WINNIPEG
AIRPORTS AUTHORITY

2018 Annual Report

Leading Transportation Innovation and Growth

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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.

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

Expand Air Service to and from Winnipeg
To improve Manitoba's links 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 revenue streams.

CARGO ROUTE NETWORK

SCHEDULED CARRIERS

AD HOC CARRIERS

ROUTES AND AIRLINES

Destinations and airlines serving YWG are subject to change.

AIRLINES SERVING MAIN TERMINAL BUILDING

2018 NON-STOP DESTINATIONS

CANADA

Abbotsford*
Calgary
Churchill
Edmonton
Flin Flon
Gillam
Halifax*
Hamilton
Kelowna*
London*
Montreal
Ottawa
Rankin Inlet
Red Lake
Regina
Saskatoon
Sanikiluaq
The Pas
Thompson
Thunder Bay
Toronto
Vancouver

U.S.

Chicago
Denver
Las Vegas
Miami*
Minneapolis
Orlando*
Phoenix*
St. Pete–Clearwater*
Palm Springs*

United Kingdom

London*

CHARTER*

CUBA

Cayo Coco
Holguin
Santa Clara
Varadero

DOMINICAN REPUBLIC

Punta Cana
Puerto Plata

JAMAICA

Montego Bay

MEXICO

Cancun
Huatulco
Ixtapa-Zihuatanejo
Los Cabos
Mazatlan
Puerto Vallarta

** Seasonal destinations*

MESSAGE FROM THE BOARD CHAIR

Tom Payne Jr. – Board Chair

The challenge of leading transportation innovation and growth in a time of disruption was the focus of the WAA Board in 2018. We are committed to making the right decisions today that will position the company for success not only in the near term but also for the next 20 years and beyond. We are steadfast in our commitment to ensuring the long-term viability of WAA and the airport, all for the benefit of our community and region.

WAA will face disruption in three critical ways: regulatory, technology and people.

Regulatory disruption continued to garner our attention in 2018. The Passenger Bill of Rights legislation places a renewed focus on service delivery for airlines and by extension, the entire aviation sector. Travellers continue to expect more from airlines and airports. WAA is committed to leading a positive travel experience from couch to cabin that instills confidence in the airport.

Rapid technological advancement is the new normal for all industries and aviation is no different. Our focus has been on identifying the opportunities that technology presents to improve our service and exceed traveller and stakeholder expectations. Facial recognition, autonomous vehicles, and big data can all be adapted to enhance the travel experience. Rather than shying away from these changes, we are looking ahead and see the tremendous potential for Winnipeg Richardson International Airport to be a leader in this field, acting as a prototype airport for cutting-edge technology.

Most of us have heard of, or seen first-hand, the changing dynamic of the workforce. While technology will change some jobs, even making some obsolete, there continues to be a need for skilled employees who can adapt to change. The team at WAA continues to work to ensure that employees have the right skills to meet future demands.

The right structure is needed to maximize the ability of the WAA team. An important focus in 2018 was incorporating plans to implement a new corporate structure that took effect on January 1, 2019. WAA has led incredible change at the airport, and the time is right for the organizational structure to evolve as well. Moving to a subsidiary structure allows us to take advantage of opportunities and unlock the potential of the airport.

I want to thank the WAA Board for its continued commitment to serving the community and leading transportation innovation and growth. I also want to welcome Susan Dawes, Kenneth Grower and Peter Kaufmann who joined the board this year.

Looking forward, we are growing faster than initially forecast in our Master Plan, which is putting increasing pressure on our facilities and operations. At the 2019 Board planning session, we will be reviewing future forecasts and analyzing plans to ensure we can continue to deliver on the needs of the community in both the short and long term.

Congratulations to the staff and management team at WAA on another fantastic year. Being selected as a top employer again, the eighth year in a row is a great recognition and further proof that we are on the right track.

I am confident we have the right team in place and the right plan to meet the needs of our community now and for years to come.

Sincerely,

Tom Payne Jr.

> *WAA is committed to leading a positive travel experience from couch to cabin that instills confidence in the airport.*
>
> *– Tom Payne Jr.*

"A successful plan needs to be rooted in and deliver on your vision and mission while living your values at every stage."

– Barry Rempel

MESSAGE FROM THE PRESIDENT & CEO

Barry Rempel – President & CEO

Few things are more satisfying than seeing a plan succeed. A good plan is achieved by sharing ideas and debating directions, setting the course and then putting your strategy in motion. A successful plan needs to be rooted in and deliver on your vision and mission while living your values at every stage. For WAA, the success of 2018 is a direct result of living our 'why' and having the right plan.

