 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 Deloitte & Touche LLP, who were appointed at the annual general meeting. Their report is presented below.

Paul Benoit President and Chief Executive Officer	John G. Weerdenburg, CA Vice-President and Chief Financial Officer
Ottawa Ontario Canada	February 22, 2012

INDEPENDENT AUDITOR'S REPORT

To the Directors of the Ottawa Macdonald-Cartier International Airport Authority,

We have audited the accompanying financial statements of the Ottawa Macdonald-Cartier International Airport Authority, which comprise the balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of operations and comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ottawa Macdonald-Cartier International Airport Authority as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
Ottawa Ontario
February 22, 2012

BALANCE SHEETS

as at December 31, 2011
(in thousands of Canadian dollars)

ASSETS	Note	December 31, 2011	December 31, 2010	January 1, 2010
CURRENT ASSETS				
Cash and cash equivalents		$ -	$ 480	$ 11,742
Trade and other receivables		7,283	7,070	5,553
Consumable supplies		1,560	1,572	1,568
Prepaid expenses and advances		870	890	749
		9,713	10,012	19,612
DEBT SERVICE RESERVE FUND	7(a)	10,629	10,510	10,444
PROPERTY, PLANT and EQUIPMENT	3	388,860	384,248	374,036
OTHER ASSETS	4	4,825	2,930	2,930
		$ 414,027	$ 407,700	$ 407,022
LIABILITIES				
CURRENT LIABILITIES				
Bank indebtedness	5	$ 6,675	$ -	$ -
Accounts payable and accrued liabilities		15,930	19,015	11,816
Current portion of long-term debt	7	2,097	2,339	2,041
		24,702	21,354	13,857
POST EMPLOYMENT BENEFIT LIABILITY	9	18,292	11,186	9,519
LONG-TERM DEBT	7	339,634	341,502	343,623
		382,628	374,042	366,999
Commitments and Contingencies	11			
EQUITY				
Retained Earnings	8	41,752	36,069	40,023
Accumulated other comprehensive income		(10,353)	(2,411)	-
		$ 414,027	$ 407,700	$ 407,022

ON BEHALF OF THE BOARD

Director Director

(see accompanying notes to the financial statements)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

years ended December 31, 2011
(in thousands of Canadian dollars)

	Note	2011	2010
REVENUES			
Airport improvement fees	8	$37,732	$ 28,254
Terminal fees and loading bridge charges		23,706	22,028
Landing fees		11,437	10,642
Concessions		10,017	9,773
Car parking		11,865	11,337
Land and space rentals		5,623	5,036
Other revenue		2,678	2,653
		103,058	89,723
EXPENSES			
Interest	7(d)	18,789	19,715
Ground rent	11	7,341	6,118
Materials, supplies and services		26,327	24,948
Salaries and benefits		17,922	16,885
Payments in lieu of municipal taxes		4,788	4,560
		75,167	72,226
EARNINGS BEFORE DEPRECIATION		27,891	17,497
DEPRECIATION		22,208	21,451
NET EARNINGS		5,683	(3,954)
Other comprehensive income			
Remeasurements of defined benefit plans		(7,942)	(2,411)
TOTAL COMPREHENSIVE INCOME		$ (2,259)	$ (6,365)

(See accompanying notes to the financial statements)

STATEMENTS OF CHANGES IN EQUITY

years ended December 31, 2011
(in thousands of Canadian dollars)

	2011	2010
Retained earnings, beginning of year	$ 36,069	$40,023
Net earnings for the year	5,683	(3,954)
Retained earnings, end of year	41,752	36,069
Accumulated other comprehensive income		
Remeasurements of defined benefit plans Balance, beginning of year	(2,411)	-
Other comprehensive income for the year	(7,942)	(2,411)
Balance, end of year	(10,353)	(2,411)
TOTAL EQUITY	$ 31,399	$ 33,658

(See accompanying notes to the financial statements)

STATEMENTS OF CASH FLOWS

years ended December 31, 2011
(in thousands of Canadian dollars)

	Note	2011	2010
Cash provided by (used in) -			
Operations:			
Net earnings		$ 5,683	$ (3,954)
Non-cash items:			
Depreciation		22,208	21,451
Amortization of deferred financing costs		229	219
Increase in other assets		(395)	-
Decrease in post employment benefit liability		(836)	(744)
Interest expense		18,789	19,715
Interest paid		(19,630)	(19,680)
Changes in non-cash working capital related to operations	12	21	(588)
Other		259	152
Total operations		26,328	16,571
Financing activities:			
Increase in debt service reserve fund	7(a)	(119)	(66)
Repayment of long-term debt		(2,339)	(2,041)
Total financing activities		(2,458)	(2,107)
Investing activities:			
Purchase of property, plant and equipment		(27,079)	(31,816)
Increase in other assets		(1,500)	-
Change in accounts payable and accrued liabilities related to investing activities		(2,446)	6,090
Total investing activities		(31,025)	(25,726)
Decrease in cash and cash equivalents		(7,155)	(11,262)
Cash and cash equivalents, beginning of year		480	11,742
Cash and cash equivalents (bank indebtedness), end of year		$ (6,675)	$ 480

(See accompanying notes to the financial statements)

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2011

1. DESCRIPTION OF BUSINESS

The Ottawa Macdonald-Cartier International Airport Authority (the "Authority" or "Ottawa International Airport Authority") was incorporated January 1st, 1995 as a corporation without share capital under Part II of the *Canada Corporations Act*. All earnings of the Authority are retained and reinvested in airport operations and development.

