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Unaudited Interim Condensed Consolidated Financial Statements of

NAV CANADA

Three months ended November 30, 2021 and 2020

Interim Condensed Consolidated Statements of Operations (unaudited)
Three months ended November 30
(millions of Canadian dollars)

	Notes	2021	2020
Revenue			
Customer service charges	3	$ 321	$ 189
Other revenue		24	13
		345	202
Operating expenses			
Salaries and benefits	4	228	204
Technical services		41	38
Facilities and maintenance		14	15
Depreciation and amortization	7, 8	37	39
Other		17	13
		337	309
Other (income) and expenses			
Finance income		(3)	(4)
Net interest expense relating to employee benefits		9	14
Other finance costs		21	23
Other		(3)	(2)
		24	31
Net loss, before net movement in regulatory deferral accounts		(16)	(138)
Net movement in regulatory deferral accounts related to net loss, net of tax	5	(41)	68
Net loss, after net movement in regulatory deferral accounts	1	$ (57)	$ (70)

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Loss (unaudited)
Three months ended November 30
(millions of Canadian dollars)

	Notes	2021	2020
Net loss, after net movement in regulatory deferral accounts		$ (57)	$ (70)
Items that will be reclassified to income or (loss)			
Changes in fair value of cash flow hedges		1	-
Net movement in regulatory deferral accounts related to other comprehensive income (loss)	5	(1)	-
		-	-
Total other comprehensive income (loss)		-	-
Total comprehensive loss	1	$ (57)	$ (70)

See accompanying notes to the unaudited interim condensed consolidated financial statements.

NAV CANADA

Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)

	Notes	November 30 2021	August 31 2021
Assets			
Current assets			
Cash and cash equivalents		$ 335	$ 319
Accounts receivable and other		123	106
Investments		74	73
Assets held for sale	6	7	-
Loan receivable		5	-
Other		9	10
		553	508
Non-current assets			
Property, plant and equipment	7	712	717
Intangible assets	8	770	780
Investment in preferred interests		306	299
Long-term receivables		103	116
Investment in equity-accounted investee	6	-	7
		1,891	1,919
Total assets		2,444	2,427
Regulatory deferral account debit balances	5	1,716	1,753
Total assets and regulatory deferral account debit balances		$ 4,160	$ 4,180

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)

	Notes	November 30 2021	August 31 2021
Liabilities			
Current liabilities			
Trade and other payables		$ 203	$ 204
Current portion of long-term debt		25	25
Deferred revenue		3	8
Other		3	3
		234	240
Non-current liabilities			
Long-term debt		2,487	2,487
Employee benefits		1,295	1,266
Deferred tax liability		12	12
Other		10	1
		3,804	3,766
Total liabilities		4,038	4,006
Equity			
Retained earnings (deficit)		(29)	28
Total equity		(29)	28
Total liabilities and equity		4,009	4,034
Regulatory deferral account credit balances	5	151	146
Commitments	10		
Total liabilities, equity and regulatory deferral account credit balances		$ 4,160	$ 4,180

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

(millions of Canadian dollars)

	Retained earnings (deficit)	Accumulated other comprehensive income	Total
Balance August 31, 2020	$ 28	$ -	$ 28
Net loss, after net movement in regulatory deferral accounts	(70)	-	(70)
Other comprehensive income (loss)	-	-	-
Balance November 30, 2020	$ (42)	$ -	$ (42)
Balance August 31, 2021	$ 28	$ -	$ 28
Net loss, after net movement in regulatory deferral accounts	(57)	-	(57)
Other comprehensive income (loss)	-	-	-
Balance November 30, 2021	$ (29)	$ -	$ (29)

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)
Three months ended November 30
(millions of Canadian dollars)

	Notes	2021	2020
Cash flows from (used in)			
Operating			
Receipts from customer service charges		$ 332	$ 155
Other receipts		10	11
Government grants received	4	4	32
Payments to employees and suppliers		(250)	(268)
Pension contributions - current service		(26)	(34)
Other post-employment payments		(2)	(2)
Interest payments		(26)	(26)
Interest receipts		1	1
		43	(131)
Investing			
Capital expenditures		(23)	(17)
Investment in regulatory assets		(1)	(1)
Proceeds from sale of property, plant and equipment		-	4
Loans to related parties		(2)	-
		(26)	(14)
Financing			
Net repayment of bank loans		-	(223)
Payment of lease liabilities		(1)	(1)
		(1)	(224)
Increase (decrease) in cash and cash equivalents		16	(369)
Cash and cash equivalents at beginning of period		319	689
Cash and cash equivalents at end of period		$ 335	$ 320

See accompanying notes to the unaudited interim condensed consolidated financial statements.