Our 'why' is to serve our community by leading transportation innovation and growth. In 2018 we did just this by welcoming more travellers, flying more cargo and driving our economy forward.

Our team's effort to attract new airlines, new routes and more destinations helped us achieve another record year for passenger growth at the airport - our fifth in a row. We know this market can sustain more capacity and we continue to work with our airline partners to further expand the network. The result is more options to travel from Winnipeg, and more opportunity for the rest of Canada and the world to explore all our city, province and region have to offer.

Cargo operations at the airport were strong again in 2018, in part a result of the reputation we have built as the premier Canadian cargo hub. Overall, average cargo airplane weight was up over five percent. The greatest increase was in the U.S. and international cargo, which was up over 17 percent. We know there is an opportunity for more significant growth, and we continue to work with our air cargo partners to grow and evolve our operations to help them expand and deliver on the expectations of business.

Construction began in 2018 on a new $27 million Ground Service Equipment Building, an essential step in growing our operation to serve the needs of air carriers better. Once completed, equipment used to service aircraft will be located within the primary security area, creating significantly higher efficiencies. The strategic relocation of these operations serves another purpose - opening up much-needed space in our cargo area.

To ensure the highest and best use of our campus, WAA is redeveloping the cargo area in the coming years to facilitate the expansion of current operators and provide options for new companies to serve the needs of the community. For Canada to deliver on its commitment to increase trade and open new markets, partnerships leading to investments like this are essential.

Our commitment to lead transportation innovation and growth has inspired WAA to look outside of the traditional airport environment and adopt best practices from other sectors. In 2018 we continued to benefit from our commitment to LEAN management principles, adapted from the manufacturing industry. In October, we announced a partnership with Airport Technologies Inc. and Northstar Robotics to develop the first autonomous airport snow plow in North America. By bringing technology used in other sectors like agriculture to the airport, we are finding better ways to work. This is just the beginning for WAA as we unlock the potential of the airport.

The team at WAA continued to give back to the community in 2018. Employees grew a garden in support of Winnipeg Harvest, donating over 1,500 pounds of vegetables this year. This brings our total over the last two decades to more than 60,000 pounds. The WAA Plane Pull Team put in another heroic effort in support of the United Way again this year. The team at Winnipeg Airport Services Corp. (WASCO) invited the community to the Iqaluit Airport for a Christmas open house that included a visit from Santa Claus. WAA also had the privilege of helping the next generation of aviation leaders with its annual scholarship, which is now endowed for future years in partnership with the St. James-Assiniboia School Division.

Throughout this annual report, you will see examples of our plan's success. Rest assured that while we have much to celebrate, we continue to be driven by our commitment to manage, operate and grow the airport for the benefit of the community.

Sincerely,

Barry Rempel

2018 HIGHLIGHTS

WITH OUR COMMUNITY

These three words guide what we do, day in and day out at WAA. Our commitment is to operate, maintain and grow the airport for the benefit of, and in partnership with, our community. WAA is a non-share capital corporation, which means we operate like a private company, but profits are reinvested back into the airport.

Guided by a board of directors from the community, WAA's vision is to lead transportation innovation and growth. New routes, billions in economic impact, and tens of thousands of jobs have contributed directly to the resurgence of Winnipeg and Manitoba.

Building on the city's history as a transportation and trade hub, we continue to connect people and goods across the country and around the world.

CUSTOMER EXPERIENCE

WAA is committed to delivering service excellence from the moment you reach the airport. Whether you are leaving on business, a family vacation, or arriving in our great city, we want you to have a positive experience. Here are a few of the ways we delivered on this commitment in 2018.

Connection to community is the driving force behind our volunteer ambassadors, the Goldwings. The Goldwings and their youth branch, the Silverwings, have always been instrumental in helping visitors at YWG. Over the past 21 years, they have collectively served for more than 280,000 hours to make our airport a more welcoming place.