The objects of the Authority are:

a) to manage, operate and develop the Ottawa International Airport, the premises of which are leased to the Authority by the Government of Canada (Transport Canada - see Note 11), 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 which are compatible with air transportation activities.

On January 31st 1997, the Authority signed a 60-year ground lease with the Government of Canada and assumed responsibility for the management, operation and development of the Ottawa International Airport.

The Authority is exempt from federal and provincial income tax, 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 SIGNIFICANT ACCOUNTING POLICIES

The Authority prepares its financial statements in accordance with IFRS. Canadian generally accepted accounting principles now require publicly accountable enterprises to apply IFRS. These are the Authority's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Authority is provided in note 14 together with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at January 1, 2010 and as at December 31, 2010 and for the year ended December 31, 2010. In these financial statements, the term "Previous GAAP" refers to Canadian GAAP before the adoption of IFRS.

The financial statements were authorized for issue by the Board of Directors on February 22, 2012.

Subject to certain transition elections disclosed in Note 14, the accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS balance sheet as at January 1, 2010 for the purposes of the transition to IFRS as if these policies had always been in effect.

These financial statements have been prepared on a historical cost basis, except, as required, for the revaluation of certain financial assets and financial liabilities to fair value.

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.

>>> 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.

>>> 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 ground lease. Property, plant and equipment do not include the cost of facilities which are leased from the Government of Canada. Incremental borrowing costs incurred during the construction of property, plant and equipment are included in the cost.

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, building components, and support facilities	3 – 40 years
Runways, roadways and other paved surfaces	15 – 50 years
Land improvements	10 – 25 years
Furniture and equipment	3 – 25 years
Computer equipment and systems	2 – 25 years
Vehicles	7 – 20 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 the 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.

>>> BORROWING COSTS

Borrowing costs are capitalized during the construction phase of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use. The capitalization rate is the weighted average cost of capital of outstanding loans during the period, other than the borrowings made especially for the purpose of obtaining the asset. All other borrowing costs are recognized in interest expense on a net basis in the statement of operations and comprehensive income in the period in which they are incurred.

>>> 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 total undiscounted cash flows expected from their use and eventual disposal. The amount of the impairment loss is determined as the excess of the carrying value of the assets over their fair value. Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The recoverable amount is limited to the original carrying amount less depreciation and amortization as if no impairment had been recognized for the asset.

Because of the Authority's business model that provides services to the traveling public, none of the assets of the Authority are considered to generate cash flows that are largely independent of the other assets and liabilities. Instead, all of the assets are considered part of the same cash-generating unit. In addition, the Authority's unregulated ability to raise its rates and charges as required to meet its obligations, mitigates its risk of impairment losses.

>>> 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 is included in interest expense. Deferred financing costs are reflected as a reduction in the carrying amount of related long-term debt.

>>> LEASES

Leases or other arrangements entered into for the use of an asset are classified as either finance or operating leases.

The Authority as lessee – Except for the ground lease, the Authority typically only enters into operating leases for minor items such as photocopy machines and printers. As these leases are classified as operating leases, the payments are amortized on a straight-line basis over the lease term.

Rent under the ground lease with the Government of Canada is calculated based on airport revenues for the year as defined in the lease. Accordingly, it is considered contingent rent and ground rent expense is accounted for as an operating lease in the statement of operations and comprehensive income.

The Authority as lessor – The Authority subleases land and space to other entities under operating leases. Lease income from these operating leases is recognized in income on a straight line basis over the term of the lease.

>>> REVENUE RECOGNITION

Landing fees, terminal fees, and parking revenues are recognized as the airport facilities are utilized. The Authority has a landing fee rebate incentive program which provides airlines with incentives, such as free landing fees, to operate flights to new destinations for a minimum duration of one year. These rebate obligations are recognized as a reduction of revenues until the expiry of the obligation.

Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees.

Rental revenues are recognized over the lives of respective leases, licences, 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 are recognized as a reduction of rental revenues.

Airport improvement fees ("AIF"), net of airline administrative fees, are recognized on an estimated basis upon the enplanement of passengers and are subject to reconciliation with the air carriers.

>>> PENSION PLAN AND POST-EMPLOYMENT BENEFITS

The Authority accrues its obligations under pension and post retirement 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, those assets are valued at fair value.

The post employment benefit liability recognized on the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. 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.

During 2011, the International Accounting Standards Board issued new requirements under IAS 19, employee benefits, under which 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. The Authority has adopted this new standard as of January 1st, 2010 on a retrospective basis. Past service costs are recognized immediately in the statement of operations. Pension expense is included in salaries and benefits on the statement of operations and comprehensive income.

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) are recognized in full as remeasurements of defined benefit plans in the period in which they occur, in other comprehensive income without recycling to the statement of operations and comprehensive income 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 salaries, bonuses, 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.

>>> ONEROUS CONTRACTS

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received under it.

The Authority currently has no contracts outstanding that have been designated as onerous contracts.

>>> 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 revenues 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 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 AIF, the useful lives of property, plant and equipment, valuation adjustments including allowances for uncollectible accounts, the cost of employee future benefits, and provisions for contingencies.

Airport improvement fees – AIF are recognized on an estimated basis upon the enplanement of passengers. Under an agreement with the airlines, AIF are collected by the airlines in the price of a ticket and are paid to airport authorities on an estimated basis, net of airline collection fees, on the first of the month following the month of enplanement. Final settlement based on actual passenger volumes occurs at the end of the month following the month of enplanement. AIF included in accounts receivable are estimated using information from air carriers obtained after enplanement has occurred, together with historical experience in percentages of connecting and exempt passengers.

