WINNIPEG
AIRPORTS AUTHORITY

Annual Report 2013

Leading Transportation Innovation & Growth

Winnipeg Airports Authority

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VISION

To lead transportation innovation and growth

MISSION

With our community, we provide excellent airport services and facilities in a fiscally prudent manner

VALUES

Respect
Integrity
Service
Excellence

STRATEGIC DIRECTIONS

Enhance Customer Service and Value
We will understand our customer needs and assure value through measurements relevant to them

Deliver and Operate Excellent Facilities and Services
We will deliver safe, secure and environmentally sound facilities and services incorporating universal design principles

Expand Air Service to and from Winnipeg
To improve Manitoba's link to the world, we will build on our 24 hour access and our intermodal connectivity

Be an Effective Community Partner
We will be a source of pride for our community and a leader in its growth and development

Develop and Realize Employee Potential
Our team attracts and inspires excellence. We have engaged employees, with the right skills, in the right place at the right time

Develop New Revenue Streams
Through business development initiatives, we will seek opportunities that will enhance and diversify our revenue streams

WAA conducts business as would any other private company - it invests, borrows, takes calculated risks and innovates.

– Garth Smorang
Board Chair

A MESSAGE FROM THE BOARD CHAIR

It has now been two decades since we first began discussions with the federal government over transferring critical airport infrastructure to local control, with a vision for enhanced regional economic benefits. Although full responsibility for the operation and financing of the facilities by Winnipeg Airports Authority (WAA) commenced in 1997, we still encounter some confusion regarding the roles and relationships of those involved in providing these important services here in our province.

WAA operates as a community based, non-share Capital Corporation which is managed by a board of directors all based in Manitoba. Our operations are no longer funded nor controlled by the federal government. As a financially self-sustaining corporation, WAA conducts business as would any other private company - it invests, borrows, takes calculated risks and innovates.

As a governance board, it is therefore critical that we use our collective knowledge to set goals and provide direction to the management of WAA, while allowing their team to use their expertise to deliver results. This year, the Board of Directors held a bi-annual strategic board planning session. We provided clear direction for future WAA planning, focusing the Company on three key pillars: revenue diversification, network development and developing our gateway to the north.

As we move forward and evolve, we undergo change in our Board membership. I would like to thank Sandy Riley who concluded his term in 2013. On behalf of all members of the Board, we sincerely appreciate all he has contributed to WAA during his years of service. With every departure, comes a new arrival, and I would like to welcome aboard Don Price who was nominated by the City of Winnipeg. We look forward to his contribution and to his fresh perspective.

It is my pleasure to continue to serve as Chair of the Board of Directors, and I look forward to an exciting year of growth and development ahead. On behalf of the Board, I would like to thank Barry Rempel and his hard working team for their continued commitment and dedication to the goals of WAA.

Sincerely,

Garth Smorang

A MESSAGE FROM THE PRESIDENT & CEO

2013 has proven to be another exciting year on many fronts.

We will look upon 2013 fondly as an award winning year. WAA was honoured to have been named one of Manitoba's Top 25 Employers for the third year in the row, and one of Canada's top 100 employers. Among the recognition received, Winnipeg Richardson International Airport was named one of the 10 Most Stylish Airports in the World by Fodor's Travel, while WAA itself was named Winnipeg Tourism Business of the Year and given the Winnipeg Accessibility Award.

While gratefully receiving this public recognition, our team was hard at work implementing our plan for the future. This clarity of direction, arising from the biennial Board Planning sessions was approved by our Board in June. It is an evolution of our strategic direction based on the three key pillars of revenue diversification, network development and developing our gateway to the north. Addressing these will be critical to ensuring our ability to continue delivering the facilities and services important to our customers and community.

Your Airports Authority remains committed to developing the airport campus to its fullest potential. We have been working with our partners, both on and around the campus, to ensure the airport truly acts as an accelerator of growth for the region's economic clusters. We are also working with the broader community, government and particularly the City of Winnipeg and Economic Development Winnipeg, in creating a 'Connected City' with appropriate policy to grow the region's economic base.

Over the years, the development around the campus has become much more than being about runways and terminals. As others join us to build on the city's transportation heritage, the heart of those assets continues to grow as a hub for domestic, transborder and international cargo, creating employment opportunities while continually developing new options to meet your personal or business travel needs. With over 3.5 million passengers and nearly 175,000 tons of cargo, the airport today is responsible for nearly 20,000 jobs, and with $1.6B in economic output, continues to be a major economic driver for our community.

All of this is possible because of the many dedicated aviation professionals working with our team at WAA, who daily put their heart and soul into doing their best to ensure we meet your expectations for the connectivity you require.

Sincerely,

Barry Rempel

Your Airports Authority remains committed to developing the airport campus to its fullest potential.

– Barry Rempel
President & CEO

MESSAGE FROM MANAGEMENT

Economic Conditions

The Canadian economy continues to slowly expand but does rely heavily on the world economic demand for base materials. In particular the speed of economic recovery in the United States drives consumer confidence, business confidence and hence the propensity to travel. Demand for air travel to/from Winnipeg remains strong yet remains constrained by the limited seat capacity available to consumers as carriers predominantly focus on their hubs to deploy incremental capacity. As load factors soar to record highs, carriers have commenced adding capacity into this market and the outlook is favorable for 2014 and beyond.

Relationship with Transport Canada and Governance

Winnipeg Airports Authority Inc. (the "Company") is party to a long term Ground Lease with the Government of Canada which provides the right for the Company to operate, maintain and develop the Winnipeg James Armstrong Richardson International Airport. Annually, Transport Canada performs a lease monitoring review to ensure the Company is in compliance with the key terms of this Ground Lease. The 2013 results of this review indicate the Company is managing the assets appropriately and remains substantially in compliance with the provisions of the Ground Lease.

In return for the right to operate, maintain and develop the airport, the Company pays rent to the Government of Canada based on a percentage of revenue. For 2013 the Ground Lease rent paid was $6.4 million (2012 - $6.0 million).

Honours and Awards

The Company was pleased to be awarded the City of Winnipeg Accessibility Award during the year along with being Winnipeg Tourism Business of the Year. The Company was also one of the Top 25 Employers for 2013 in Manitoba and one of the Top 100 Employers in Canada.

In addition, the air terminal building continues to win awards around the globe for its function and style, including the announcement this year that Fodor's Travel named it one of the Most Stylish Airports in the world.

Winnipeg Airport Services Corp.

Winnipeg Airport Services Corp. ("WASCO") is a wholly owned subsidiary of Winnipeg Airports Authority Inc. WASCO has investments in other entities including 5388946 Manitoba Ltd., Churchill Transportation Inc., Compass Transportation Consultants Ltd. and Nunavut Airport Services Ltd.

In 2013, Nunavut Airport Services Ltd. was awarded a long term contract by the Government of Nunavut to operate the Iqaluit International Airport beginning in July of 2014. This project is a key development for Canada's North, especially given the reliance placed on the airport for the flow of people and goods in and out of the territory.

WASCO is also performing airport maintenance services at the Kelowna International Airport under a five year contract.

WINNIPEG RICHARDSON INTERNATIONAL AIRPORT

Passenger Traffic

The passenger air carriers operating in Winnipeg experienced very high load factors resulting from capacity discipline initiatives implemented, especially on domestic and transborder flights. Fares have also increased as a result, although demand continues to be robust and carriers began adding capacity late in 2013. International passengers were up to an all-time high in 2013, with over 168,000 passengers traveling non-stop from Winnipeg to primarily Caribbean and Mexican destinations. With domestic traffic accounting for 82% of Winnipeg's total traffic, the increased capacity added late in 2013 should have a significant impact on total passenger traffic in the years ahead.

Carriers and Air Services

Air carriers operating services from Winnipeg were stable in 2013 with Air Canada and WestJet sharing about 80% of the traffic. On the transborder side, United Airlines and Delta Airlines continued to perform better in Winnipeg when compared to their global system statistics. Internationally, Sunwing continued its rapid growth in Winnipeg, while Air Transat, WestJet and Air Canada were stable in terms of capacity versus 2012.


Gerry Kopelow

Air Cargo

Winnipeg remains an important hub for Canadian express operators such as Purolator. In addition, FedEx increased its capacity in Winnipeg in August 2013, using an Airbus A-310F wide-body aircraft to link to its Memphis hub. In addition, the airport saw an increase in the number of flights to Canada's North, mainly led by resupply flights operated on behalf of Arctic Co-Operatives and The North West Company to Iqaluit, NU on First Air and Cargojet.

As a 24 hour airport, Winnipeg is the central Canada hub for integrated carriers, with non-stop service to most major Canadian cities every night. Air cargo capacity was up compared to the year prior and this trend is expected to continue as carriers update their fleet. On the international side, cargo activities continue to grow to most parts of the world, with commodities such as machinery parts, components and perishables being imported or exported to/from Manitoba.

Aircraft Movements

Passenger aircraft movements were down in 2013 by 4.66% for a total of 36,461. Contrasting this, cargo aircraft movements were up 2.66% for a total of 5,218 for the year. Airfield revenues are based on the tonnage of aircraft weight landed so changes in the size of aircraft and frequency of aircraft movements directly impacts the operating revenue of the Company.

Customer Experience

With a little over two years since the opening of the new air terminal building, customer experience was enhanced this year at the airport. Amongst other initiatives undertaken, music is now being played in the air terminal building to enhance the ambience for customers. This has been well received by customers and employees alike. After surveying customers throughout the year, the Company has also begun working on plans to improve the various service offerings in the air terminal building, including retail, food & beverage and other customer service enhancements.

The volunteer Goldwing and Silverwing team members are the Company's service ambassadors, walking throughout the air terminal building providing various services to the facility users and showcasing Manitoba's friendly attitude to all our guests.

The Hug Rug, located at the bottom of the escalator in the arrivals area, is a symbol of Manitoba's friendliness and a reminder to travellers and greeters of our very human need to connect with friends, colleagues and loved ones as they arrive in Winnipeg.

New Developments

In 2013, the Company began its work on updating the 20 year Master Plan and will spend a significant portion of 2014 consulting with the community and completing this important development planning document.