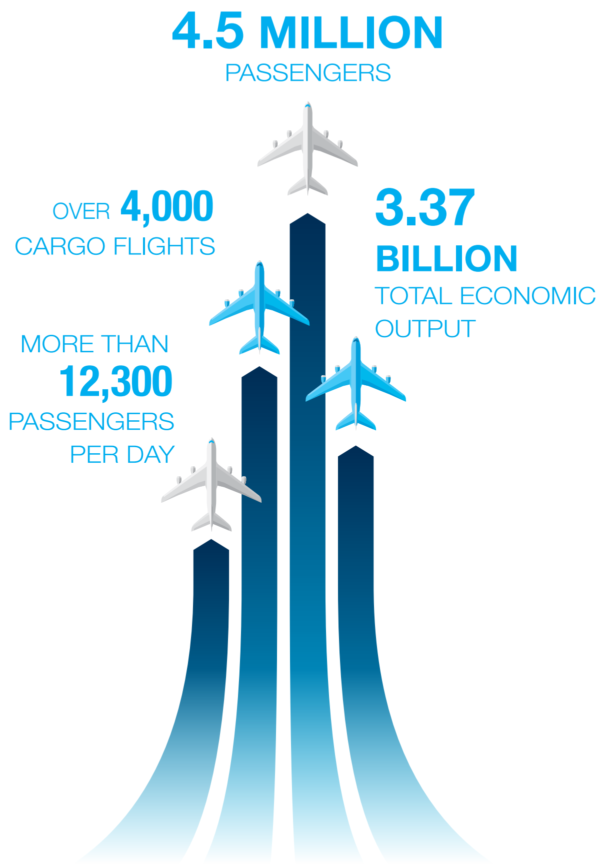
The Mascot Invasion, where some of Manitoba's most recognizable faces help welcome travellers on the Hug Rug, was another source of excitement inside the terminal. There was also plenty of fun for people travelling out of Winnipeg that include events like Flair Airlines' new route launches, and the introduction of the brand-new low cost airline Swoop.

We were excited to see the return home of our 2018 Winter Olympics medalists. They weren't alone, as they had plenty of company from well-wishers and fans at the airport.

Swoop's launch means more options for the low-cost regional travel market and more options for the travelling public. Flair Air also added significantly to their offerings, with direct U.S. flights to Orlando, Las Vegas, and Palm Springs.

In addition to new routes and airlines, we refreshed our in-terminal offerings. New additions this year include revamped newsstand Prairie News, sports memorabilia store The ScoreBoard, and Canadian fitness apparel store Lolë. PGA TOUR Shop has also been renovated. These new retail options better serve the needs of travellers.

We drove success in 2018 by working with our airline partners to expand air service. As a result we welcomed 4.5 million passengers, a new record and our fifth straight year of growth. August 2018 was our busiest month of all time at Winnipeg Richardson International Airport and saw 462,719 passengers through our airport. Above all, we were proud to play a role in helping our community connect.



CORPORATE SOCIAL RESPONSIBILITY

It is important for WAA to give back to our community. Again this year, WAA employees joined together in the spring to clean up the campus and plant flowers. This annual event not only brings colour to the airport, but also engages our employees.

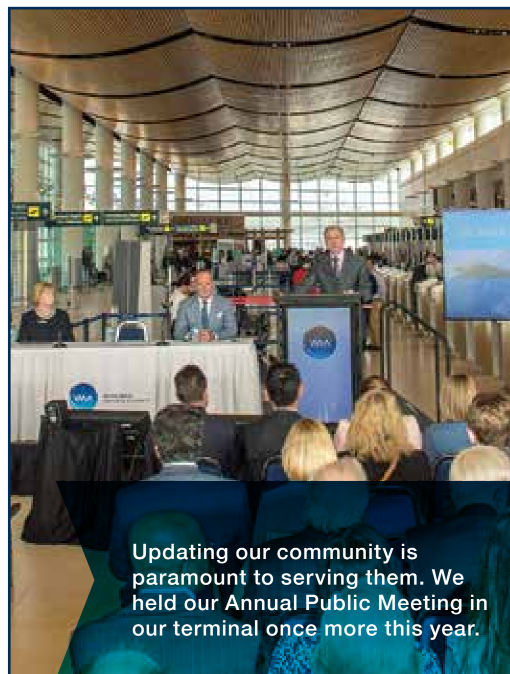
As part of the event, our team also plants a vegetable garden that they manage throughout the summer. In the fall, the group harvests the vegetables, donating them to Winnipeg Harvest. The team has been doing this for 21 years, and has managed to donate over 60,000 vegetables during this time.

WAA is the long-time sponsor of the 220 Royal Canadian Air Cadets Squadron, and through this sponsorship, we have the opportunity to share our excitement for aviation with the next generation of leaders. Our partnership led to cadets holding a Remembrance Day ceremony in the Arrivals Hall of the airport, commemorating the sacrifices of Canada's Armed Forces members.

None of this is possible without our employees. They are our best ambassadors, and their commitment to excellence is second to none. This is why WAA was recognized as one of Manitoba's Top Employers for the eighth consecutive year.