Collectability of trade receivables – The Authority establishes a general allowance for uncollectible accounts that involves management review of individual receivable balances based on individual customer credit worthiness, current economic trends and the condition of the industry as a whole, and analysis of historical bad debts.

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

The 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.

>>> FINANCIAL INSTRUMENTS

All financial instruments measured at fair value are classified according to the following hierarchy:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – valuation techniques with significant observable market parameters; and
Level 3 – valuation techniques with significant unobservable market parameters.

The Authority's financial assets include cash and cash equivalents, accounts receivable, advances (included with prepaid expenses), and the debt service reserve fund. Cash and cash equivalents and the debt service reserve fund are classified as "fair value through profit or loss" (FVTPL) and are recorded at fair value with realized and unrealized gains and losses reported in earnings for the period in which they arise. Fair values reflect quoted prices in active markets for identical assets or liabilities (level 1). Due to the short period of collection, trade and other receivables and advances are classified as loans and receivables and are accounted for at amortized cost which approximates fair value.

The Authority has no held-to-maturity or available-for-sale financial assets.

The Authority's financial liabilities include bank indebtedness, accounts payable and accrued liabilities, and long-term debt. Bank indebtedness is classified as a FVTPL liability. All remaining financial liabilities are classified as other liabilities and are accounted for at amortized cost with gains and losses reported in earnings for the period in which they arise.

>>> COMPREHENSIVE INCOME

Comprehensive income is defined to include net income plus or minus other comprehensive income. Other comprehensive income includes actuarial gains and losses related to the Authority's pension plan and post retirement benefits. In addition, other comprehensive income includes changes arising from gains and losses in the fair values of certain financial instruments and hedges, which in the Authority's circumstances are nil. Other comprehensive income is accumulated in a separate component of Equity called accumulated other comprehensive income.

3. PROPERTY, PLANT AND EQUIPMENT

(tabular amounts in thousands of dollars)

	January 1, 2011	Additions	Disposals/Transfers	December 31, 2011
Cost:				
Buildings and support facilities				
Buildings and building components	$ 335,670	$ 33,447	$ 333	$ 368,784
De-icing facility	7,600			7,600
Pedestrian bridges	14,802	481	537	14,746
Utilities infrastructure	13,223	789		14,012
	371,295	34,717	870	405,142
Runways, roadways and other paved surfaces	57,900	4,100		62,000
Land improvements	8,241	1,005		9,246
Furniture and equipment	15,925	1,720	1,365	16,280
Computer equipment and systems	21,137	1,373	549	21,961
Vehicles	20,447	2,078	1,566	20,959
Construction in progress	18,236		18,037	199
	513,181	44,993	22,387	535,787
Less accumulated depreciation:				
Buildings and support facilities				
Buildings and building components	69,684	11,570	333	80,921
De-icing facility	3,237	406		3,643
Pedestrian bridges	5,846	1,081	537	6,390
Utilities infrastructure	2,889	598		3,487
	81,656	13,655	870	94,441
Runways, roadways and other paved surfaces	11,847	2,385		14,232
Land improvements	4,520	368		4,888
Furniture and equipment	9,770	1,390	1,145	10,015
Computer equipment and systems	15,268	2,870	768	17,370
Vehicles	5,872	1,540	1,431	5,981
	128,933	22,208	4,214	146,927
	$ 384,248	$ 22,785	$ 18,173	$ 388,860

Borrowing costs of $ 940,000 (2010–$ 187,000) were capitalized with a capitalization rate of 5.8%, and included in construction in progress in 2011.

(tabular amounts in thousands of dollars)

	January 1, 2010	Additions	Disposals/Transfers	December 31, 2010
Cost:				
Buildings and support facilities				
Buildings and building components	$ 335,148	$ 568	$ 46	$ 335,670
De-icing facility	7,262	338		7,600
Pedestrian bridges	14,780	22		14,802
Utilities infrastructure	12,493	730		13,223
	369,683	1,658	46	371,295
Runways, roadways and other paved surfaces	57,580	320		57,900
Land improvements	8,062	194	15	8,241
Furniture and equipment	15,733	564	372	15,925
Computer equipment and systems	19,890	1,247		21,137
Vehicles	11,005	10,195	753	20,447
Construction in progress	599	17,637		18,236
	482,552	31,815	1,186	513,181
Less accumulated depreciation:				
Buildings and support facilities				
Buildings and building components	56,232	13,486	34	69,684
De-icing facility	2,863	374		3,237
Pedestrian bridges	4,709	1,137		5,846
Utilities infrastructure	2,319	570		2,889
	66,123	15,567	34	81,656
Runways, roadways and other paved surfaces	9,507	2,340		11,847
Land improvements	4,217	310	7	4,520
Furniture and equipment	8,432	1,684	346	9,770
Computer equipment and systems	14,545	723		15,268
Vehicles	5,692	826	646	5,872
	108,516	21,450	1,033	128,933
	$ 374,036	$ 10,365	$ 153	$ 384,248