1. General Information

NAV CANADA was incorporated as a non-share capital corporation pursuant to Part II of the Canada Corporations Act to acquire, own, manage, operate, maintain and develop the Canadian civil air navigation system (the ANS), as defined in the Civil Air Navigation Services Commercialization Act (the ANS Act). NAV CANADA has been continued under the Canada Not-for-profit Corporations Act. The fundamental principles governing the mandate conferred on NAV CANADA by the ANS Act include the right to provide civil air navigation services and the exclusive ability to set and collect customer service charges for such services. NAV CANADA and its subsidiaries' (collectively, the Company) core business is to provide air navigation services, which is the Company's only reportable segment. The Company's air navigation services are provided primarily within Canada.

The charges for civil air navigation services provided by the Company are subject to the economic regulatory framework set out in the ANS Act. The ANS Act provides that the Company may establish new charges and amend existing charges for its services. In establishing new charges or revising existing charges, the Company must follow the charging principles set out in the ANS Act. These principles prescribe that, among other things, charges must not be set at levels which, based on reasonable and prudent projections, would generate revenue exceeding the Company's current and future financial requirements in relation to the provision of civil air navigation services. Pursuant to these principles, the Board of Directors of the Company (the Board), acting as rate regulator, approves the amount and timing of changes to customer service charges.

The Company plans its operations to result in an annual financial breakeven position on the consolidated statements of operations after recording adjustments to the rate stabilization account. As a result, the Company expects no net change in retained earnings on an annual basis. The impacts of rate regulation on the Company's interim condensed consolidated financial statements (the financial statements) are described in note 5.

The ANS Act requires that the Company communicate proposed new or revised charges to customers in advance of their introduction and to consult thereon. Customers may make representations to the Company as well as appeal revised charges to the Canadian Transportation Agency on the grounds that the Company either breached the charging principles in the ANS Act or failed to provide statutory notice.

NAV CANADA is domiciled in Canada. The address of NAV CANADA's registered office is 77 Metcalfe Street, Ottawa, Ontario, Canada K1P 5L6.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*. As permitted under this standard, these financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended August 31, 2021 (2021 annual financial statements).

These financial statements include the accounts of all NAV CANADA subsidiaries and were authorized for issue by the Board on January 12, 2022.

2. Basis of presentation (continued)

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following items:

- financial instruments that are classified as fair value through profit or loss (FVTPL), which are measured at fair value; and
- defined benefit liabilities that are recognized as the net of the present value of defined benefit obligations and plan assets measured at fair value.

(c) Functional and reporting currency

These financial statements are presented in Canadian dollars (CDN), which is the Company's functional and reporting currency, and all information presented has been rounded to the nearest million dollars, unless otherwise indicated.

(d) Seasonality

The Company's operations have historically varied throughout the fiscal year, with the highest revenue from air traffic experienced in the fourth quarter (June to August). This demand pattern was principally a result of the higher number of leisure travellers and their preference for travel in the summer months. The COVID-19 pandemic and the resulting economic contraction continues to have a significant negative impact on global air traffic and the aviation industry. While the normal seasonality pattern may occur in the fiscal year ending August 31, 2022 (fiscal 2022), its impact is likely to be muted. Even with the positive signs of air traffic recovery experienced in the three months ended November 30, 2021, future travel demand continues to be uncertain given the occurrence of new variants and changing government travel restrictions in Canada and around the world.

The Company has a cost structure that is largely fixed, and accordingly costs do not vary significantly throughout the year. The Company continues to review, monitor and manage spending, while at the same time ensuring the continued fulfillment of the Company's mandate to safely operate and maintain the Canadian air navigation system as an essential service and to protect the safety and well-being of its employees, while positioning itself to support a post-pandemic recovery in air travel and to strategically invest in the long-term future of the Company.

(e) Significant accounting policies

Significant accounting policies used in these financial statements are disclosed in note 3 of the 2021 annual financial statements, with the exception of the change in accounting policy described below. The accounting policies have been applied consistently to all periods presented.

- Implementation costs associated with Software as a Service (or cloud computing) arrangements

  As a result of the IFRS Interpretations Committee's agenda decision entitled "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38)", the Company reviewed its accounting policy with respect to implementation costs associated with cloud computing arrangements. The Company assessed whether these costs would give rise to a software intangible asset over which the Company has control, and in applying the guidance in the agenda decision, it was determined that they generally do not give rise to such an asset. Accordingly, the implementation costs of cloud computing arrangements are recorded within operating expenses in the statements of operations as incurred.