Safety and Security

Effective application of the most up to date protocols for safety and security are "table stakes" for airport operations. Our employees are focused on ensuring a secure environment which meets and exceeds the expectations of the travelling public, regulators and all users of the airport facility.

Partnering with multiple tenants and agencies, the Company conducted a live emergency exercise at the airport in May of 2013. The exercise allowed airport and emergency response personnel to review and practice emergency response procedures in a safe and controlled environment. The year's exercise simulated an airplane crash on the airfield with on-airport and off-airport emergency response vehicles and personnel participating in the rescue. The exercise also included the activation of a survivor's centre, a family centre and a reunification centre by Delta Airlines.

Customer Satisfaction

The Winnipeg Richardson International Airport is included as an integral part of Airports Council International (ACI) customer satisfaction program Airport Service Quality (ASQ). The airport has continued to score very highly. After being awarded "Best Improvement" recognition in 2012, the airport continues to achieve results placing it amongst the best in its category.

REAL ESTATE AND COMMERCIAL SERVICES

Real Estate

The Grand Winnipeg Airport hotel, located immediately across from the air terminal building, opened in the fall of 2013. This new hotel features state-of-the-art amenities for its guests while boosting hotel room capacity on the airport campus by nearly 100 rooms.

Commercial Services

Arriving at the airport in 2013, new retail services included a Best Buy Express kiosk. The International Currency Exchange (ICE) moved its transborder kiosk to a more prominent location, while its arrivals kiosk began selling Manitoba Lotteries tickets.

Transportation and Parking

Also during the course of 2013, special parking spots were designated near the air terminal building for short term and family parking. The Company also provides battery boosting during the cold weather months.

A new flat rate sedan service was established with a fleet of dedicated Lincoln MKZ vehicles. This new service has improved service quality and consistency of service for customers.

HUMAN RESOURCES AND COMMUNITY INVOLVEMENT

Employer of Choice

The Company was named as one of Manitoba's Top 25 Employers for the fourth year in a row. We are very proud of this achievement. Work-life balance was cited as key to the positive working environment with other highlights including flexible working hours, professional development courses, active community involvement, on-site gym facilities, a full benefits package and discounts at airport restaurants.

Employees

Full time permanent employees of the Company totalled 133 at the end of 2013. This is a decrease of one from 2012. In addition, 30 seasonal employees are hired each fall for winter operations including snow removal both airside and groundside. Part time employees are also utilized for information system trouble shooting in the air terminal building on a year round basis.

Labour Relations

In the summer and fall of 2013, the Company completed new collective bargaining agreements with each of its bargaining units. These new agreements will remain in effect until June of 2015 and June of 2016 respectively. Rate increases range from 2.0% to 2.65% over the terms of the agreements. The existing defined benefit pension plan was closed to new members and a new defined contribution plan was established effective September 1, 2013. In addition, the retirement allowance plan was curtailed as of December 31, 2013 with past benefits being paid out to employees over a two year period.

Community Involvement

The Company is committed to our community and pleased to be engaged with a number of charitable organizations. Encouraged as individuals to give back to our community, agencies are also supported by the Company directly. In 2013, a team of employees participated in The Great Canadian Shoreline Cleanup. Employees collected a total of 106kg of waste and recycling from a 1.25km segment of Omand's Creek along Empress Avenue.

For the past 18 years our employees have planted and harvested root vegetables in our "Harvest Garden". All produce is then donated to Winnipeg Harvest and provided to those in Winnipeg having the greatest need for fresh vegetables. In 2013 the Company issued a challenge to other community corporations to "Grow a Row" and this challenge was met by Red River College, Hilton Winnipeg Airport Suites, Manitoba Trucking Association, Graham Construction, 7 Eleven and Deanne Crothers, Member of the Legislative Assembly for St. James.

The Company's employees really get into the spirit of the Holiday Season each year by delivering hampers for the Christmas Cheer Board and participating in the Santa Claus parade with the 220 Red River Air Cadets.

In 2004 the Company initiated a "plane pull" as the kick off to the annual fund raising campaign of the Winnipeg United Way and we continue to be a key player in that activity. Our employees donated in excess of $36,000 and had fun raising awareness of the United Way benefits during a spirit week including a spelling bee, a trivia contest, a plane push contest, and a bake sale. The Company contributed an additional $25,000 to the cause.

The Firefighters Burn Fund continues to benefit with the net proceeds of the Company's annual charity golf tournament while one of our executive team members participated in the Downtown Biz fundraising "CEO Sleepout" in September 2013. Our airport firefighters also led a "boot drive" to raise funds for cancer research and held a fundraising casino night to benefit STARS (Shock Trauma Air Rescue Society).

Other local community events that were beneficiaries of the Company's activities include Dreams Take Flight, the RCAF Run and professional sports teams such as the Winnipeg Jets, the Winnipeg Blue Bombers football club, as well as Roar of the Rings in December, amongst others.

ENVIRONMENT

The Company has committed to the principles of sustainable development with the objective of minimizing the impacts on the environment from daily operations. We are committed to continuous improvement of environmental performance in a manner consistent with the Company's overall missions and goals. The Company is committed to maintaining appropriate corporate mechanisms to ensure sound environmental management of the Winnipeg Richardson International Airport.

Environmental Management System

The Company's Environmental Management System was designed using the principles and requirements of the *ISO 14001* standard and aims to:

- Continuously improve airport environmental performance by developing and implementing policies and mechanisms to reduce environmental impacts;
- Comply with all applicable environmental legislation established by federal, provincial, and municipal authorities;
- Encourage environmental responsibility, and increase day-to-day environmental awareness throughout the airport campus;
- Ensure effective communication between all staff regarding environmental issues.

Airport Advisory Committee on the Environment

The Committee is a forum to promote cooperation and effective communication between the community and the Company. Environmental matters related to airport operations and developments are addressed in a collaborative and open manner. The Committee is comprised of community representatives and technical advisors. Community representatives are nominated by federal, provincial and municipal elected officials from neighbourhoods surrounding the airport. Technical advisors include representatives from NAV CANADA, Transport Canada, Department of National Defense (17 Wing), City of Winnipeg, Manitoba Infrastructure and Transportation and the Company. In 2013, the Committee met three times with no serious issues or concerns brought forward by the members.

Environmental Reviews

As required under the *Canadian Environmental Assessment Act (CEAA 2012)*, the Company approved 67 projects to be carried out on Winnipeg Richardson International Airport lands in 2013. All projects were reviewed to determine their potential to cause adverse environmental effects. No approved project was determined to cause significant environmental effects. Mitigation measures were implemented for those projects determined to potentially cause minor environmental effects.

Waste and Recycling Management

The Company's Recycling Program includes recycling of the following standard and non-standard materials: paper, cardboard, metals (aluminum and tin), plastic, glass, waste oil, vehicle filters, waste antifreeze, consumer batteries, cell phones, writing instruments, vehicle batteries, metal commodities, electronic waste, wood pallets and glass bulbs.

Diverting Construction, Renovation and Demolition (CRD) waste from landfill was a priority for the Company when planning the deconstruction of the former air terminal building. The terminal was demolished in 2012 with a total of 30,796,000 kg of CRD waste collected. Of this total, 27,884,000 kg (or 90%) was diverted from landfill.

2013
FINANCIAL REVIEW

Financial Summary
(In thousands)

	2009	2010	2011	2012	2013
Revenue	$ 81,963	$ 79,727	$ 81,230	$ 87,512	$ 93,176
Operating expenses[1]	34,775	31,182	32,995	36,490	40,063
Ground lease rent	4,264	5,268	5,483	5,977	6,418
Earnings before interest, taxes & depreciation	42,924	43,277	42,752	45,045	46,695
Depreciation	6,346	5,969	13,356	30,656	31,585
Earnings[2]	36,578	37,308	29,396	14,389	15,110
Capital expenditures	$ 142,277	$ 118,858	$ 72,125	$ 32,464	$ 15,877

[1] – Operating expenses excluding ground lease rent and depreciation
[2] – Earnings before net finance expense and share of profit of associate

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company presents EBITDA, which is a financial measure with no standardized meaning under IFRS and therefore unlikely to be comparable to similar measure reported by other corporations. EBITDA provides additional information and should not be used as a substitute for other performance measures prepared in accordance with IFRS. Management uses EBITDA as an indicator to assess ongoing operational performance. The Company defines EBITDA as net income before finance expense, taxes and depreciation.

Operating Results
Total revenue of $93.2 million is an increase of $5.7 million or 6% over 2012. Airport Improvement Fees (AIF) accounted for $4.9 million of this increase or 86%. The rate of AIF increased on April 1, 2013 by $5.00 per originating enplaned passenger. Passenger volume reduced slightly for 2013 by 1.5% compared to 2012 levels at approximately 3.5 million enplaned and deplaned passengers. Airfield, passenger processing, concessions and groundside revenue items are driven partially by passenger volumes and partly by pricing and as a group showed an increase of $1.5 million over 2012. Leasing revenue was consistent with 2012 while other revenue declined by $0.7 million.

Operating expenses as a whole increased to $78.1 million from 2012's amount of $73.1 million, an increase of $5.0 million. This 6.8% change in expenses was driven primarily by increased costs of policing & security ($2.2 million), increased depreciation ($0.9 million) and increased salaries & benefits costs ($0.7 million).

Finance expense, net, increased to $32.5 million compared to $31.2 million for 2012. The net increase of $1.3 million is a result of additional interest on the issuance of Series E Revenue Bonds in April 2013 for $100 million, less increased investment income earned on the investment of the proceeds of the issuance.

Winnipeg Richardson International Airport - Departures Area

Investments and Financing

The Company issued $100 million Series E Revenue Bonds on April 14, 2013 with a coupon rate of 3.309%. These are 10 year bullet bonds with no principal repayments until maturity. The proceeds of the issuance, $99.2 million, was used to pay down a $10 million draw on the Company's revolving credit facility, with the remainder invested in a portfolio of medium term bonds and cash equivalents.

Also during 2013, the Company entered into a new revolving credit facility with its bank for a three year term up to a maximum draw of $70 million.