	December 31, 2011	December 31, 2010
Net carrying amount		
Buildings and support facilities		
Buildings and building components	$ 287,863	$ 265,986
De-icing facility	3,957	4,363
Pedestrian bridges	8,356	8,956
Utilities infrastructure	10,525	10,334
	310,701	289,639
Runways, roadways and other paved surfaces	47,768	46,053
Land improvements	4,358	3,721
Furniture and equipment	6,265	6,155
Computer equipment and systems	4,591	5,869
Vehicles	14,978	14,575
Construction in progress	199	18,236
	$ 388,860	$ 384,248

4. OTHER ASSETS

(tabular amounts in thousands of dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Interest in future proceeds from 4160 Riverside Drive, at cost	$ 2,930	$ 2,930	$ 2,930
Tenant improvements and leasehold inducements, net of amortization	1,895	–	–
	$ 4,825	$ 2,930	$ 2,930

In an agreement signed on May 27, 1999, the Authority agreed to assist the Regional Municipality of Ottawa-Carleton (now the City of Ottawa) in acquiring lands municipally known as 4160 Riverside Drive by contributing to the City of Ottawa 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.

During 2011, the Authority entered into a long-term lease with a subtenant that included a 3-year rent-free period and provided, as a tenant inducement, a payment in the amount of $1.5 million towards the cost of utilities infrastructure and other site improvements. 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 a reduction of rental revenues. The value of these tenant inducements is being recognized as a reduction in rent during the 47-year term of the lease.

5. CREDIT FACILITIES

The Authority maintains credit facility agreements with two Canadian banks. Under these credit facilities the Authority is provided with a 364-day revolving operating facility in an amount of up to $20 million plus 364-day revolving credit facilities up to $98 million in the aggregate for general corporate purposes and for the financing of capital expenditure requirements associated with the Authority's infrastructure construction programs. These facilities are secured under the Master Trust Indenture (see Note 7) and are due on October 19, 2012, but are renewed annually. They are available by way of overdraft, Prime Rate Loans, or Bankers' Acceptances. Indebtedness under these facilities bears interest at rates that vary with the lender's prime rate and Bankers' Acceptance rates, as appropriate.

The bank indebtedness under these facilities as at December 31, 2011 bears interest at an average rate of 2.75%.

As at December 31, 2011, $10.6 million of these revolving facilities had been designated to the Operating and Maintenance Reserve Fund (see Note 7). In addition, as at December 31, 2011 the Authority has a letter of credit outstanding in the amount of $2,058,000 in favour of the Authority's pension plan (see Note 9).

6. CAPITAL MANAGEMENT

The Authority is incorporated without share capital under Part II of the *Canada 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 debt, long-term debt and accumulated earnings included on the Authority's balance sheet as Retained Earnings.

The Authority incurs debt, including bank debt and long-term debt, to fund development. It does so on the basis of the amount that it considers it can afford and manage based on revenues from AIF and to maintain a minimum AIF to debt service coverage ratio. 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 and events, and 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 its Master Trust Indenture (see Note 7(a)) and to maintain its credit ratings in order to secure access to financing at a reasonable cost.

7. LONG-TERM DEBT

(tabular amounts in thousands of dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
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	**$ 143,864**	$ 145,438	$ 146,746
4.733% Revenue bonds, Series D, due May 2, 2017, interest payable on May 2 and November 2 of each year until maturity commencing November 2, 2007	**200,000**	200,000	200,000
Non-interest-bearing debt to the Province of Ontario, discounted at a rate of 6.0%, repaid in 2011	**-**	532	1,034
Deferred rent repayable to the Government of Canada, without interest in equal monthly instalments of $19 thousand over a ten year period commencing in 2006	**929**	1,162	1,394
	344,793	347,132	349,174
Less: deferred financing costs	**3,062**	3,291	3,510
	341,731	343,841	345,664
Less: current portion	**2,097**	2,339	2,041
	$ 339,634	$ 341,502	$343,623

(a) Bond Issues

In May 2002, the Authority completed its original $270 million Revenue bond issue with two series, the $120 million Revenue bonds, Series A at 5.64% due on May 25, 2007 and the $150 million Revenue bonds, Series B at 6.973% due on May 25, 2032. In May 2007, the Authority completed a $200 million Revenue bond issue, in part to refinance the Series A, Revenue bonds repaid on May 25, 2007. The $200 million Revenue bonds, Series D at 4.733% are due on May 2, 2017 and are expected to be refinanced in 2017.

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 bank indebtedness incurred by the Authority in connection with these construction programs and funding of the Debt Service Reserve Fund.

Under the Master Trust Indenture entered into by the Authority in connection with the original debt offering in May 2002, all of these bond issues are direct obligations of the Authority ranking *pari passu* with all other indebtedness issued. All indebtedness, including indebtedness under bank credit facilities, are 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.

The Authority is unregulated in its ability to raise its rates and charges as required to meet its obligations. Under the Master Trust Indenture, the Authority is required to take action, such as increasing its rates, should its projected debt service coverage ratio fall below 1.0. If this debt service covenant is not met in any year, the Authority is not in default of its obligations under the Master Trust Indenture as long as the test is met in the subsequent year.

Pursuant to the terms of the Master Trust Indenture, the Authority is required to establish and maintain with a trustee a Debt Service Reserve Fund with a balance at least equal to 50% of annual debt service costs. At December 31, 2011, the Debt Service Reserve Fund included $10.6 million in interest-bearing deposits held in trust. 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 in the previous year (approximately $10.6 million in 2011 based on 2010 expenses). The Operating and Maintenance Reserve Fund has been satisfied by the undrawn availability under a committed credit facility described above.