Ensuring people can connect with those familiar faces around our campus is also top of mind. The Faces of YWG profiles have given everyone a way to connect with the people who keep the airport excellent.

Sayge Tremblay, one of WAA's SIlverwings and a member of the 220 Royal Canadian Air Cadets Squadron went above and beyond to receive the Queen Elizabeth II Aviation Scholarship.



Updating our community is paramount to serving them. We held our Annual Public Meeting in our terminal once more this year.

Sponsoring the 220 Royal Canadian Air Cadets Squadron takes many forms. Here, they held a Remembrance Day ceremony inside the terminal for travellers on November 11, 2018.

2018 Harvest Day

TRANSPORTATION INNOVATION AND GROWTH

Air cargo was another success story in 2018. The weight of the average cargo-carrying plane at the airport was up 5 per cent, a key metric used to measure performance. U.S. transborder and international cargo was up 17.5 per cent on the year, with domestic weight also increasing slightly. We continue to build on our reputation as a key Canadian cargo hub, with daily service to all major Canadian cities and U.S. cargo hubs. Altogether, we move more than 4,000 cargo flights every year, which is the equivalent of 13,200 semi-trucks of cargo.

We also built on our reputation with the beginnings of a remodeled cargo area. On the east side of the campus, we broke ground on the Ground Services Equipment Building in June 2018. This brand new investment not only makes us a more efficient airport, but it opens the door for more development of our cargo campus by relocating current facilities. This is a critical part of unlocking our airport's significant potential to provide jobs, drive the economy and serve our community.

New PIK Kiosks were installed to help ensure safety, security and speed when returning to Canada.

Bringing technology and innovation together led to WAA's venture to build an autonomous snowplow, the first of its kind in North America. A joint project between WAA, Northstar Robotics and Airport Technologies Inc., this initiative uses our unique advantages and a made-in-Manitoba solution. The plow was first announced in October 2018, and development continued throughout the winter. As with all operations at the airport, the use of the plow will be consistent with the airport's Safety Management System, which is regulated by Transport Canada. The technology has further applications that can be used at the airport and will help us continue to innovate at Winnipeg Richardson International Airport.

ENVIRONMENT

WAA recognizes that we share the environment with the community and we have a responsibility to ensure our operations positively impact future generations. We embrace the principles of sustainability and our business decisions are mindful of the well-being of the planet. Simply put, sustainability for WAA is about doing the right thing.

The Canadian Environmental Assessment Act requires WAA to review all airport development projects for their potential to cause significant adverse environmental effects. WAA reviewed and approved 25 projects to be carried out on airport lands in 2018. Mitigation measures were incorporated for any project that could potentially have any environmental impacts.

WAA updated the Environmental Management System, where it now conforms to ISO 14001:2015 Standard. Environmental aspects and impacts were redefined and a risk assessment undertaken to better understand our priorities as we work towards continual improvement.

WAA renewed the Level One Mapping Certification under the Airport Carbon Accreditation Program in 2018. This is the only institutionally-endorsed, global carbon management program for airports. WAA remains committed to ongoing carbon management at the airport.

WAA initiated a strategic energy and carbon management plan to become more energy efficient and lessen our carbon footprint.

WAA Environment commissioned a tornado study to determine how climate change could impact the airport and its operations. This study focuses on tornado probability and strengths in the vicinity of the airport. This data from the study will be utilized to identify opportunities to enhance the resilience of our buildings and inform evacuation plans.

WAA Environment commissioned an arthropod study in the airfield. This information will be utilized to gain better understanding of wildlife attractants to the airport, and to identify management strategies.

WAA has renewed the Fair Trade Workplace Designation by Fairtrade Canada.

WASCO

Focused on providing excellent facilities and services that contribute to WAA's leadership in innovation and growth, Winnipeg Airport Services Corp. (WASCO) is the WAA subsidiary that continues to seek aviation-related opportunities for diversified income streams. They manage different initiatives across the country, including programs in Canada's North where they operate as Nunavut Airport Services Ltd. and WASCO North.

Growing quite significantly over the past few years, WASCO continues to generate profits which assist in ensuring WAA's fiscally prudent growth. Contracts at over 20 airports see WASCO use its expertise and operations proficiency to improve, secure and optimize airports around the country.