The Company's total long-term debt is now $646.3 million (2012 - $554 million) with varying interest rates and terms to maturity. The debt is a combination of interest only series of Revenue Bonds, amortizing series of Revenue Bonds, and other loan facilities. During 2013, the Company paid down $7.4 million in principal (2012 - $7.4 million) on this debt plus incurred $32.5 million of finance expense.

Capital Investments

Operating an airport is a very capital intensive endeavor. The largest financial assets of the Company are its property and equipment with a total net book value of $700.1 million (2012 - $718.2). During the year an additional $13.5 million was invested in improvements to buildings and new equipment (2012 - $32.2 million).

Cash Flow

Cash flow generated from operating activities was $15.3 million in 2013, an increase of $10.8 million over 2012. Investing activities in 2013 included expenditures on property and equipment of $13.5 million (2012 - $32.2 million) and an increase in investments of $60.2 million from the proceeds of the bond issuance. The Company undertook financing activities during the year with the net proceeds from the bond issuance plus new loan amounts on the Manitoba Industrial Opportunity loan totaling $99.4 million (2012 - $2.4 million). This was used partly to pay down the bank indebtedness of $10 million and make repayments of principal on long-term debt of $7.4 million (2012 - $7.4).

MANAGEMENT'S RESPONSIBILITY FOR

FINANCIAL REPORTING

Year ended December 31, 2013

The accompanying consolidated financial statements of Winnipeg Airports Authority Inc. have been prepared by management and approved by the Board of Directors of Winnipeg Airports Authority Inc.

Management is responsible for the preparation and representations contained in these financial statements and other sections of this Annual Report. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee comprised entirely of directors who are neither officers nor employees of the Company reviews the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited financial statements.

Winnipeg Airports Authority Inc. maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

Winnipeg Airports Authority Inc.'s independent auditors, PricewaterhouseCoopers LLP, have been appointed by the Members of the Authority to express their professional opinion on the fairness of these consolidated financial statements.

March 26, 2014

Barry W. Rempel
President and Chief Executive Officer

Catherine J. Kloepfer, CGA, FCA
Senior Vice President, Corporate Services and Chief Financial Officer

Consolidated Financial Statements of

Winnipeg Airports Authority Inc.

Year ended December 31, 2013

INDEPENDENT AUDITOR'S REPORT

March 26, 2013

To the Board of Directors of
Winnipeg Airports Authority Inc.

We have audited the accompanying consolidated financial statements of Winnipeg Airports Authority Inc. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Winnipeg Airports Authority Inc. and its subsidiaries as at December 31, 2013 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

CONSOLIDATED BALANCE SHEET

As of December 31

(In thousands of Canadian dollars)

	2013	2012 (revised note 3)
Assets		
Current:		
Cash and cash equivalents	$ 31,500	$ 9,586
Accounts receivable (note 6)	9,265	8,993
Prepaid expenses	665	534
Current portion of financing lease receivable (note 9)	28	26
Inventory	979	946
	42,437	20,085
Non-current:		
Property and equipment (note 7)	700,076	718,169
Restricted cash (note 5)	19,716	18,190
Investments (note 8)	60,213	-
Investments in associates (note 10)	2,684	2,461
Financing lease receivable (note 9)	7,042	7,071
Other assets	18,361	18,361
	$ 850,529	$ 784,337
Liabilities and Equity		
Current:		
Bank indebtedness (note 12)	$ -	$ 10,000
Accounts payable and accrued liabilities	19,261	19,330
Deferred revenue	728	885
Current portion of long-term debt (note 13)	7,690	7,349
	27,679	37,564
Non-current:		
Deferred income tax (note 17)	859	788
Post-employment benefits (note 15)	693	9,386
Long-term debt (note 13)	638,631	546,628
	$ 640,183	$ 556,802
Equity:		
Retained earnings	221,750	231,146
Accumulated other comprehensive loss (note 16)	(39,083)	(41,175)
	182,667	189,971
	$ 850,529	$ 784,337

Contingencies, commitments & guarantees (note 14)
The accompanying notes are an integral part of these financial statements

Director

Director

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31

(In thousands of Canadian dollars)

	2013	2012 (revised note 3)
Revenue:		
Airport improvement fees (note 11)	$ 34,154	$ 29,240
Airfield	16,680	16,291
Passenger processing	18,414	18,032
Concessions	3,119	3,087
Groundside	13,651	12,920
Leasing	6,070	6,113
Other	1,088	1,829
	93,176	87,512
Operating expenses:		
Salaries and benefits	16,066	15,384
Services and repairs	14,462	12,211
Supplies and equipment	2,915	2,753
Other	2,098	1,792
Utilities	2,327	2,175
Insurance	586	624
Ground lease rent (note 9)	6,418	5,977
Property taxes	1,609	1,551
Depreciation	31,585	30,656
	$ 78,066	$ 73,123
Income before investment income, net finance expense & income taxes	15,110	14,389
Share of profit of associate (note 10)	(223)	(289)
Net finance expense (note 13)	32,474	31,170
	(17,141)	(16,492)
Income tax expense of subsidiaries:		
Deferred (note 17)	71	84
	71	84
Net loss	$ (17,212)	$ (16,576)

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31
(In thousands of Canadian dollars)

	2013	2012 (revised note 3)
Net loss	$ (17,212)	$ (16,576)
Other comprehensive income:		
Items subsequently reclassified to profit or loss		
Recognition of loss on previously settled cash flow hedges	2,273	2,178
Realized gain on available for sale investments	-	(143)
Unrealized loss on available for sale investments	(181)	-
Items that will not be reclassified to profit or loss		
Employee benefit plan re-measurements (note 15)	7,816	(2,879)
Comprehensive loss	$ (7,304)	$ (17,420)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31
(In thousands of Canadian dollars)

	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity (revised note 3)
Balance – January 1, 2012	$ (43,210)	$ 250,601	$ 207,391
Net loss for the year	-	(16,576)	(16,576)
Other comprehensive income			
Realized gain on available for sale securities	(143)	-	(143)
Employee benefit plan re-measurements	-	(2,879)	(2,879)
Recognition of loss on previously settled cash flow hedges	2,178	-	2,178
Balance – December 31, 2012	$ (41,175)	$ 231,146	$ 189,971
Net loss for the year	-	(17,212)	(17,212)
Other comprehensive income			
Unrealized loss on available for sale securities	(181)	-	(181)
Employee benefit plan re-measurements	-	7,816	7,816
Recognition of loss on previously settled cash flow hedges	2,273	-	2,273
Balance – December 31, 2013	$ (39,083)	$ 221,750	$ 182,667

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended December 31

(In thousands of Canadian dollars)

	2013	2012 (revised note 3)
Operating activities:		
Net loss	$ (17,212)	$ (16,576)
Adjustments for:		
Depreciation	31,585	30,656
Deferred income taxes	71	84
Non-cash interest expense (note 13)	2,602	2,406
Post-employment benefit expense in excess of funding	(878)	(1,702)
Share of profit of associate	(223)	(261)
Change in non-cash operating working capital (note 21)	(662)	(10,124)
	15,283	4,483
Investing activities:		
Additions to property and equipment	(13,492)	(32,187)
Proceeds on disposal of property, plant and equipment	-	44
Additions to other assets	-	(277)
Increase in investments	(60,394)	-
Decrease in financing lease receivable	27	6
(Increase) decrease in restricted cash	(1,526)	7,120
Proceeds from available-for-sale financial assets	-	(143)
	(75,385)	(25,437)
Financing activities:		
(Repayment of) proceeds from bank indebtedness	(10,000)	10,000
Proceeds from long-term debt, net of financing costs	99,366	2,449
Repayment of long-term debt	(7,350)	(7,398)
	82,016	5,051
Increase (decrease) in cash and cash equivalents	21,914	(15,903)
Cash and cash equivalents, beginning of year	9,586	25,489
Cash and cash equivalents, end of year	$ 31,500	$ 9,586
Cash and cash equivalents:		
Cash on hand	$ 5,616	$ 9,586
Cash equivalents	25,884	-
Interest paid	30,095	29,058
Interest received	1,572	1,611

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements of

Winnipeg Airports Authority Inc.

Year ended December 31, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Governing Statutes and Nature of Operations:

Winnipeg Airports Authority Inc. (the "Company") is incorporated under Part II of the *Canada Business Corporations Act* as a corporation without share capital. The address of the Company and its principal place of business is 249 – 2000 Wellington Avenue, Winnipeg, Manitoba, Canada R3H 1C2.

The Company operates the Winnipeg James Armstrong Richardson International Airport (the "Airport"), and associated businesses in Winnipeg, Manitoba under a long-term lease with the Government of Canada for the benefit of the community. Net income is used to fund airport capital improvements.

The Company is governed by a maximum fifteen member Board of Directors of whom eleven members are nominated by the City of Winnipeg, the Rural Municipality of Rosser, Economic Development Winnipeg, the Winnipeg Chamber of Commerce, The Assiniboia Chamber of Commerce and the Federal and Provincial governments, with the remaining members appointed by the Board from the community at large.

2. Basis of Presentation:

The Company prepares its annual financial statements in accordance with Canadian generally accepted accounting principles as set out in the CPA Canada Handbook – Accounting ("CPA Handbook") which incorporates International Financial Reporting Standards ("IFRS"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 26, 2014, the date the Board of Directors approved the statements.

The IFRS that are effective for the first time for the financial year beginning on or after January 1, 2013 have been summarized in note 3.

3. Significant Accounting Policies:

The significant accounting policies used in the preparation of the consolidated financial statements are described below:

(a) Basis of Measurement:

These consolidated financial statements are prepared using the historical cost method, except for certain financial instruments measured at fair value, including available-for-sale investments. The historical cost is usually the fair value of the consideration given to acquire the assets.

(b) Principles of Consolidation:

The financial statements include the accounts of Winnipeg Airports Authority Inc. and its wholly-owned subsidiaries, Winnipeg Airport Services Corporation, 5388946 Manitoba Ltd., and Nunavut Airport Services Ltd. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All inter-company balances and transactions have been eliminated on consolidation.

(c) Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(d) Restricted Cash:

Restricted cash represents funds held by banks relating to debt service reserves and builder lien holdbacks. Payment of builder lien holdbacks occurs upon substantial completion of the specific project.