At December 31, 2011 the Authority was in full compliance with the provisions of its debt facilities, including the Master Trust Indenture's provisions related to reserve funds, the flow of funds and the rate covenant.

(b) The amount payable to the Province of Ontario related to land transfer tax resulting from the long-term lease of the Airport to the Authority in 1997.

(c) On July 16, 2003, the Minister of Transport announced short-term rent relief for airports. Under this program, the Authority was able to defer approximately 10% of its rent for the 2 year-period that started July 1, 2003 (a total of $2.3 million). The deferral is to be repaid, interest-free, over a period of 10 years starting on January 1, 2006. Because this is a deferral and not a permanent reduction of rent, the full amounts of rent were recorded as a liability in the accounts.

(d) Interest expense

	2011	2010
Bond interest	**$ 19,571**	$ 19,720
Interest expense – Other	**276**	248
	19,847	19,968
Less:		
Interest earned	**118**	66
Capitalized interest	**940**	187
Total interest expense	**$ 18,789**	$ 19,715

(e) The future annual principal payments for all long-term debt are as follows:

Within one year	
2012	$ 2,097
One to five years	
2013	2,409
2014	2,747
2015	3,111
2016	3,271
After five years	331,158

(f) Deferred financing costs

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred financing costs	**$ 4,398**	$ 4,398	$ 4,398
Less: Accumulated amortization	**1,336**	1,107	888
	$ 3,062	$ 3,291	$ 3,510

8. AIRPORT IMPROVEMENT FEES (AIF)

(tabular amounts in thousands of dollars)

On September 1, 1999, the Authority implemented an AIF of $10 per local boarded passenger to fund the cost of major capital expenditures under the Authority's infrastructure construction programs (including the Airport Expansion Program). This fee was increased to $15 effective January 1, 2003. These fees are collected by air carriers under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving the airport. Under the agreement, AIF revenues may only be used to pay for the capital and related financing costs of major airport infrastructure development. AIF revenues are recorded net of collection fees of 6% withheld by air carriers of $2,447 thousand (2010 - $1,824 thousand).

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

In November 2010, the Authority announced an increase in the AIF from $15 to $20 per enplaned passenger effective for travel after February 1, 2011.

	2011	Cumulative to date
Major infrastructure construction program expenditures:		
Passenger terminal building, parking garage, airside and landside infrastructure and other expenditures	$ 20,519	$ 485,503
Interest capitalized	940	18,096
Interest expensed (including internal interest on funds provided by operations)	21,394	178,955
	42,853	682,554
AIF cash receipts:		
AIF revenue – net of collection fees	37,732	289,881
Interest on surplus funds	118	9,977
	37,850	299,858
Increase in accounts receivable	(347)	(2,324)
AIF revenue – net cash received	37,503	297,534
Excess of expenditures over AIF Receipts	$ 5,350	$ 385,020

Retained earnings of the Authority as at December 31 are as follows:

	2011	2010
Retained earnings provided by airport improvement fees:		
Accumulated airport improvement fees and interest on surplus funds	$ 299,858	$ 262,008
Less:		
Accumulated depreciation of infrastructure program assets	126,353	109,260
Interest and other expenses	184,032	162,063
	(10,527)	(9,315)
Retained earnings provided by other operations	52,279	45,384
Retained earnings, end of year	$ 41,752	$ 36,069

9. PENSION PLAN AND POST RETIREMENT BENEFITS

(tabular amounts in thousands of dollars)

The post employment benefit liability included in the balance sheet as a long-term liability is as follows:

	December 31, 2011	December 31, 2011	January 1, 2010
Defined benefit pension plan (deficit)	$ 8,916	$ 3,423	$ 3,096
Other post-employment benefits payable	9,376	7,763	6,423
	$ 18,292	$ 11,186	$ 9,519

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. 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, including former Transport Canada employees, some 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. 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 its employees including health care insurance and lump sum 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.

At the last actuarial valuation of the pension plan as at December 31, 2010 that was completed and filed in June 2011 as required by law, the plan had a deficit on a funding (going concern) basis of $3,529,000. 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* 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. At the last actuarial valuation as at December 31, 2010, the plan had a deficit on a solvency basis of $11,051,000 ($9,588,000 as at December 31, 2009) before considering the present value of additional solvency payments required under the *Act*. The Authority made additional solvency payments of $1,871,000 ($1,389,500 in 2010) to amortize this deficiency.

To allow for funding of the 2006 deficiency over a 10-year period, in accordance with Part 3 of the *Solvency Funding Relief Regulations of the Pension Benefits Standards Act, 1985*, in 2007 the Authority provided a standby letter of credit in favour of the plan which was subsequently increased in amount in accordance with the regulations. The amount of the letter of credit was $2,058,000 as at December 31, 2011. Effective January 1, 2012, the letter of credit was no longer required under the *Regulations.*

The next required actuarial valuation of the pension plan as at December 31, 2011 is scheduled to be completed and filed by its June 2012 due date.

Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2010 and extrapolated to December 31, 2011, the status of the defined benefit pension plan is as follows:

	2011	2010
Accrued Benefit Obligation, defined benefit pension		
Balance, beginning of year	$ 35,341	$ 31,029
Employee contributions	483	212
Benefits paid	(1,032)	(783)
Current service cost	797	584
Interest cost on accrued benefit obligation	2,066	1,901
Actuarial loss	6,232	2,398
Balance, end of year	43,887	35,341
Plan Assets		
Fair value, beginning of year	31,918	27,933
Employee contributions	483	212
Employer contributions	758	695
Employer contributions, special solvency payments	1,871	1,390
Benefits paid	(1,032)	(783)
Interest on plan assets	1,806	1,793
Actuarial gain (loss) on plan assets	(833)	678
Fair value, end of year	34,971	31,918
Funded Status – plan deficit	$ 8,916	$ 3,423

The net defined benefit pension plan expense for the year ended December 31, 2011 reported under IFRS is as follows:

	2011	2010
Current service cost	$ 797	$ 584
Interest cost on accrued benefit obligation	2,066	1,901
Interest on plan assets	(1,806)	(1,793)
Defined benefit pension plan expense recognized in salaries and benefits expense in net earnings	$ 1,057	$ 692
Amount recognized in other comprehensive income – actuarial loss	$ 7,065	$ 1,720

In addition to pension benefits, the Authority provides other post-employment and retirement benefits to its employees. The status of post employment and retirement benefit plans as at December 31 is as follows:

	2011	2010
Accrued benefit obligation, other post-employment benefits		
Balance beginning of year	$ 7,763	$ 6,423
Benefits paid (employer contributions)	(164)	(154)
Current service cost	453	382
Interest cost	447	421
Actuarial loss	877	691
Accrued benefit liability, end of year	$ 9,376	$ 7,763

The net expense for other post-employment and retirement benefits for the year ended December 31, 2011 reported under IFRS is as follows:

	2011	2010
Current service cost	$ 453	$ 382
Interest cost	447	421
Expense recognized in salaries and benefits expense in net earnings	$ 900	$ 803
Amount recognized in other comprehensive income – actuarial loss	$ 877	$ 691

The costs of the defined benefit component of the pension plan and of other post employment and retirement 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:

	2011	2010
Discount rate to determine expense	5.50%	6.25%
Discount rate to determine year end obligations	4.75%	5.50%
Interest rate on plan assets	5.50%	6.25%
Rate of average compensation increases	3.75%	3.75%
Rate of increases in health care costs	8.00%	8.00%
The trend rate for increases in health care costs decreases gradually to ultimately increase after 7 years by	5.00%	5.00%

In accordance with the investment policy for the pension plan's defined benefit funds, as at December 31 the plan's non-current, non-cash assets are invested in funds maintained by Standard Life Assurance Company of Canada and managed by various investment managers as follows:

	2011	2010
Fixed income funds	**46%**	41%
Equity funds – Canadian funds	**15%**	16%
Equity funds – US funds	**17%**	19%
Equity funds – International funds	**10%**	11%
Emerging market funds	**3%**	3%
Real estate funds	**9%**	10%

The Authority's contribution to the defined contribution component of the pension plan is a maximum of 7% of the employee's gross earnings. Information on this component is as follows:

	2011	2010
Employer contributions, defined contribution plan	**$ 496**	$ 439
Employees' contributions, defined contribution plan	**$ 654**	$ 563
Net expense recognized in salaries and benefits expense	**$ 496**	$ 439

10. FINANCIAL INSTRUMENTS

(tabular amounts in thousands of dollars)

>>> FAIR VALUES

The Authority's bank indebtedness, cash and cash equivalents and its debt service reserve fund are reflected in the financial statements at fair values. Fair values reflect quoted prices in active markets for identical assets or liabilities (level 1). 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. As at December 31, 2011, the estimated fair value of the long-term Series B and Series D Revenue bonds was $184.4 million and $224.3 million respectively (2010 - $173.4 million and $212.3 million respectively; 2009 - $159.7 million and $203.6 million respectively). Fair values of other long-term debt are similar to their carrying values taking into account their maturity dates and current market rates for the same or similar instruments.

>>> 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:

	2011		2010	
	Carrying value	Effective year-end interest rate	Carrying value	Effective year-end interest rate
Cash and cash equivalents (at floating rates)	$ Nil	0.0%	$ 480	0.95%
Bank indebtedness (at floating rates)	$ 6,675	2.75%		
Debt service reserve fund (at floating rates)	$ 10,629	1.10%	$ 10,510	1.13%
Long-term debt (at fixed rates)	$ 341,731	See Note 7	$ 343,841	See Note 7

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, which are not expected to occur in the near-term.

In addition, the Authority's bank indebtedness, 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 its debt service reserve fund. These funds are invested from time to time in short-term bankers' acceptances 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 earnings for the year would have increased/decreased by $2 thousand as a result of the Authority's exposure to interest rates on its floating rate assets and liabilities. Management believes, however, that this exposure is not representative of the exposure during the year 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 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. In view of its excellent credit ratings, the Authority has ready access to sufficient long-term funds as well as committed lines of credit through credit facilities with two Canadian banks. The Authority's obligation under a $2,058,000 letter of credit in favour of its pension plan is covered by these committed credit facilities (see Note 5).

The Authority is unregulated in its 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 (see Note 7), the Authority is required to take action, such as increasing its rates, should its projected debt service coverage ratio fall below 1.0. If this debt service covenant is not met in any year, the Authority is not in default of its obligations under the Master Trust Indenture as long as the test is met in the subsequent year. Because of the Authority's 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 $20 million per year. The future annual principal payment requirements of the Authority's obligations under its long-term debt are described in Note 7(e).

>>> CREDIT AND CONCENTRATION RISKS

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 and 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 accounts receivable are paid within 35 days of the date they are due. A significant portion of the Authority's revenues, and resulting receivable balances, are 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.