2018 FINANCIAL REVIEW

2018 FINANCIAL REVIEW

(In thousands of Canadian dollars)	2014	2015	2016	2017[1]	2018
Revenue	$ 103,138	$ 111,153	$ 117,638	$ 129,296	$ 138,436
Operating Expenses[2]	48,824	49,500	51,334	62,262	60,597
Ground Lease Rent	7,024	7,399	7,399	8,688	9,471
Earnings Before Interest, Income Taxes & Depreciation	47,290	54,254	58,293	57,579	68,368
Depreciation	32,137	32,387	34,846	31,476	30,055
Earnings[3]	15,153	21,867	23,447	26,870	38,313
Capital Expenditures	23,452	13,883	18,470	24,323	22,897

[1] – Restated for implementation of IFRS 15: see notes to consolidated financial statements
[2] – Operating expenses excluding ground lease rent and depreciation
[3] – 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 earnings before interest, taxes and depreciation (EBITDA), which is a financial measure with no standardized meaning under IFRS and therefore may not be comparable to similar measures reported by other companies. 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.

Operating Results

Winnipeg Richardson International Airport saw a record setting 4.5 million passengers in 2018. This is a 4.2% increase over the previous year and marks five consecutive years of passenger traffic growth.

Cargo traffic was also up in 2018, further enhancing Winnipeg's reputation as a cargo freighter hub. The average cargo airplane weight, a key metric for measuring cargo, was up over five per cent. The greatest increase was in U.S. and international cargo, which was up over 17 per cent.

Sound fiscal management and strong aviation activity helped WAA revenues reach $138.4 million. As a result, WAA ended 2018 with a net income of $5.6 million, returning to net positive growth two years earlier than anticipated after opening the new air terminal building.

Landing fees are billed on the basis of the Gross Takeoff Weight (GTOW) of aircraft using YWG, and therefore an increase in the size of aircraft in 2018 accounted for almost half of the increase in airfield revenue which finished the year at $22.7 million, an increase over 2017 of 6.0% of $1.4 million.

Passenger processing revenue is based on the landed seats on aircraft using the main air terminal building in YWG. These transactions generated $25.3 million in revenue in 2018, compared to $23.8 million in 2017, an increase $1.5 million or 6.3%.

With the 4.2% increase in passenger traffic, WAA saw increased revenue from groundside activities (i.e. car parking and ground transportation services such as ride-sharing services, taxis, limousines and shuttle buses). Concession revenues generated in Winnipeg's air terminal building increased in 2018 by 10.9% due to renovated and new service offerings.

Improvements to airport infrastructure are funded through airport improvement fees (AIF) collected by the air carriers from passengers. In 2018 WAA received $49.0 million, an increase of $2.8 million over 2017 or 6.0%. This increase correlates to the increase in originating passengers, as no fees are collected for connecting passengers. AIF is used to fund certain capital expenditures including related long term debt repayment.

Leasing revenue for land tenants and building tenants was $7.4 million in 2018 which is consistent to earnings in 2017. Rental rates in the Winnipeg air terminal building are adjusted annually to reflect operating costs, while land rentals are adjusted periodically based on the terms and conditions reflected in each lease.

Airport management contracts and other revenues were up $1.4 million, or 17.1% from 2017, due to the expected increased revenue contract levels at Iqaluit International Airport ("YFB") as well as other contracts in Nunavut, British Columbia and Manitoba.

The largest components of operating expenses for the Company are comprised of salaries and benefits, as well as services and repairs.

Salaries and benefits costs decreased by $0.7 million in 2018, or 2.9% compared to 2017. This net decrease reflects the impact of the voluntary early separation program implemented in 2017, offset against general wage increases, and an increase in the number of employees in the Company's subsidiary operations to align with increased revenue generation in those entities.

Services and repairs costs decreased in 2018 by $2.0 million, or 8.1%, down to $22.1 million. This reduction resulted from less costs incurred for operational services which were required in 2017 to facilitate the ongoing stability of the Company during a labour dispute.

Ground lease rent paid to the Government of Canada increased by $0.8 million or 9.0% over 2017 to $9.5 million. Rent is calculated using a graduated rate formula that increases the percentage rent as increased levels of gross revenue are earned by the Company.

Supplies expense is primarily a function of the weather activity in the vicinity of each airport. Weather incidents cause increases in the use of fuel for airfield mobile equipment as well as safety chemical usage on airfield paving. The costs for 2018 compared to 2017 were flat with a net decrease of $0.1 million or 1.3%.

Utility costs are comprised of expenses for consumption of natural gas, electricity and water, along with charges for waste water disposal. While warmer weather in the winter season causes increased costs for supplies used on the airfield, it also decreases the level of natural gas consumption required to heat the facilities. Overall utility costs remained flat for 2018 compared to 2017.