(millions of Canadian dollars)

2. Basis of presentation (continued)

(e) Significant accounting policies (continued)

The Board, acting as rate regulator, has approved the creation of regulatory deferral account debit balances for these costs. These balances will be recovered over time by amortizing them over the terms of the cloud computing arrangements.

These changes have been applied retrospectively.

As a result of this accounting policy change, intangible assets have decreased by $39 and regulatory deferral account debit balances have increased by $39 as at August 31, 2021, from that previously reported. There is no net impact to net income (loss) after the application of regulatory accounting.

(f) Critical accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments about the future.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal actual results.

Critical judgments and key sources of estimation uncertainty are disclosed in note 2 (d) of the 2021 annual financial statements.

3. Revenue

Customer service charges by type of air navigation service provided for the three months ended November 30 were as follows:

	2021	2020
Enroute [(1)]	$ 167	$ 104
Terminal [(2)]	122	69
Daily / annual / quarterly [(3)]	12	5
North Atlantic and international communication [(4)]	20	11
	$ 321	$ 189

(1) Charges related to air navigation services provided or made available to aircraft during the enroute phase of the flight, whether they overfly Canadian-controlled airspace or take-off and/or land in Canada. This performance obligation is satisfied at a point in time.

(2) Charges related to air navigation services provided or made available to aircraft at or in the vicinity of an airport. This performance obligation is satisfied at a point in time.

(3) Charges related to enroute and terminal air navigation services. These charges generally apply to propeller aircraft and the performance obligations are satisfied over the period in which air navigation services are made available.

(4) Charges related to certain air navigation and communication services provided or made available to aircraft while in airspace over the North Atlantic Ocean. These services are provided outside of Canadian sovereign airspace but for which Canada has air traffic control responsibility pursuant to international agreements. The international communication charges also include services provided or made available while in Canadian airspace in the north. These performance obligations are satisfied at a point in time.

(millions of Canadian dollars)

4. Salaries and benefits

Salaries and benefits expenses for the three months ended November 30 were as follows:

	2021	2020
Salaries and other	$ 179	$ 163
Government grant [1]	(4)	(42)
Severance and termination costs	-	30
Fringe benefits (excluding pension)	14	10
Pension current service cost	46	51
Less: capitalized salaries and benefits	(7)	(8)
	$ 228	$ 204

(1) Receipts under the Canada Emergency Wage Subsidy program, which the Company started to receive beginning in May 2020, have been recorded as a reduction to salaries and benefits expenses. The program ended October 23, 2021 and all eligible filings were completed and received prior to November 30, 2021.

(millions of Canadian dollars)

5. Financial statement impact of regulatory accounting

(a) Regulatory Deferral Accounts

In accordance with disclosures required for entities subject to rate regulation, the Company's regulatory deferral account balances were as follows:

	August 31 2021	Regulatory deferral	Recovery/ reversal	November 30 2021
Regulatory deferral account debit balances				
Rate stabilization account (b)	$ 656	$ 21	$ (80)	$ 597
Deferred income tax	12	-	-	12
Employee pension benefits:				
Pension contributions (c)	518	26	-	544
Pension re-measurements	392	-	-	392
Other employee benefits:				
Accumulating sick leave	23	-	-	23
Other post-employment benefits re-measurements	14	-	(1)	13
Supplemental pension re-measurements	19	-	(1)	18
Realized hedging transactions	67	-	(1)	66
Decommissioning liability	1	-	-	1
Allowance for expected credit losses	12	-	(1)	11
Cloud computing arrangements [1]	39	1	(1)	39
	$ 1,753	$ 48	$ (85)	$ 1,716
Regulatory deferral account (credit) balances				
Derivatives	$ -	$ (1)	$ -	$ (1)
Other employee benefits:				
Long-term disability contributions	(6)	-	2	(4)
Investment in preferred interests	(134)	(7)	-	(141)
Investment in equity-accounted investee	(4)	-	-	(4)
Realized hedging transactions	(1)	-	-	(1)
Lease offset	(1)	-	1	-
	$ (146)	$ (8)	$ 3	$ (151)

[1] The Company is deferring the impact of the implementation costs associated with cloud computing arrangements on the statements of operations by using regulatory accounting as approved by the Board, acting as rate regulator. These balances will be recovered over time by amortizing them over the terms of the cloud computing arrangements.