(e) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined according to the average cost method for replacement parts and according to the first in, first out method for bulk inventories.

(f) Leases:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included on the balance sheet as a finance lease obligation.

Finance lease payments are apportioned between financing costs and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financing costs are recognized immediately in the statement of operations, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a deferred liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

The Ground Lease is accounted for as an operating lease.

(g) Property and Equipment:

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Property and equipment include items such as improvements to leased land, runways, building and roadways. These assets will revert to Transport Canada upon the expiration or termination of the Ground Lease. No amounts are amortized longer than the lease term plus one renewal option.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates each part separately. Residual values, the method of depreciation and estimated useful lives of the assets are reviewed annually and adjusted if appropriate. Property and equipment are depreciated on a straight-line basis as follows:

Assets	Term
Airfield infrastructure	10 to 40 years
Buildings and other structures	5 to 40 years
Leasehold improvements	3 to 40 years
Vehicles, machinery and equipment	3 to 20 years

Assets under construction are not depreciated and are transferred to property and equipment when the asset is available for use.

Normal repairs and maintenance are expensed as incurred. Expenditures constituting enhancements to the assets by way of change in capacity or extension of useful lives are capitalized.

(h) Borrowing Costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in financing costs in the period in which they are incurred.

(i) Investment in Associates:

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding between 20% and 50%. The Company uses the equity method of accounting for investments in associates over which it has significant influence. The original investment is initially recorded at cost, and is subsequently increased or decreased to account for the Company's share of comprehensive income or loss of the investee company and is reduced by dividends received.

(j) Impairment:

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The Company assesses at each year-end whether there is any objective evidence that its investments in associates are impaired. If so, the carrying value of the Company's share of the underlying assets of associates is written down to its net recoverable amount (being the higher of fair value less costs of disposal and value in use) and the loss is charged to the consolidated statement of operations.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

With the exception of available-for-sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss in the period it arises to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(k) Revenue Recognition:

Revenue is recognized when it is probable that the economic benefits will flow to the Company and the related service has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

The Company's principal sources of revenues are comprised of revenue from the rendering of aeronautical activities, commercial activities, airport improvement fees, real estate and other activities.

Airfield, passenger processing and groundside revenue are recognized as the airport facilities are used. Airport improvement fees are accrued based on the enplanement of passengers and are subject to reconciliation with the air carriers. Concession revenue is earned on a monthly basis and is recognized based on a percentage of sales or specified minimum rent guarantees. Leasing revenue is recognized straight-line over the duration of the respective agreements.

(l) Defined Benefit Obligations:

The Company sponsors defined benefit pension plans and other post-employment benefit plans on behalf of its employees. The benefits are based on years of service and indexed to the employee's compensation during the five best consecutive years' earnings.

The cost of pensions, other post-retirement and post-employment benefits earned by employees is actuarially determined annually as at December 31. The cost is determined using the projected unit credit method and assumptions including market interest rates, salary escalation, retirement ages of employees, mortality rates, and health care costs. Past service costs are recognized immediately in income. Gains and losses on curtailments or settlements are recognized in the period in which the curtailment or settlement occurs. Net actuarial gains and losses are recognized immediately in other comprehensive income and deficit without subsequent reclassification to income. The current service cost and recognized element of any past service cost of employee benefits expense is recorded in salaries and benefits. The interest arising on the net benefit obligations are presented in finance expense relating to employee benefits.

Certain of the Company's pension plans are subject to minimum funding requirements. The liability in respect of minimum funding requirements is determined using the projected minimum funding requirements, based on management's best estimates of the actuarially determined funded status of the plan, market discount rates and salary escalation estimates. The liability in respect of the minimum funding requirement and any subsequent re-measurement of that liability are recognized immediately in other comprehensive income and deficit without subsequent reclassification to income.

Where a deep market for high quality corporate bonds exists, the discount rate applied in arriving at the present value of the net defined benefit asset or liability represents yields on high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. In the absence of a deep market for such corporate bonds, a government bond yield is used.

The amount recognized in the balance sheet at each year end reporting date represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded. The Company's funding policy is in compliance with statutory regulations.

(m) Financial Instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial assets and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

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
- Level 3 valuation techniques with significant unobservable market parameters

All financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale and other financial liabilities. Initial measurement of financial instruments is at fair value, subsequent measurement of financial instruments depends on their initial classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading.

The Company's cash and cash equivalents, restricted cash, accounts receivable and financing lease receivable are classified as loans and receivables. Bank indebtedness, accounts payable and accrued liabilities and long-term debt are classified as other liabilities. Investments in short-term notes and bonds have been classified as available-for-sale.

Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value in subsequent periods included in net income. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Company recognizes changes in fair value of loans and receivables only if realized or if impairment in the value of the financial asset occurs.

Financial assets and liabilities classified as available-for-sale are measured at fair value. Dividend and interest income on available-for-sale investments are recorded in net income when receivable. Changes in fair value are recorded in other comprehensive income (loss) until the investments are derecognized or impaired, at which time the amounts are recorded in net income.

Financing costs are included in the related long-term debt balances using the effective interest method.

Losses incurred upon the settlement of derivative contracts recognized as part of an effective hedging relationship are recorded in accumulated other comprehensive income (loss). These losses are recognized into income over the life of the previously hedged item. During the year, $2,273 (2012 - $2,178) of losses recorded in accumulated other comprehensive income were recognized in income as finance expense.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of operations.

(n) Direct Financing Lease Receivable:
Finance income related to the direct financing lease is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is composed of net minimum lease payments and unearned finance income.

(o) Other Assets:
Other assets consist of investments in real property development projects and are carried at cost.

(p) Income Taxes:
The Company is exempt from income taxes under Government of Canada legislation. The subsidiaries are taxable corporations and follow the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized based on expected future tax consequences of differences between the carrying amount of the balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(q) Provisions:
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is managements' best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to settle the Company's present obligation.

Provisions for litigation and claims are recognized in cases where legal actions, proceedings and other claims are pending or may be instituted or asserted in the future against the Company which are a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required for the settlement and a reliable estimate of the obligation amount can be made.

(r) New and Amended Standards Adopted by the Company:

The following new and amended standards have been adopted by the Company for the first time for the financial year beginning on or after January 1, 2013.

(i) The amendments to IAS 19 "Employee Benefits" make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosure for all employee benefits. Actuarial gains and losses have been renamed re-measurements and the Company continues to recognize these within other comprehensive income. The net finance cost for a defined benefit pension plan is now computed based on the application of the discount rate to the net defined benefit pension plan asset or liability at the start of the annual period, taking into account any anticipated changes during the upcoming period as a result of contributions and benefit payments and also reflects the impact of any pension asset ceiling adjustments. The net finance cost is shown within either finance income or finance expense depending on whether the defined benefit pension plan was in an asset or liability position at the start of the annual period. Previously, the expected return on defined benefit pension plan assets was based on historical and projected rates of return for each asset category measured by the Company over a four-year time period and presented in finance income. Pension plan administration costs, other than the costs of managing pension plan assets, are now recorded as part of the current service cost in the statement of income. These costs were previously deducted from the actual return on defined benefit pension plan assets. The amended standard was implemented commencing January 1, 2013.

With retrospective application of the amended standard as at January 1, 2013, restated net income for 2012 is lower than originally reported under the previous accounting standard. The decrease arises from net financing expense relating to the pension benefit liability which is calculated using the discount rate used to value the benefit obligation. As the discount rate is lower than the expected rate of return on plan assets, financing expense increases as the interest attributable to plan assets declines. The difference between the actual rate of return on plan assets and the discount rate is included in 'other comprehensive income' (OCI) as a re-measurement.

The amended standard also accelerates the recognition of past service costs whereby they are recognized in the period of a plan amendment, irrespective of whether the benefits have vested. The impact of this change is reflected as an increase in equity and a decrease in post-employment benefits liability of $100 at January 1, 2012.

In the 2013 annual consolidated financial statements, the 2012 comparative figures are revised as follows: salaries and benefits expense increased by $355 from $15,029 to $15,384, and net finance expense increased by $161 from $31,009 to $31,170 with corresponding employee benefit plan re-measurement gains of $516 recorded within other comprehensive income. The net impact on total comprehensive income of these changes is nil.

(ii) Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in OCI on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The impact of this amendment has been reflected in the consolidated statement of comprehensive income.

(iii) IFRS 10 – Consolidation replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In accordance with the transitional provisions of IFRS, the Company reassessed the control conclusions for its investees and no changes were required.

(iv) IFRS 12 – Disclosure of Interest in Other Entities establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces additional disclosures addressing the nature of, and risks associated with, an entity's interests in other entities. The disclosure of the Company's interests in other entities is disclosed in note 10.

(v) IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards. This standard is effective for the accounting period beginning January 1, 2013. The Company's fair value disclosure is included in note 17.

(s) Future Changes in Accounting Policies:
Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

(i) IFRS 9 – Financial Instruments, issued in November 2009, addresses classification and measurement of financial assets. It replaces the category and measurement models in IAS 39 for debt instruments with a new model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses remain in accumulated comprehensive income. The previously announced effective date of IFRS 9 of January 1, 2015 has been deferred to a later date.

4. Critical Accounting Judgments and Estimates:

In applying the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

(a) Depreciation of Property and Equipment:
Critical judgments are utilized in determining depreciation rates and useful lives of property and equipment. Depreciation is calculated to write off the cost, less estimated residual value, of property and equipment on a straight-line basis over expected useful lives. Estimates of residual value and useful lives are based on data and information from various sources including vendors, industry practice and Company-specific history. A change in any of the significant assumptions or estimates could result in a material change in the depreciation amount.

(b) Provisions:
The determination of a provision is based on the best available information. Such estimates are subject to change based on new information. The Company provides for anticipated settlement costs where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute, and legal and other expenses arising from claims against the Company. Provisions, if required, take into account the relevant facts and circumstances of each matter and the consideration of any legal advice obtained. For further information on outstanding claims and litigation matters see note 14.

(c) Post-Employment Benefit Obligations:
The Company accounts for pension and other post-employment benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including discount rates, expected salary increases and mortality rates. Actual results may differ from results which are estimated based on assumptions.