Investments and Financing

Combined available cash, cash equivalents and unrestricted investments totalled $83.0 million at year-end compared to $81.4 million at the end of 2017. These investments include short-term notes, municipal bonds, provincial bonds and corporate bonds in a professionally managed portfolio with a Canadian chartered bank. In addition, there are restricted cash balances of $144.1 million held for debt service requirements.

Financing of capital investments is accomplished through multiple types of debt. The majority of the Company's debt arises from the issuance of Revenue Bonds. These bonds total $713.0 million compared to $721.1 million at December 31, 2017, a net decrease of $8.1 million. This difference is a result of principal repayments on Series A and D during the fiscal year. The Company also has a loan outstanding with the Manitoba Industrial Opportunity Program for $14.8 million, a reduction through principal payments of $0.7 million from 2017. Specialized airfield mobile equipment is financed through a leasing program with a total outstanding of $1.8 million (2017 - $1.1 million), an increase of $0.7 million.

Capital Investments

Total capital expenditures for 2018 were $22.9 million versus $23.9 million in 2017. These investments included construction of a common-use ground service equipment building, as well work on taxiways and expenditures on mobile equipment.

Cash Flow

Cash flow generated from operations was $28.1 million in 2018 compared to $25.4 million in 2017. Key factors impacting this change include an increase to net income of $12.0 million, a decrease in non-cash depreciation expense of $1.4 million, and a net reduction in available working capital of $7.7 million.

Investing activities used $10.3 million of cash, mostly to invest $21.2 million into capital improvements as noted above. This capital improvement expenditure was partially funded through the net sale of investments of $7.4 million.

The use of cash for financing activities related to debt reduction through principal payments of $9.5 million, compared to $9.6 million in 2017. In addition, a new equipment lease began during the year for $1.1 million.

The overall ending balance of cash and cash equivalents is an increase of $9.4 million compared to 2017, driven by $28.1 million generated from operating activities offset by investing activities of $10.3 million and financing activities of $8.4 million.

FORECAST

(In thousands of Canadian dollars)	2019	2020	2021	2022	2023
Passengers	4,626,989	4,738,037	4,851,750	4,968,192	5,087,429
Aircraft Revenue Movements	76,282	77,926	79,609	81,333	83,098
Debt Repayments	$ 135,039	$ 10,351	$ 10,887	$ 11,454	$ 111,882
Ground Lease Rent	$ 10,023	$ 10,602	$ 11,070	$ 11,589	$ 12,131

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Year ended December 31, 2018

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 independent directors 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 27, 2019

Barry W. Rempel
President and Chief Executive Officer

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

Consolidated Financial Statements of

WINNIPEG AIRPORTS AUTHORITY INC.

Year ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Winnipeg Airports Authority Inc.

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Winnipeg Airports Authority Inc. and its subsidiaries, (together, the Company) as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2018;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of comprehensive income (loss) for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flow for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section of our report.*

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 27, 2019

CONSOLIDATED BALANCE SHEET

As of December 31, 2018 (In thousands of Canadian dollars)

	2018	2017 (restated, note 3)
Assets		
Current:		
Cash and Cash Equivalents	$ 37,717	$ 28,284
Accounts Receivable (note 6)	9,671	10,952
Income Taxes Receivable	190	124
Prepaid Expenses	1,684	1,041
Current Portion of Financing Lease Receivable (note 11)	713	710
Inventory	2,723	2,129
Restricted Cash (note 8)	144,058	19,744
	196,756	62,984
Non-Current:		
Property and Equipment (note 7)	640,980	649,657
Restricted Cash (note 8)	-	125,000
Investments (note 9)	45,264	53,116
Investments in Associates (note 10)	1,949	2,402
Financing Lease Receivables (note 11)	20,998	21,711
Contract Assets	1,229	767
Post-Employment Benefits (note 17)	3,219	1,087
	$ 910,395	$ 916,724
Liabilities and Equity		
Current:		
Accounts Payable and Accrued Liabilities	$ 21,891	$ 31,315
Current Portion of Long-Term Debt (note 14)	135,039	9,410
	156,930	40,725
Non-Current:		
Deferred Income Tax (note 19)	120	75
Post-Employment Benefits (note 17)	3,703	3,771
Long-Term Debt (note 14)	594,570	728,311
	$ 598,393	$ 732,157
Equity:		
Retained Earnings	182,033	173,247
Accumulated Other Comprehensive Loss (note 18)	(26,961)	(29,405)
	155,072	143,842
	$ 910,395	$ 916,724