(millions of Canadian dollars)

5. Financial statement impact of regulatory accounting (continued)

(a) Regulatory Deferral Accounts (continued)

The table below shows the impact of rate stabilization adjustments and net movement in regulatory deferral accounts on net income (loss) for the three months ended November 30:

	2021	2020
Revenue	$ 345	$ 202
Operating expenses	337	309
Other (income) and expenses	24	31
Net loss, before net movement in regulatory deferral accounts	(16)	(138)
Rate stabilization adjustments (b)	(59)	42
Other regulatory deferral account adjustments:		
Employee benefit pension contributions	26	26
Other employee benefits	-	(1)
Investment in preferred interests, before tax	(7)	(2)
Allowance for expected credit losses	(1)	3
	18	26
Net movement in regulatory deferral accounts	(41)	68
Net loss, after net movement in regulatory deferral accounts	$ (57)	$ (70)

(b) Rate Stabilization Account

The rate stabilization account balance is comprised of operating deferrals. Should actual revenue exceed the Company's actual expenses, such excess is reflected as a credit to the rate stabilization account. Conversely, should actual revenue be less than actual expenses, such shortfall is reflected as a debit to the rate stabilization account. A debit balance in the rate stabilization account represents amounts recoverable through future customer service charges, while a credit balance represents amounts returnable through reductions in future customer service charges.

When establishing customer service charges, the Board considers the balance in the rate stabilization account, the extent to which operating costs are variable and available liquidity and sets the level as appropriate.

(millions of Canadian dollars)

5. Financial statement impact of regulatory accounting (continued)

(b) Rate Stabilization Account (continued)

The table below shows the net movements in the rate stabilization account for the three months ended November 30:

	2021	2020
Rate stabilization account debit balance, beginning of period	$ (656)	$ (255)
Variances from planned results:		
Revenue higher than planned	79	8
Operating expenses lower than planned	-	16
Other (income) and expenses lower than planned	5	2
Net movement in other regulatory deferral accounts	(4)	6
Total variances from planned results	80	32
Initial approved adjustment [(1)]	(21)	(74)
Net movement in rate stabilization account recorded in net income (loss)	59	(42)
Rate stabilization account debit balance, end of period	$ (597)	$ (297)

(1) In order to achieve breakeven results of operations after the application of rate regulated accounting, the Board approved the fiscal 2022 budget with an increase to the debit position of the rate stabilization account as a result of a planned shortfall of $85 (fiscal year ended August 31, 2021 (fiscal 2021) - $295), which will be reflected in the rate stabilization account evenly throughout the fiscal year.

(c) Pension Contributions

Included in regulatory deferral account debit balances as at November 30, 2021 is $544 relating to the recovery through customer service charges of pension contributions (August 31, 2021 - $518). The accrued pension benefit liability, net of regulatory deferrals was:

	November 30 2021	August 31 2021
Employee benefit liability	$ (902)	$ (876)
Less:		
Regulatory deferrals of non-cash adjustments	392	392
Benefit contributions less than benefit expense	$ (510)	$ (484)
Regulatory debit balances - recovery of contributions	$ 544	$ 518
Regulatory expense cumulatively less than contributions	$ 34	$ 34

(millions of Canadian dollars)

5. Financial statement impact of regulatory accounting (continued)

(c) Pension Contributions (continued)

The Company uses a regulatory approach to determine the net charge to net income (loss) for pension benefit costs for its funded plans. The objective of this approach is to reflect the cash cost of the funded pension plans in net income (loss) by recording an adjustment to the related regulatory deferral account. These regulatory adjustments are the difference between the pension benefit costs as determined by IAS 19 *Employee Benefits* and the annual going concern cash cost of the plan. Included in the regulatory deferral related to pension contributions of $544, is the recovery of $10 of solvency deficiency contributions of $44 paid in the fiscal year ended August 31, 2017. The remaining balance of $34 is expected to be recovered through future customer service charges. The funding of employee pension benefits as compared to the expense, net of regulatory adjustments, recorded in the consolidated statements of operations is summarized below.

	Three months ended November 30	
	2021	2020
Consolidated statements of operations		
Pension current service expense [1]	$ 45	$ 50
Net interest expense [1]	7	11
Less: Regulatory deferrals	(26)	(26)
Company cash pension contributions		
Going concern current service	$ 26	$ 35

[1] For the three months ended November 30, 2021, pension current service expense does not include $1 related to the Company's unfunded pension plan (three months ended November 30, 2020 - $1) and net interest expense does not include $1 related to the Company's unfunded pension plan (three months ended November 30, 2020 - $1).