(d) Leases:
The Company accounts for its Ground Lease as an operating lease. In consideration of the terms of the lease, the Company has concluded that the agreement does not transfer substantially all of the risks and rewards of the leased item to the Company. The agreement shows that the risks and rewards are substantially retained by the Lessor.

5. Restricted Cash:

		2013		2012
Debt service reserve	$	19,039	$	17,512
Construction holdback		677		678
Total restricted cash	$	19,716	$	18,190

Under the terms of a Master Trust Indenture, the Company is required to maintain a debt service reserve to cover principal and interest payments to be made on the long term bonds (note 13 (a)).

6. Accounts Receivable:

		2013		2012
Trade accounts	$	8,598	$	5,048
Other receivables		677		3,945
Total restricted cash	$	9,265	$	8,993

Accounts receivable of $91 (December 31, 2012 - $1,599) were considered past due but not considered impaired. These amounts relate to a number of customers with no recent history of default.

The aging of the trade accounts receivables is as follows:

		2013		2012
1 – 120 days	$	8,507	$	3,449
121 + days		91		1,599
Total balance	$	8,598	$	5,048

Changes in the allowance for doubtful accounts are as follows:

		2013		2012
Balance, beginning of year	$	-	$	-
Provision for new doubtful accounts		17		9
Amounts written off during the year		-		(9)
Amounts recovered during the year		-		-
Balance, end of year	$	17	$	-

7. Property and Equipment:

		Vehicles Machinery & Equipment		Airfield Infrastructure		Buildings & Other Structures		Leasehold Improvements		Construction in Progress		2013 Total
Gross Value												
Balance, January 1, 2013	$	26,442	$	88,954	$	564,064	$	118,789	$	11,891	$	810,140
Additions		2,293		138		-		-		11,061		13,492
Transfers		-		2,940		6,996		-		(9,936)		-
Disposals		-		-		-		-		-		-
At December 31, 2013	$	28,735	$	92,032	$	571,060	$	118,789	$	13,016	$	823,632
Accumulated Depreciation												
Balance, January 1, 2013	$	11,585	$	15,886	$	42,426	$	22,074	$	-	$	91,971
Depreciation		1,690		3,995		25,126		774		-		31,585
Disposals		-		-		-		-		-		-
At December 31, 2013	$	13,275	$	19,881	$	67,552	$	22,848	$	-	$	123,556
Net Value at												
December 31, 2013:	$	15,460	$	72,151	$	503,508	$	95,941	$	13,016	$	700,076

		Vehicles Machinery & Equipment		Airfield Infrastructure		Buildings & Other Structures		Leasehold Improvements		Construction in Progress		2012 Total
Gross Value												
Balance, January 1, 2012	$	23,734	$	86,477	$	544,797	$	118,789	$	4,315	$	778,112
Additions		2,867		463		-		-		28,857		32,187
Transfers		-		2,014		19,267		-		(21,281)		-
Disposals		(159)		-		-		-		-		(159)
At December 31, 2012	$	26,442	$	88,954	$	564,064	$	118,789	$	11,891	$	810,140
Accumulated Depreciation												
Balance, January 1, 2012	$	10,231	$	13,953	$	15,944	$	21,302	$	-	$	61,430
Depreciation		1,469		1,933		26,482		772		-		30,656
Disposals		(115)		-		-		-		-		(115)
At December 31, 2012	$	11,585	$	15,886	$	42,426	$	22,074	$	-	$	91,971
Net Value at												
December 31, 2012	$	14,857	$	73,068	$	521,638	$	96,715	$	11,891	$	718,169

8. Investments:

		2013		2012
Short-term notes	$	10,335	$	-
Provincial bonds		15,742		-
Corporate bonds		33,587		-
Accrued income		549		-
Total investments	$	60,213	$	-

Coupon rates on investments range from 0.961% to 5.505% and have terms to maturity ranging from 2014 to 2018.

9. Leases:

Operating Leases:
The Company as lessee: The airport facilities are rented under a long-term lease entered into on December 31, 1996 with Transport Canada. On January 1, 1997, the Company assumed the expenditure contracts and became the beneficiary of the revenue contracts in effect at that time. The lease is for a fixed term of 60 years and can be terminated only in the event of default. The Company has exercised an option to renew the lease for a further period of 20 years. The lease is on an “absolute net” basis allowing the Company peaceful possession of the leased premises. The associated rent expense relating to this lease is subject to a calculation based on actual revenues of the Company each year.

The estimated ground lease rent payments for the next five years are as follows:

2014	$	6,841
2015		7,012
2016		7,491
2017		7,814
2018		8,099

The Company as lessor: The Company leases out, under operating leases, land and certain assets that are included in property and equipment. Many leases include renewal options, in which case they are subject to market price revision. The lessee does not have the possibility to acquire the leased assets at the end of the lease.

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

2014	$	6,119
2015		6,302
2016		6,491
2017		7,186
2018		7,402

Finance Leases:

The Company as a lessee: Finance lease obligations which the Company has entered into are described in note 13. The net book value of those assets included in property and equipment and associated with capital lease obligations is $3,881 (2012 - $4,114).

The Company as a lessor: The Company's net investment in the financing lease is:

	2013	2012
Total minimum lease payments receivable	$ 22,528	$ 23,052
Unearned interest income	15,458	15,955
	7,070	7,097
Current portion	28	26
	$ 7,042	$ 7,071

10. Investments in Associates:

	2013	2012
Investment in an affiliated company:		
Equity accounted investment	$ 2,116	$ 1,893
Preference shares	568	568
Balance, end of year	$ 2,684	$ 2,461

Preference shares have a 5% per annum cumulative dividend rate calculated on the issue price of the 568,092 preference shares of $568,092. The Company holds a put option to require the affiliated company to purchase the shares which is exercisable at any time on or after March 1, 2015. The option expires and terminates upon the date of completion of an initial public offering of the shares of the affiliated company. The price to be paid for the common shares is generally equal to the fair market value at that time. The price to be paid for the preference shares is equal to the redemption value of $1 per share.

Name of Entity	Principal Activity	Place of Incorporation	Ownership %
SRG Security Resource Group Inc.	Security Services	Canada	35%
Churchill Transportation Inc.	Airport Operations	Canada	50%
Compass Transportation Consultants Ltd.	Consulting	Canada	45%

Summarized financial information in respect of the Company's associates is set out below:

	2013	2012
Financial Position:		
Total assets	$ 5,888	$ 5,795
Total liabilities	1,163	1,689
Company's share of associates' net assets	1,654	1,437
Financial Performance:		
Total sales and other revenues	14,514	14,470
Total profit (loss) for the year	635	747

Primarily all of the carrying value of the investments in associates relates to SRG Security Resource Group Inc. During the year, the Company received $28 dividends (2012 - $28).

11. Airport Improvement Fees:

The Company charges Airport Improvement Fees (AIF) per local boarded passenger through an agreement with the Air Transport Association of Canada and major air carriers serving the Airport. Effective April 1, 2013, the AIF increased from $20 to $25. AIF revenue is collected by the airlines for the benefit of the Company and is recorded net of a 6 percent handling fee. AIF revenues are used to pay for airport infrastructure development and related financing costs as jointly agreed with air carriers operating at the airport.

12. Bank Indebtedness:

The Company has authorized credit facilities with a Canadian chartered bank. Under the credit facilities the Company is provided with a revolving credit facility in the amount of $70 million. These facilities are secured under the Master Trust Indenture (note 13). They are available by way of overdraft, prime rate loans, or bankers' acceptances. As at December 31, 2013, the Company has not drawn on these facilities (December 31, 2012 - $10,000).

13. Long-Term Debt:

	2013	2012
Revenue bonds series A, 5.205%, due September 28, 2040, semi-annual blended principal and interest payments of $8,221 payable March 28 and September 28 of each year until maturity	$ 234,722	$ 238,573
Revenue bonds series C, 4.569%, due November 20, 2019, interest payable semi-annually on May 20 and November 20 of each year until maturity	124,207	124,110
Revenue bonds series D, 6.102%, due November 20, 2040, interest payable semi-annually on May 20 and November 20 of each year until maturity, semi-annual blended principal and interest payments commenced on May 20, 2011	166,533	168,889
Revenue bonds series E, 3.039%, due April 13, 2023, interest payable semi-annually on April 14 and October 14 of each year until maturity	99,293	-
Manitoba Industrial Opportunity Program	18,167	18,361
Finance lease obligation	3,247	3,816
Deferred lease payments	152	228
	646,321	553,977
Current portion	7,690	7,349
	$ 638,631	$ 546,628

(a) Revenue Bonds:

On April 14, 2013, the Company issued $100 million of privately placed bonds to finance capital expenditures. The bonds are designated as Series E and are 10 year bullet bonds with a semi-annual payment consisting of interest only at a rate of 3.039% per annum.

The revenue bonds are direct obligations of the Company ranking pari passu with all other indebtedness issued under a Master Trust Indenture (MTI). All indebtedness, including indebtedness under bank credit facilities are secured under the MTI by assignment of revenue and related accounts receivable, a security interest in money in the investment of debt service reserve and certain accounts of the Company, and an unregistered mortgage of the Company's leasehold interest in the Airport.

Pursuant to the terms of the MTI, the Company is required to establish and maintain with a trustee a debt service reserve (note 5) with a balance at least equal to 50 percent of annual debt service costs. These trust funds are held for the benefit of the bond holders for use and application in accordance with the terms of the MTI. In addition the Company is required to maintain an operating and maintenance reserve of approximately $19 million. The operating and maintenance reserve may be satisfied by cash, letter of credit or the availability under a committed credit facility.

(b) Finance Lease Obligation:

The Company leases certain equipment with an effective interest rate of 3.7 percent over a five year term ending in 2017.

(c) Manitoba Industrial Opportunity Program (MIOP) Loan:

The loan is unsecured, and repayable to the Province of Manitoba in equal monthly installments over 32 years, at 5.875 percent interest.

(d) Deferred Lease Payments:

In accordance with an amendment to the Ground Lease Agreement (note 8), the Government of Canada deferred lease payments of $762. The deferred lease payments are repayable without interest on a straight line basis over a ten year period ending January 1, 2016.