Contingencies, Commitments & Guarantees (note 16)
The accompanying notes are an integral part of these financial statements

Director

______________________________ Director

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2018 (In thousands of Canadian dollars)

	2018	2017 (restated, note 3)
Revenue:		
Airport Improvement Fees (note 13)	$ 48,972	$ 46,221
Passenger Processing	25,308	23,812
Airfield	22,671	21,296
Groundside	18,012	16,594
Concessions	4,187	3,775
Leasing	7,358	7,318
Airport Management Contracts	9,336	7,971
Other	2,592	2,309
	138,436	129,296
Operating Expenses:		
Salaries and Benefits	23,704	24,408
Services and Repairs	22,084	24,041
Ground Lease Rent (note 11)	9,471	8,688
Supplies	4,645	4,707
Utilities	2,586	2,528
Property Taxes, Insurance and Other	7,578	6,578
Depreciation	30,055	31,476
	$ 100,123	$ 102,426
Income before Net Finance Expense and Income Taxes	38,313	26,870
Share of Profit of Associates (note 10)	(54)	(224)
Loss on Disposal of Property and Equipment	43	-
Net Finance Expense (note 14)	32,329	32,794
Net Income (Loss) Before Income Tax	5,995	(5,700)
Income Tax Expense of Subsidiaries:		
Current	455	747
Deferred (Recovery) (note 19)	(12)	18
	443	765
Net Income (Loss)	$ 5,552	$ (6,465)

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Year ended December 31, 2018 (In thousands of Canadian dollars)

	2018	2017 (restated, note 3)
Net Income (Loss)	$ 5,552	$ (6,465)
Other Comprehensive Income (Loss):		
Items Subsequently Reclassified to Profit or Loss		
Recognition of Loss on Previously Settled Cash Flow Hedges	2,772	2,687
Unrealized Loss on Investments	(406)	(55)
Realized Loss on Investments	78	382
Items that will not be Reclassified to Profit or Loss		
Employee Benefit Plan Re-Measurements (note 17)	3,234	(3,510)
Comprehensive Income (Loss)	$ 11,230	$ (6,961)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2018 (In thousands of Canadian dollars)

	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance – January 1, 2017	$ (32,419)	$ 183,222	$ 150,803
Net Income (Loss) (restated, note 3)	-	(6,465)	(6,465)
Other Comprehensive Income			
Unrealized Loss on Investments	(55)	-	(55)
Realized Loss on Investments	382	-	382
Employee Benefit Plan Re-Measurements	-	(3,510)	(3,510)
Recognition of Loss on Previously Settled Cash Flow Hedges	2,687	-	2,687
Balance – December 31, 2017 (restated, note 3)	$ (29,405)	$ 173,247	$ 143,842
Net Income (Loss)	-	5,552	5,552
Other Comprehensive Income			
Unrealized Loss on Investments	(406)	-	(406)
Realized Loss on Investments	78	-	78
Employee Benefit Plan Re-Measurements	-	3,234	3,234
Recognition of Loss on Previously Settled Cash Flow Hedges	2,772	-	2,772
Balance – December 31, 2018	$ (26,961)	$ 182,033	$ 155,072

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended December 31, 2018 (In thousands of Canadian dollars)

	2018	2017 (restated, note 3)
Operating Activities:		
Net Income (Loss)	$ 5,552	$ (6,465)
Adjustments for:		
Depreciation	30,055	31,476
Loss on Disposal of Property and Equipment	43	-
Deferred Income Taxes	45	18
Non-Cash Interest Expense (note 14)	3,020	3,055
Post-Employment Benefit Funding in Excess of Expense	1,034	1,100
Realized (Gain)/Loss on Investments	78	382
Share of Profit of Associates	(54)	(224)
Change in Non-Cash Operating Working Capital	(11,668)	(3,919)
	28,105	25,423
Investing Activities:		
Additions to Property and Equipment	(21,187)	(24,323)
Proceeds on Disposal of Property and Equipment	1,526	-
(Increase) Decrease in Investments	7,446	(7,006)
Decrease in Financing Lease Receivable	710	708
(Increase) Decrease in Restricted Cash	686	(125,040)
Dividends received from Associates	507	29
	(10,312)	(155,632)
Financing Activities:		
Proceeds from Long-Term Debt, net of Financing Costs	1,119	124,179
Repayment of Long-Term Debt	(9,479)	(9,553)
	(8,360)	114,626
Increase (Decrease) in Cash and Cash Equivalents	9,433	(15,583)
Cash and Cash Equivalents, Beginning of Year	28,284	43,867
Cash and Cash Equivalents, End of Year	$ 37,717	$ 28,284
Cash and Cash Equivalents:		
Cash on Account	$ 22,307	$ 10,577
Cash Equivalents	15,410	17,707
Interest Paid	30,415	31,226
Interest Received	4,052	1,756