6. Assets Held for Sale

As at November 30, 2021, the Company's investment in Searidge Technologies Inc. (Searidge) was classified as held for sale at its carrying value of $7 (August 31, 2021 – investment in equity-accounted investee of $7), as it was highly probable that the investment would be recovered through sale.

In connection with the pending sale, the loan receivable from Searidge of $5 was reclassified to current as at November 30, 2021 (August 31, 2021 – long-term receivable of $3).

The sale of the Company's investment in Searidge was completed in December 2021 as was the repayment of the Company's loan to Searidge.

(millions of Canadian dollars)

7. Property, plant and equipment

Property, plant and equipment was comprised of the following:

	Land and buildings[1]	Systems and equipment	Assets under development	Total
Cost				
Balance at August 31, 2021	$ 341	$ 814	$ 122	$ 1,277
Additions	-	-	17	17
Disposals	(2)	(2)	-	(4)
Transfers	30	(8)	(22)	-
Balance at November 30, 2021	$ 369	$ 804	$ 117	$ 1,290
Accumulated depreciation				
Balance at August 31, 2021	$ 113	$ 447	$ -	$ 560
Depreciation	6	15	-	21
Disposals	(1)	(2)	-	(3)
Balance at November 30, 2021	$ 118	$ 460	$ -	$ 578
Carrying amounts				
At August 31, 2021	$ 228	$ 367	$ 122	$ 717
At November 30, 2021	$ 251	$ 344	$ 117	$ 712

(1) Included in Land and buildings is the right-of-use asset related to the Company's head office lease. Depreciation of $1 was recognized during the three months ended November 30, 2021 (three months ended November 30, 2020 - $1). The carrying amount as at November 30, 2021 is $2 (August 31, 2021 - $3).

(millions of Canadian dollars)

8. Intangible assets

Intangible assets were comprised of the following:

	Air navigation right	Purchased software	Internally developed software	Assets under development	Total
Cost					
Balance at August 31, 2021	$ 702	$ 171	$ 289	$ 32	$ 1,194
Additions	-	-	-	6	6
Transfers	-	-	11	(11)	-
Balance at November 30, 2021	$ 702	$ 171	$ 300	$ 27	$ 1,200
Accumulated amortization					
Balance at August 31, 2021	$ 175	$ 107	$ 132	$ -	$ 414
Amortization	7	2	7	-	16
Balance at November 30, 2021	$ 182	$ 109	$ 139	$ -	$ 430
Carrying amounts					
At August 31, 2021	$ 527	$ 64	$ 157	$ 32	$ 780
At November 30, 2021	$ 520	$ 62	$ 161	$ 27	$ 770

(millions of Canadian dollars)

9. Financial instruments and financial risk management

Summary of financial instruments

The following table presents the carrying amount of the Company's financial instruments, by classification category and includes the fair value hierarchy classification for each financial instrument as defined in note 15 of the 2021 annual financial statements. Excluding long-term debt, the carrying amount approximates the fair value of all of the Company's financial instruments.

	November 30, 2021		
	Amortized Cost	FVTPL	Fair value hierarchy
Financial assets			
Cash and cash equivalents	$ 335	$ -	
Accounts receivable and other	121	-	
Current investments			
Debt service reserve fund	74	-	
Other current assets			
Loan receivable (1)	5	-	
Investment in preferred interests (2)	-	306	Level 3
Long-term receivables (3)	103	-	
	$ 638	$ 306	
Financial liabilities			
Trade and other payables			
Trade payables and accrued liabilities	$ 198	$ -	
Other current liabilities			
Derivative liabilities (4)	-	1	Level 2
Long-term debt (including current portion)			
Bonds and notes payable (5)	2,512	-	Level 2
	$ 2,710	$ 1	

(millions of Canadian dollars)

9. Financial instruments and financial risk management (continued)

Summary of financial instruments (continued)

	August 31, 2021				
		Amortized Cost		FVTPL	Fair value hierarchy
Financial assets					
Cash and cash equivalents	$	319	$	-	
Accounts receivable and other		105		-	
Current investments					
Debt service reserve fund		73		-	
Investment in preferred interests [2]		-		299	Level 3
Long-term receivables [1], [3]		116		-	
	$	613	$	299	
Financial liabilities					
Trade and other payables					
Trade payables and accrued liabilities	$	201	$	-	
Other current liabilities					
Derivative liabilities [4]		-		1	Level 2
Long-term debt (including current portion)					
Bonds and notes payable [5]		2,512		-	Level 2
	$	2,713	$	1	

(1) During the three months ended November 30, 2021, the Company loaned an additional $2 to Searidge. The loan receivable of $5 was reclassified to current as at November 30, 2021 (August 31, 2021 – long-term receivable of $3) and was subsequently repaid, as discussed in note 6.