(e) The Future Annual Principal Payments of Long-Term Debt are as follows:

2014	$	7,690
2015		8,079
2016		9,068
2017		8,753
2018		8,567
Total thereafter		604,164

(f) Net Financing Expense:

		2013		2012
Revenue bond interest	$	33,773	$	31,622
Other interest and financing costs		1,374		1,377
Interest income		(2,673)		(1,829)
	$	32,474	$	31,170

Revenue bond interest includes non-cash interest of $2,602 (2012 - $2,406) due to the amortization of deferred financing costs and settled cash flow hedges.

14. Contingencies, Commitments and Guarantees:

(a) Ground Lease Agreement:

The operating lease for the Airport requires the Company to calculate rent payable to the Landlord utilizing a formula reflecting annual airport revenues.

(b) Development:

At December 31, 2013, the Company had outstanding contractual construction commitments amounting to approximately $ 2.1 million (December 31, 2012 - $3.1 million).

(c) Contingencies:

There are claims and disputes which the Company is involved with, arising from the airport site redevelopment project, the potential impact of which may be material.

Subsequent to an arbitration process, the Company has been found responsible for certain costs relating to the airport site redevelopment project. The quantum of such costs will be based on a second phase of arbitration that has not yet begun. For known costs associated with these claims, which the Company believes are valid and the likelihood is determinable, accruals have been made in the financial statements. Beyond those known costs, it is not practicable at this time to determine an estimate of the possible financial effect, uncertainties relating to the amount, timing of any outflows or the possibility of any cost recovery.

Also related to the airport site redevelopment project, other lawsuits and claims have arisen. The Company continues to work through resolving the claims though legal proceedings. The Company is in the process of filing counter claims but at this time there is uncertainty relating to the claims as well as any amounts that may be recoverable. At this time, it is not practicable to determine the extent of any liability resulting from these lawsuits and claims and accordingly no provisions have been made in these financial statements.

(d) Subsidiary Guarantee:

The Company guarantees the operational performance of Nunavut Airport Services Ltd., a wholly owned subsidiary, under contracts to provide airport operations, maintenance services and lifecycle rehabilitation to Iqualuit International Airport to December 31, 2047 up to a maximum of $18.8 million.

(e) Director and Officer Indemnity:

The Company has agreed to indemnify its directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by them as a result of any lawsuit or any other judicial administrative or investigative proceeding in which they are sued as a result of their service as long as they have acted honestly and in good faith. These indemnification claims will be subject to any statutory or other legal limitation period.

15. Post-Employment Benefit Plans:

The Company sponsors defined benefit pension plans and other post-employment benefit plans on behalf of its employees. The plans provide benefits to members in the form of a guaranteed level of pension payable for life. All of the plans have similar risk characteristics and operate under the same regulatory framework. The level of benefit payable depends on members' length of service and their salary in the final years leading up to retirement.

Effective December 31, 2013 the defined benefit plans were closed to new members and a new defined contribution plan will begin on January 1, 2014. The defined benefit plans will continue to operate for existing members.

Effective September 1, 2013, the severance plan was closed and employees no longer accrue any benefits under this plan. The obligation as at December 31, 2013 will be paid out to employees in two separate installments in January 2014 and 2015. No material adjustment is expected upon the settlement of the severance plan.

The responsibility for the governance of the plans lies with the Company, including overseeing contribution schedules and investment decisions. The plan assets are held in trust and governed by federal regulation. The Company has a pension committee to assist in the management of the plans.

Information for the post-employment benefit plans, based on the latest actuarial reports, measured as of December 31 is as follows:

	Defined Benefit Pension Plans		Other Post Employment Plans	
	2013	2012	2013	2012
Change in Defined Benefit Obligation:				
Balance, beginning of year	$ 51,657	$ 44,886	$ 3,244	$ 2,996
Current service cost	2,007	1,715	349	203
Past service cost	-	-	-	(26)
Employee contributions	373	371	-	-
Interest cost	2,286	2,202	89	139
Re-measurements:				
Loss (gain) recognized from changes in economic assumptions	(6,535)	3,982	13	158
Loss (gain) recognized from experience	(816)	193	-	-
Loss (gain) recognized from changes in demographic assumptions	3,982	-	271	-
Benefits paid	(1,703)	(1,692)	(99)	(168)
Balance, end of year	$ 51,251	$ 51,657	$ 3,867	$ 3,302
Change in Fair Value of Plan Assets:				
Fair value, beginning of year	$ 45,515	$ 39,573	$ -	$ -
Interest income	2,097	2,041	-	-
Re-measurements:				
Return on plan assets, excluding any amounts included in interest income (expense)	4,731	1,496	-	-
Contributions:				
Employer	3,510	3,833	-	-
Plan Participants	373	371	-	-
Benefits paid	(1,703)	(1,692)	-	-
Administrative expenses	(98)	(107)	-	-
Fair value, end of year	$ 54,425	$ 45,515	$ -	$ -
Funded Status:				
Plan surplus (deficit)	$ 3,174	$ (6,142)	$ (3,867)	$ (3,244)
Accrued pension asset (liability)	$ 3,174	$ (6,142)	$ (3,867)	$ (3,244)

The Company's net benefit plan (income) expense is as follows:

	Defined Benefit Pension Plans		Other Post Employment Plans	
	2013	2012	2013	2012
Net Benefit Plan Cost:				
Current service cost	$ 2,007	$ 1,715	$ 349	$ 77
Net finance expense relating to employee benefits	189	161	89	139
Administrative expenses	98	107	-	-
Net Benefit Plan Expense Recognized in the Year	$ 2,294	$ 1,983	$ 438	$ 216
Actual Return on Plan Assets	$ 6,828	$ 3,537	$ -	$ -
Amounts Recognized in Other Comprehensive Income:				
Re-measurements	$ 8,100	$ (2,679)	$ (284)	$ (200)
	$ 8,100	$ (2,679)	$ (284)	$ (200)
Cumulative Re-measurements Recognized in Other Comprehensive Income:				
Cumulative amount beginning of year	$ 12,431	$ 9,752	$ (1,962)	$ (2,162)
Recognized during the year	(8,100)	2,679	284	200
Cumulative Amount, End of Year	$ 4,331	$ 12,431	$ (1,678)	$ (1,962)

The significant weighted average assumptions used are as follows:

	2013	2012
Defined Benefit Obligation:		
Discount rate	4.75%	4.50%
Long-term average rate of compensation increase	3.00%	3.50%
Long-term average rate of health benefit cost increase		
Initial trend rate	6%	7%
Annual decrease	1%	1%
Ultimate trend rate	3%	3%
Year of ultimate trend rate	2016	2016
Benefit Costs:		
Discount rate	4.50%	5.00%
Long-term average rate of compensation increase	3.00%	3.50%

The sensitivity of the defined benefit obligation ("DBO") to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	Impact on Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1.00%	$ (7,210)	$ 9,277
Salary growth rate	1.00%	$ 1,340	$ (1,147)
Life expectancy	1 year	$ 997	$ (1,023)

Each sensitivity analysis is based on changing one assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the DBO to variations in actuarial assumptions, the same method has been applied as for calculating the liability recognized.

The plan assets consist of the following asset mix:

	2013	2012
Equity funds	57%	56%
Debt and mortgage funds	36%	39%
Real estate funds	7%	5%

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset Volatility:
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if the plan assets underperform this yield, this will create a deficit.

Changes in Bond Yield:
A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Inflation Risk:
The majority of the plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit.

Life Expectancy:
The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

The Company ensures that the investment positions are managed within an asset-liability matching (ALM framework) that has been developed to achieve long-term investments that are in line with obligations under the pension plan.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company does not use derivatives to manage its risk. Investments are well diversified such that the failure of any single investment would not have a material impact on the overall level of assets.

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2013 for all plans and the next required valuation will be as of December 31, 2014. Based on most recent actuarial valuations, during 2014 the Company expects to contribute $3.4 million in cash to the defined benefit pension plans and $nil in cash to the other post-employment plans.

16. Accumulated Other Comprehensive Income:

Accumulated other comprehensive income ("AOCI") comprises the recognized loss on previously settled cash flow hedges and unrealized changes in fair value of available-for-sale investments. The components of AOCI are as follows:

	2013	2012
Recognized loss on previously settled cash flow hedges	$ 38,902	$ 41,175
Unrealized changes in fair value of available for sale investments	181	-
	$ 39,083	$ 41,175

17. Deferred Income Taxes:

Deferred income taxes of $71 (2012 - $84) have been recognized in respect of the temporary difference associated with the Company's subsidiary's investment in an associate. The change in the Company's deferred tax balance has been recognized in income.

18. Financial Instruments:

Fair Value:

The fair value of cash and cash equivalents, restricted cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximates their carrying value due to their relatively short term to maturity. The fair value of other financial instruments is as follows:

	2013	2012
Assets		
Finance lease	$ 7,094	$ 7,106
Investments		
Short-term notes	10,335	-
Provincial bonds	15,742	-
Corporate bonds	33,587	-
Liabilities		
Revenue bonds Series A	233,886	263,981
Revenue bonds Series C	135,594	140,522
Revenue bonds Series D	183,060	205,672
Revenue bonds Series E	94,014	-
MIOP loan	27,878	30,189
Finance lease obligation	3,257	3,876

The fair value of the finance lease, revenue bonds, MIOP loan and finance lease obligation is determined through current market rate yield calculations. The fair value of investments in short-term notes and bonds are based on current market yields and traded values in the market and are classified as level 2 investments.

Risk Management:
The Company 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 liquidity risk, credit risk, interest rate risk and concentration risk. The Company's financial instruments are not subject to foreign exchange risk or other price risk.

Liquidity Risk:
The Company 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 credit ratings (Moody's: A1 and Standard & Poors: A), the Company has ready access to sufficient long-term funds as well as committed lines of credit through credit facilities with a Canadian bank. The future annual principal payment requirements of the Company's obligations under its long-term debt are described in note 13.