The Authority derives approximately 47% (52% in 2010; 53% in 2009) of its landing fee and terminal fee revenue from Air Canada and its affiliates. Management believes, however, that the Authority's long-term exposure to any single airline is mitigated by the fact that approximately 90% 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.

11. COMMITMENTS AND CONTINGENCIES

>>> COMMITMENTS

On January 31, 1997, the Authority signed a 60-year ground lease with the Government of Canada (Transport Canada) for the management, operation and development of the Ottawa International Airport. The ground 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 operations of the airport. The Authority believes that it has complied with all requirements under the ground lease.

The lease contains a 20-year renewal option which may be exercised at the end of the lease term. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the airport to the landlord.

In 2005, the Government of Canada announced the adoption of a new rent policy that has resulted in reduced rent for Canadian airport authorities, including the Ottawa International Airport Authority. This reduced rent was phased in over a four-year period which began in 2006. Under the new formula which commenced in 2010, rent is calculated as a royalty based on a percentage of gross annual revenues on a progressive scale.

Estimated ground rent payments under this arrangement for the next five years are as follows:

2012	$7.7 million
2013	$8.1 million
2014	$8.4 million
2015	$8.8 million
2016	$9.1 million

A letter of credit for $2,058,000 was outstanding as at December 31, 2011 in connection with the Authority's pension plan (see Note 9). The letter of credit expires on December 31, 2012.

In addition to the above, the Authority has operating commitments in the ordinary course of business requiring payments of $11.3 million in 2012 and diminishing in each year over the next 5 years as contracts expire. At December 31, 2011, the total of these operating commitments amounted to $29.4 million. These commitments are in addition to contracts for the purchase of property, plant, and equipment of approximately $2.7 million.

>>> CONTINGENCIES

The Authority is party to legal proceedings in the ordinary course of its business. Because these are not significant in amount and are covered by the Authority's insurance policies, management does not expect the outcome of any of these proceedings to have a material adverse effect on the financial position or results of operations of the Authority.

12. CHANGES IN NON-CASH WORKING CAPITAL RELATED TO OPERATIONS

(tabular amounts in thousands of dollars)

	2011	2010
Trade and other receivables	$ (213)	$ (1,517)
Prepaids and advances and consumable supplies	32	(145)
Accounts payable and accrued liabilities	202	1,074
	$ 21	$ (588)

13. RELATED PARTY TRANSACTIONS

(tabular amounts in thousands of dollars)

Key management includes the Authority's fourteen directors (twelve at the end of 2011) and members of the executive team, including the President and CEO, and six vice-presidents.

Compensation paid, payable, or provided by the Authority to key management personnel during the year ended December 31 was as follows:

	2011	2010
Salaries and short-term benefits	$2,002	$ 1,947
Post-employment benefits	214	208
	$2,216	$ 2,155

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 at the balance sheet date.

14. TRANSITION TO IFRS

(tabular amounts in thousands of dollars)

The Authority's financial statements for the year ended December 31, 2011 are the first annual financial statements to be prepared in accordance with IFRS. These financial statements were prepared as described in Note 2, Basis of Preparation and Significant Accounting Policies. The Authority applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*, in the preparation of these financial statements.

The Authority's date of transition to IFRS was January 1, 2010, that is, the date of the earliest comparative period. The Authority prepared its opening IFRS statement of financial position as at that date. The date of IFRS adoption by the Authority was January 1, 2011. In preparing the financial statements in accordance with IFRS 1, the Authority opted to use certain exemptions from other IFRS, while taking into account exceptions to retrospective application of other IFRS. Estimates under IFRS at January 1, 2010 are consistent with those made for the same date according to Previous GAAP. Hindsight was not used to create or revise estimates.

>>> EXEMPTIONS FROM OTHER STANDARDS

The Authority made the following exemptions available under IFRS 1:

Leases - The Authority has elected to apply the exemption under IFRS 1 to assess whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date of conversion, rather than retrospectively assessing each agreement as the date of its inception. The application of this exemption did not have an impact on the financial statements.

Post-employment Benefit Obligations - The Authority has elected to use the IFRS 1 exemption whereby all cumulative actuarial gains and losses of the Authority's employee benefit plans as at January 1, 2010 are charged to retained earnings as at January 1, 2010. This resulted in a $8.6 million increase to the accrued benefit obligation and a corresponding charge to retained earnings as at that date.

Borrowing Costs – Borrowing costs directly attributable to the construction of qualifying assets were not retrospectively restated prior to January 1, 2010.

The remaining IFRS 1 exemptions were not applicable to the preparation of the Authority's Balance Sheet at the date of transition to IFRS on January 1, 2010.

>>> RECONCILIATION BETWEEN IFRS AND PREVIOUS GAAP

The following reconciliations present the adjustments made to the Authority's financial statements issued under previous GAAP to comply with IFRS 1 and demonstrate the impact of the transition to IFRS. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations:

i. Reconciliation of opening IFRS Balance Sheet as at January 1, 2010;
ii. Reconciliation of Balance sheet as at December 31, 2010;
iii. Statement of comprehensive income for the year ended December 31, 2010;
iv. Statement of cash flows for the year ended December 31, 2010; and
v. Comparative figures.