(2) This instrument is recorded at fair value based on the valuation technique described in note 12 of the 2021 annual financial statements.

(3) Long-term receivables include $102 of deferred payments related to the September 1, 2020 customer service charge increase as described in note 15 (b) of the 2021 annual financial statements (August 31, 2021 - $112).

(4) Current and non-current derivative liabilities are recorded at fair value determined using prevailing foreign exchange market rates and interest rates at the reporting date.

(5) The fair value of the Company's bonds and notes payable are classified as Level 2 in the fair value hierarchy as they are determined using secondary market asking prices at the reporting date. As at November 30, 2021, the fair value was $2,643 (August 31, 2021 - $2,722), inclusive of accrued interest of $21 (August 31, 2021 - $26).

There have been no transfers between levels of the fair value hierarchy since August 31, 2021.

(millions of Canadian dollars)

9. Financial instruments and financial risk management (continued)

Level 3 financial instruments

The following table summarizes the changes in the fair value of the Company's investment in preferred interests of Aireon LLC (Aireon), which is classified as Level 3:

	Investment in preferred interests
Fair value as at August 31, 2021	$ 299
Net increase in fair value [1]	3
Effect of foreign exchange [2]	4
Fair value as at November 30, 2021	$ 306

[1] Net increase in fair value includes accrued dividend income and is included in finance income.

[2] Included in other within other (income) and expenses.

For the fair value of the investment in preferred interests of Aireon, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on net income (loss):

	Increase	Decrease
Number of years over which cash flow is expected (change of 1 year)	$ (38)	$ 32
Risk-adjusted discount rate (1% movement (100 basis points))	$ (32)	$ 38

Financial risk management

The Company is exposed to several risks as a result of holding financial instruments, including interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk. The Company's exposure to financial risks and how the Company manages each of those risks are described in note 15 (a)-(c) of the 2021 annual financial statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended November 30, 2021, except as noted below.

(a) Liquidity risk

Separate from the Company's syndicated credit facility are letter of credit facilities for pension funding purposes which increased to $804 as at November 30, 2021 (August 31, 2021 - $621). Two of the facilities totaling $400 will mature on December 31, 2022 and two facilities totaling $410 will mature on December 31, 2023, unless extended. As at November 30, 2021, $619 was drawn for pension solvency funding purposes.

(millions of Canadian dollars)

10. Commitments

The following table presents a maturity analysis of the Company's undiscounted contractual cash flows for its financial liabilities, capital commitments and lease liabilities as at November 30, 2021:

	Remaining payments – for years ending August 31						
	Total	2022	2023	2024	2025	2026	Thereafter
Trade payables and accrued liabilities	$ 181	$ 181	$ -	$ -	$ -	$ -	$ -
Derivative liabilities	1	1	-	-	-	-	-
Long-term debt (including current portion) [1], [2]	2,525	25	25	225	25	325	1,900
Interest payments [2]	1,384	56	80	78	75	72	1,023
Capital commitments	113	52	14	12	8	5	22
Lease liability	2	2	-	-	-	-	-
Future lease liability [3]	59	-	2	3	3	3	48
Related party loan [4]	14	14	-	-	-	-	-
	$ 4,279	$ 331	$ 121	$ 318	$ 111	$ 405	$ 2,993

[1] Payments represent principal of $2,525. The Company may choose to repay a portion of these maturities with available cash and/or may increase the size of a re-financing to generate additional liquidity or for other purposes, and/or may choose to redeem in whole or in part an issue in advance of its scheduled maturity.

[2] Further details on interest rates and maturity dates on long-term debt are provided in note 13 of the 2021 annual financial statements.

[3] The Company has entered into a commitment for the lease of head office space commencing in the fiscal year ending August 31, 2023. The annual commitment is approximately $3 with a term of 20 years. The current head office lease is set to expire on October 31, 2022.

[4] The Company has an agreement with Aireon to provide a subordinated loan up to a total of $14 CDN ($11 U.S.).