Credit and Concentration Risks:
The Company is subject to credit risk through its cash and cash equivalents, restricted cash, accounts receivable and investments. The Company is exposed to credit losses on cash and restricted cash in the event that the counterparty defaults. The Company manages this exposure by contracting only with financial institutions that maintain a very high credit rating, and therefore considers the exposure to be low.

The Company performs ongoing credit valuations of its accounts receivable balances and maintains valuation allowances for potential credit loss. The investments are limited to short-term and medium-term debt instruments with high quality credit ratings in order to minimize credit exposure.

The Company derives a substantial portion of its revenues from air carriers through airfield and passenger processing fees and through the airlines' collection of airport improvement fees on its behalf. The Company'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.

Passenger activity at the airport is approximately 91 percent origin and destination traffic, and although there is concentration of service with three air carriers, the Company believes that any change in the airline industry will not have a significant impact on revenues or operations. In addition, the Company's unfettered ability to increase its rates and charges mitigates the impact of these risks.

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 Company's cash equivalents and restricted cash (debt service reserve and holdbacks) are subject to floating interest rates. Management has oversight over interest rates that apply to its cash equivalents and restricted cash. 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 Company's capital programs. The fair value of short-term and medium-term investments will fluctuate with changes in interest rates.

	2013		2012	
	Carrying Value	Effective Year End Interest Rate	Carrying Value	Effective Year End Interest Rate
Cash equivalents	$ 25,884	1.0%	$ -	-
Debt service reserve fund	$ 19,039	1.0%	$ 17,512	1.0%

If interest rates had been 50 basis points (0.50 percent) higher/lower and all other variables were held constant, including timing of expenditures related to the Company's capital expenditure programs, the Company's earnings for the year would have increased/decreased by $225 as a result of the Company's exposure to interest rates on its floating rate assets.

The Company has entered into fixed rate long-term debt, and accordingly, the impact of interest rate fluctuations has no effect on interest payments. However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt.

19. Related Party Transactions:

The Company's related party transactions include key management personnel. None of the transactions incorporate special terms and conditions and no guarantees were given or received.

Transactions with Key Management Personnel

Key management includes the Board of Directors, the President and Vice Presidents. Compensation paid, payable or provided by the Company to key management personnel during the year ended were as follows:

	2013	2012
Salaries and short-term benefits	$ 1,332	$ 1,504
Post-employment benefits	85	87
Total (included in salaries and benefits)	$ 1,417	$ 1,591

20. Capital Management:

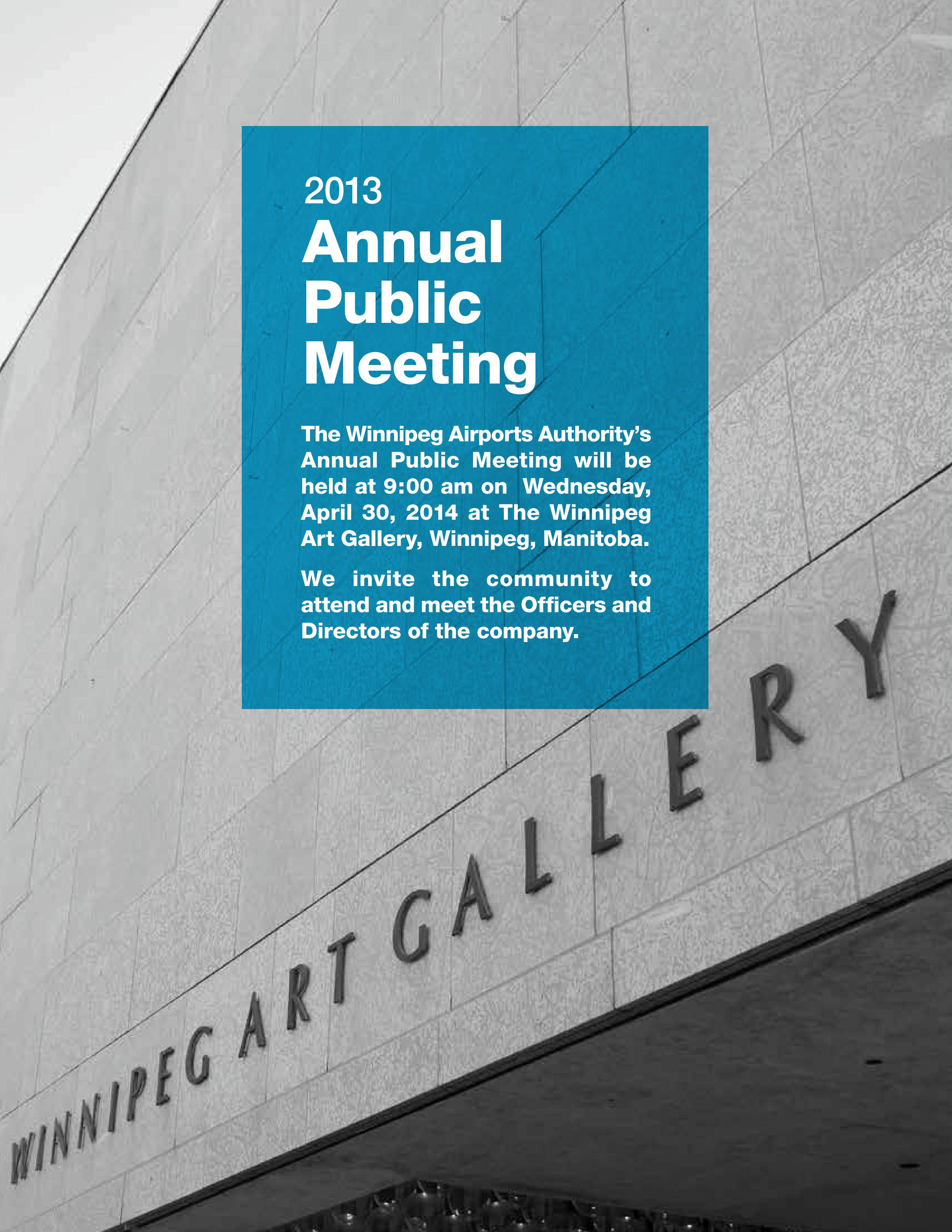
The Company is incorporated without share capital under Part II of the *Canada Business Corporations Act* and, as such, net income is retained and reinvested in airport operations and development. Accordingly, the Company's only sources of capital for investing in airport operations and development are bank debt, long-term debt and accumulated earnings included on the Company's balance sheet as retained earnings. The Company incurs debt, including bank debt and long-term debt, to fund development. It does so on the basis of what it considers affordable based on revenues from AIF and in order to maintain a minimum debt service coverage ratio. This provides for a self-imposed limit on what the Company can spend on major development of the airport.

The Company manages its rates for aeronautical and other fees to safeguard the Company'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 income to meet ongoing debt coverage requirements. The Company is not subject to capital requirements imposed by a regulator.

21. Working Capital

Changes in non-cash working capital are as follows:

	2013	2012
Accounts receivable	$ (272)	$ (411)
Prepaid expenses	(131)	(106)
Inventory	(33)	(126)
Accounts payable and accrued liabilities	(69)	(9,456)
Deferred revenue	(157)	(25)
	$ (662)	$ (10,124)



2013

Annual Public Meeting

The Winnipeg Airports Authority's Annual Public Meeting will be held at 9:00 am on Wednesday, April 30, 2014 at The Winnipeg Art Gallery, Winnipeg, Manitoba.

We invite the community to attend and meet the Officers and Directors of the company.

Corporate Governance

Disclosure of Corporate Governance Systems

Governance Principles

The Board recognizes that it has stewardship responsibility of a valuable community resource. This has resulted in a governance system that rests on the following four principles:

1. Accountability
2. Clear delineation of responsibilities between the Board and Management
3. The full Board, not Board committees, is involved in decision making
4. Transparency

Board Committees

The Board has organized its affairs around two standing committees – Governance and Audit. They are complemented by the use of Task Forces on an as required basis to deal with particular matters. The full Board meets on a regular basis (at least six meetings annually).

The mandate of the Governance Committee is to assist the Board in effectively meeting its responsibilities.

The Audit Committee attends to matters that are financial and/or risk related.

Public Accountability Principles

Incorporated into the By-laws of Winnipeg Airports Authority is a set of accountability principles that were accepted by the Board as part of the airport transfer conditions. Following is a summary of these principles.

Board Composition and Director Requirements

Eleven members of the Board of Directors are nominated by seven different public and private sector agencies:

City of Winnipeg (3)
The Assiniboia Chamber of Commerce (1)
Province of Manitoba (1)
Rural Municipality of Rosser (1)
Government of Canada (2)
Economic Development Winnipeg (1)
Winnipeg Chamber of Commerce (2)

A maximum of four members may be nominated by the Board of Directors.

The Board cannot consist of fewer than seven or more than 15 members at any time.

The qualification and eligibility requirements of Board members prescribe that a Director may serve for a term not exceeding three years and that no more than three terms (or nine years) may be served. Directors can be neither elected to nor employed by any level of government. The Chairperson cannot be an elected official or government employee at any time during the two years prior to the appointment as Chairperson.

Community Consultative Committee

Winnipeg Airports Authority Inc. complies with its Ground Lease requirement to establish a community consultative committee (CCC) to provide for effective dialogue and dissemination of information on various matters, including airport planning, operational aspects of the airport and municipal concerns. The CCC meets not less than twice annually, and is comprised of members who are generally representative of the community, including persons representing the interests of consumers, the travelling public and organized labour, aviation industry representatives and appropriate provincial and municipal government representatives.