i. Reconciliation of opening IFRS Balance sheet as at January 1, 2010

		(a) IAS 19	(b) IAS 16	
ASSETS	Previous GAAP	(pension)	(PP & E)	IFRS
CURRENT ASSETS				
Cash and cash equivalents	$ 11,742			**$ 11,742**
Accounts receivable	5,553			**5,553**
Consumable supplies	1,568			**1,568**
Prepaid expenses and advances	749			**749**
	19,612			**19,612**
DEBT SERVICE RESERVE FUND	10,444			**10,444**
PROPERTY, PLANT and EQUIPMENT	389,442		(15,406)	**374,036**
ACCRUED BENEFIT ASSET	4,128	(4,128)		**–**
OTHER ASSET	2,930			**2,930**
	$ 426,556	$ (4,128)	$ (15,406)	**$ 407,022**
LIABILITIES and EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 11,746	70		**$ 11,816**
Current portion of long-term debt	2,041			**2,041**
	13,787			**13,857**
ACCRUED BENEFIT LIABILITY	5,010	4,509		**9,519**
LONG-TERM DEBT	343,623			**343,623**
	362,420			**366,999**
EQUITY				
Retained earnings	64,136	(8,707)	(15,406)	**40,023**
Accumulated other comprehensive income				
	$ 426,556	$ (4,128)	$ (15,406)	**$ 407,022**

ii. Reconciliation of Balance sheet as at December 31, 2010

	Previous GAAP	(a) IAS 19 (pension)	(b) IAS 16 (PP & E)	IFRS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 480			$ 480
Accounts receivable	7,070			7,070
Consumable supplies	1,572			1,572
Prepaid expenses and advances	890			890
	10,012			10,012
DEBT SERVICE RESERVE FUND	10,510			10,510
PROPERTY, PLANT and EQUIPMENT	402,434		(18,186)	384,248
ACCRUED BENEFIT ASSET	5,234	(5,234)		–
OTHER ASSET	2,930			2,930
	$ 431,120	$ (5,234)	$ (18,186)	$ 407,700
LIABILITIES and EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 18,945	70		$ 19,015
Current portion of long-term debt	2,339			2,339
	21,284			21,354
POST EMPLOYMENT BENEFIT LIABILITY	5,781	5,405		11,186
LONG-TERM DEBT	341,502			341,502
	368,567			374,042
EQUITY				
Retained Earnings	62,553	(8,298)	(18,186)	36,069
Accumulated other comprehensive income		(2,411)		(2,411)
	$ 431,120	$ (5,234)	$ (18,186)	$ 407,700

iii. Statement of comprehensive income for the year ended December 31, 2010

	Previous GAAP	(a) IAS 19 (pension)	(b) IAS 16 (PP & E)	IFRS
REVENUES				
Airport improvement fees	$ 28,254			$ 28,254
Terminal fees and loading bridge charges	22,028			22,028
Landing fees	10,642			10,642
Concessions	9,773			9,773
Car parking	11,337			11,337
Land and space rentals	5,036			5,036
Other revenue	2,653			2,653
	89,723			89,723
EXPENSES				
Interest	19,715			19,715
Ground rent	6,118			6,118
Materials, supplies and services	24,948			24,948
Salaries and benefits	17,294	(409)		16,885
Payments in lieu of municipal taxes	4,560			4,560
	72,635			72,226
EARNINGS BEFORE DEPRECIATION	17,088			17,497
DEPRECIATION	18,671		2,780	21,451
NET EARNINGS	$ (1,583)			$ (3,954)
Actuarial loss for the year on post employment benefit programs		(2,411)		(2,411)
Total other comprehensive income				(2,411)
TOTAL COMPREHENSIVE INCOME				$ (6,365)

a. The Authority elected to recognize all cumulative unamortized actuarial gains and losses on transition in its opening deficit on January 1, 2010. Under Previous GAAP, the corridor method was used and these items were amortized into the statement of operations and comprehensive income over time. Under IFRS, the Authority no longer uses the corridor method to amortize actuarial gains and losses and actuarial gains and losses are recorded as other comprehensive income. During 2011, the International Accounting Standards Board issued new requirements under IAS 19, *employee benefits*, under which 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. The Authority has early adopted this new standard as of January 1, 2010 on a retrospective basis. As a result of differences in measuring the current expense for benefits under IFRS, the Authority recorded a reduction of $409 thousand of the 2010 pension expense calculated and recorded in the statement of operations under Previous GAAP and recorded an actuarial loss of $2,411 thousand in 2010 as other comprehensive income.

b. IFRS requires entities to allocate the amounts initially recognized in respect of property, plant and equipment to its significant parts (components) and depreciate separately each such component over its useful life. On adoption, the Authority identified various components of the terminal and other assets which required further componentization under IFRS. These components have different useful lives than the primary asset under Previous GAAP. In addition, adjustments were made to property, plant and equipment to reflect IFRS guidance on when depreciation should commence. The Authority has historically commenced depreciation of property and equipment when the assets are put into productive use, in accordance with Previous GAAP. IAS 16, *Property, plant and equipment*, requires the depreciation of assets to commence when the asset is available for use. As a result, an adjustment of $ 15.4 million was required on January 1, 2010 to reflect the further depreciation in respect of these assets.

iv. Adjustments to the statement of Cash Flows for the year ended December 31, 2010

There were no material adjustments to the statement of cash flows as a result of conversion to IFRS. Conversion to IFRS resulted in reclassifications, the most significant of which is separate disclosure of interest paid on the statement of cash flows that had no affect on total cash provided by operating activities.

v. Comparative figures

Certain comparative figures previously reported under Previous GAAP have been reclassified to conform to the financial statement presentation adopted in 2011.

15. POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and February 22, 2012 when the financial statements were authorized for issue.