Corporate Reporting & Disclosure Requirements

- Winnipeg Airports Authority has adopted a Code of Conduct and monitors its compliance to the ethical business practices outlined therein. Winnipeg Airports Authority confirms that it has complied with this Code of Conduct.
- Winnipeg Airports Authority discloses non-arm's length transactions.
- Any nominating entity may cause a meeting to be held on matters of public interest concerning the business of Winnipeg Airports Authority.
- Directors make a general report annually to their respective Nominator and the Board reports collectively to all Nominators.
- As a general practice, Winnipeg Airports Authority optimizes the use of Canadian resources and supplies and employs a competitive public tendering process for contracts in excess of $75,000 (1994 dollars).
- In the event Winnipeg Airports Authority increases airport user charges it provides 60 days advance public notice.
- Full audits in accordance with generally accepted auditing standards are conducted and Transport Canada has the right at any time to cause a complete audit to be conducted.
- Winnipeg Airports Authority publishes its Annual Report and includes specific performance comparisons and discloses the remuneration paid to Board members and to its senior officers. The Annual Report is distributed in advance of the Annual Public Meeting to all Nominators and the Minister of Transportation.
- At least once every five years Winnipeg Airports Authority conducts a comprehensive independent review of Winnipeg Airports Authority's management operation and financial performance by a qualified independent person. The report is distributed on a timely basis to the Minister of Transportation and to each Nominator and is available to the public on request.
- Winnipeg Airports Authority provides for public access: Airport Master Plan, five-year business plan, past five-year annual financial statements and business plans, incorporation documents, and all signed airport transfer agreements.

Winnipeg Airports Authority Inc. Board of Directors 2013

Nominated by the City of Winnipeg

D. Greg Doyle, Corporate Director
Jennifer Rattray, Associate VP of Indigenous, Government and Community Affairs, University of Winnipeg
H. Sanford Riley, President & CEO, Richardson Financial Group Limited

Nominated by The Assiniboia Chamber of Commerce

Gerry Glatz, Owner, Teledisc Systems

Nominated by Economic Development Winnipeg Inc.

Paul Soubry, President & CEO, New Flyer Industries

Nominated by the Government of Canada

Ross Robinson, President & CEO, B.A. Robinson Group
Don Boitson, Vice President & General Manager, Magellan Aerospace

Nominated by the Province of Manitoba

Eugene Kostyra, Corporate Director

Nominated by the Rural Municipality of Rosser

Thomas Payne Jr., President, Payne Trucking LP (Vice Chair)

Nominated by the Winnipeg Chamber of Commerce

Doneta Brotchie, President, FUNdamentals Creative Ventures
B.J. Reid, Vice President, Funds Services, and CFO Investors Group Funds

Appointed by the Winnipeg Airports Authority Board

Janice Filmon, Corporate Director
David Friesen, Chairman, Friesens Corporation
Arthur Mauro, Corporate Director (Chair Emeritus)
Garth Smorang, Lawyer, Myers Weinberg LLP (Chair)

2013 Board Attendance

	Board Meetings			Governance Committee Meetings		
	Eligible	Attended	Telephone	Eligible	Attended	Telephone
Doneta Brotchie	7	7		5	4	1
Janice Filmon	7	4	2	5	3	2
David Friesen	7	6	1	5	4	1
Thomas Payne	7	7		5	4	1
Jennifer Rattray	7	6		5	3	
Garth Smorang	7	7		5	4	1
Paul Soubry	7	6		5		2
				Audit Committee Meetings		
Don Boitson*	7	4	2	3	2	
D. Greg Doyle	7	7		5	4	1
Gerry Glatz	7	7		5	5	
Eugene Kostyra	7	6	1	5	5	
BJ Reid*	7	6		3	5	
H. Sanford Riley	7	2	2	5	1	3
Ross Robinson	7	7		5	3	

* Audit committee membership term began on April 1, 2013

Board of Directors Compensation for 2013

Don Boitson	$	16,000	Thomas Payne	$	18,400
Doneta Brotchie		18,850	Jennifer Rattray		16,600
D. Greg Doyle		25,775	B. J. Reid		18,550
Janice Filmon		16,900	H. Sanford Riley		13,675
David Friesen		23,100	Ross Robinson		17,650
Gerry Glatz		19,150	Garth Smorang		41,317
Eugene Kostyra		18,850	Paul Soubry		15,700
			Total	$	280,517

Executive Officers 2013

Barry Rempel, President and Chief Executive Officer
Catherine Kloepfer, Senior Vice President Corporate Services and Chief Financial Officer
Pascal Belanger, Vice President Business Development
Michael O'Gorman, Vice President Operations and Customer Experience

Executive Officers 2013 – Compensation

The compensation range for the President & CEO is $250,000 to $350,000.
The compensation range for Vice Presidents is $150,000 to $250,000.

Public Competitive Tendering

Winnipeg Airports Authority Inc., under the terms of its lease agreement with the Government of Canada, reports all contracts in excess of $105,000 ($75,000 in 1994 dollars) entered into during the year that were not awarded on the basis of a public, competitive, tendering process.

In 2013, Winnipeg Airports Authority Inc. entered into the following contracts as described for the reasons indicated in the following table:

Vendor	Description	Value	Selection
Pteris Global Limited	BHS Upgrades	$ 879,528	A
Airport Technologies Inc.	Airfield Equipment	810,386	A
Wausau Equipment Company Inc.	Airfield Equipment	289,500	A
Robly Mechanical Maintenance	BHS Modifications	451,352	D
Protegra Technology Group	IT Director Backfill	184,875	E
Coolcutz Waterjet Cutting Services	ATB Repairs	115,000	D
LSL Contracting and Materials	Airfield Supplies	120,540	B
SM Industries	Airfield Maintenance	130,000	D
Maxim International Trucks	Airfield Equipment	181,880	A
LaFarge Construction Materials	Airfield Supplies	180,322	B
Bruel & Kjaer	Noise Monitoring	193,917	B
Maple Leaf Construction Ltd.	Airfield Improvements	271,956	E
Contempora Steel Builders	Airfield Improvements	143,105	F
Toromont Cat	Airfield Equipment	400,000	A

Basis for Selection

A – Introduction of products from other vendors would cause operational impacts and incur additional maintenance cost or affects the equipment standardization program.

B – A vendor has a monopoly on the technology or service because of a patent, licensing rights or proprietary system.

C – The goods and services are required due to an emergency in which delay would be injurious to the Company. An emergency is described when unforeseen circumstances arise where goods and services are needed to prevent loss of life or property or continuation of essential services or any event that is deemed to compromise the health, safety and security of the Company's employees, tenants or customers.

D – The vendor was awarded a contract for goods or services as a result of previous competitive process and has no prior performance issues

E – There is only one qualified vendor available when all factors are considered. Factors must be clearly specified as to why they have the specific skills, experience, and any special expertise.

F – A strategic alliance/partnership can be formed with one vendor in order to take advantage of current technology and expertise.

G – Consistent with sound business practices and our guiding principles an alliance/partnership can be formed with one supplier in order to significantly promote the strategic objectives of the Company.

Community Consultative Committee and their Affiliations

Colin Ferguson – Travel Manitoba
Dave Angus – Winnipeg Chamber of Commerce
Grand Chief Derek Nepinak – Assembly of Manitoba Chiefs Secretariat Inc.
Doug McNeil – Infrastructure and Transportation, Province of Manitoba
Hugh Eliasson – Finance, Province of Manitoba
Marina James – Economic Development Winnipeg
Deepak Joshi – City of Winnipeg
Jeff Traeger – United Food & Commercial Workers
Ken Webb – Manitoba Aerospace Association

Corporate Information

Auditors: PricewaterhouseCoopers LLP
Bank: Canadian Imperial Bank of Commerce
Legal Counsel: Aikins, MacAulay & Thorvaldson; Miller Thompson; Duboff Edwards Haight & Schachter; and Fillmore Riley

Winnipeg James Armstrong Richardson International Airport Services

Passenger Carriers (Serving Main Terminal Building)

Air Canada
Air Canada Jazz
Air Transat
Bearskin Airlines
Calm Air
Delta Air Lines
Skywest Aviation
  operating on behalf of Delta Air Lines
Compass Airlines
  operating on behalf of Delta Air Lines
First Air
Sunwing
United Airlines
ExpressJet
  operating on behalf of United Airlines
SkyWest Airlines
  operating on behalf of United Airlines
WestJet

Passenger Carriers (Other)

6404805 Manitoba
Air Bravo
Air Georian
Air Inuit
Air Ross
Air North Airlines
Air Nunavut
Allied Wings
Canadian Flyers International Canadian North
Central Aviation
Chartright Air
Corporate Air
Enerjet
Execaire
Fast Air
Flair Airlines
FN Aircraft Limited Partnership
  IFL Group
KAL Air
Keewatin Air
Keystone Air Service
Miami Air International
Midwest Avation
Missinippi Airways
Morningstar Partners
Nolinor
Northway Aviation
ORNGE
PAL Air
Perimeter
PHL Holding
River Air
Skyservice Business Aviation
Sobeys Group
Skynorth Air
Sunwest Aviation
Superior Airways
Taiga Air Services
Thunder Airlines
The North West Company
West Wind Aviation

Air Cargo Carriers (Scheduled)

Cargojet
DHL (operated by Suburban)
Federal Express
Morningstar Air Express
Perimeter Aviation
Purolator (operated by
  Kelowna Flightcraft)
UPS

Air Cargo Carriers (Non-scheduled)

Air Bridge Cargo Airlines
Atlas Air Cargo
China Cargo Airlines
Japan Airlines
Korean Air Cargo
LAN Cargo
Singapore Airlines Cargo
Volga-Dnepr Airlines

Restaurants/Bars

Pre-Security
  Harvey's
  Stella's Café and Bakery
  Tim Hortons
Post-Security Domestic
  Fuel Bar
  Gondola Pizza
  Red Wok
  Salisbury House
  Starbucks
  TGI Fridays
  Tim Hortons
  Upper Crust
Post-Security Transborder
  TGI Fridays
  Tim Hortons Express

Retailers

Pre-Security
  International Currency Exchange (ICE)
  Liquor Mart Express
  Red River News
Post-Security Domestic
  AerRianta Duty Free Shop
  Bentley
  Best Buy Express
  International Currency Exchange (ICE)
  Metalsmiths Sterling
  PGA Tour Store
  Red River News Express
  Rocky Mountain Chocolate Factory
Post-Security Transborder
  AerRianta Duty Free Shop –
    Transborder
  CNBC News – Transborder
  International Currency Exchange (ICE)
  The Exchange News and Gifts
  The Exchange News and Gifts
    with Toad Hall Toys

Hotels

Four Points by Sheraton
The Grand by Lakeview

Car Rentals

Avis/Budget Rent-A-Car
National/Alamo Rent-A-Car
Enterprise Rent-A-Car
Hertz Rent-A-Car

WINNIPEG
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