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, 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Incorporation and Mandate:

Winnipeg Airports Authority Inc. (the "Company") is incorporated under the Canada Not-for-Profit Corporations Act. 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 "Winnipeg Airport"), under a long-term lease with the Government of Canada for the benefit of the community (the "Ground Lease").

The Company is governed by a 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.

The Company has three wholly owned for-profit subsidiaries:

Winnipeg Airport Services Corp. (WASCO) provides airport operations, management, facility maintenance and technical services to Canadian airports.

WASCO North Ltd. provides airport safety management systems services to airports in Nunavut.

Nunavut Airport Services Ltd. (NASL) is responsible for the operations, maintenance services, and lifecycle rehabilitation of the Iqaluit International Airport under an agreement that terminates in December 31, 2047.

2. Basis of Presentation:

The Company prepares its annual consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Chartered Professional Accountants 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 27, 2019, 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, 2019 have been summarized in note 4 (r).

3. Changes in Accounting Policies:

IFRS 9 – Financial Instruments:

The Company has adopted IFRS 9 - Financial Instruments effective January 1, 2018 without restating the comparative figures for 2017. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at December 31, 2017, but are recognized in the opening balance sheet on January 1, 2018.

Classification and measurement of financial instruments:

IFRS 9 uses a single approach to determine measurement of financial assets by both cash flow characteristics and how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with three categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at January 1, 2018 are as follows:

Asset / Liability	Classification Under IAS 39	New Classification Under IFRS 9
Cash and cash equivalents	Loans and receivable	Amortized cost
Restricted Cash	Loans and receivable	Amortized cost
Accounts Receivable	Loans and receivable	Amortized cost
Investments in short term notes and bonds	Available for sale	Fair value through other comprehensive income
Accounts Payable and accrued liabilities	Financial liabilities at amortized cost	Amortized cost
Long-term debt	Financial liabilities at amortized cost	Amortized cost

Initial Recognition and Measurement:
Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in profit or loss when an asset is recognized.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and subsequent measurement of debt instruments depend on the Company business model for managing the asset and the cash flow characteristics of the asset and may be classified at amortized cost, FVOCI or FVTPL. As noted in the table above, the Company's investments in debt instruments have been classified and measured at FVOCI.

Impairment:
The Company applied a new forward-looking lifetime expected credit loss impairment model to its accounts receivable and investments in debt instruments measured at FVOCI. The Company applied the simplified approach of the ECL model to recognize lifetime ECL for accounts receivable and the low credit risk practical expedient of the ECL model to estimate 12-month ECL for its investments in debt instruments. The application of the ECL model did not result in a material adjustment to the recognition of credit losses.

Derecognition:
Financial assets are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either the Company has transferred substantially all of the risk and rewards of ownership or the Company neither transfers nor retains substantially all the risk and rewards of ownership and the Company has not retained control. Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

IFRS 15 – Revenue from Contracts with Customers:
The Company has adopted IFRS 15 Revenue from Contracts with Customers effective January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules retrospectively and has restated comparatives for 2017.

The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. A five step model is used to determine the revenue to be recognized. The new standard is intended to enhance disclosures about revenue, provide more comprehensive guidance for transactions that were not previously addressed and improve guidance for multiple-element arrangements.

In summary, the following adjustments were made:

Stand-ready contracts:
The Company enters into certain multi-year contacts whereby the Company provides a service of standing ready to provide goods or services or of making goods or services available for a customer to use as and when the customer decides. Under IFRS 15, the total revenues from these contracts should be recognized on a straight-line basis over the contract period as this depicts the Company's progress towards completion in satisfying the performance obligation. Prior to the adoption of IFRS 15, the annual revenues were recorded based on the terms of the contract.

There was no impact on opening retained earnings as at January 1, 2017. As a result of the remeasurement adjustment to revenue, contract assets in the amount of $767 were recorded as at December 31, 2017.

Presentation:
The Company has been determined to be the principal in transactions relating to airport improvement fees. As a result, the related handling fee has been reclassified from Airport Improvement Fees to Services and Repairs on the consolidated statement of operations. This reclassification had no impact on total operating income.

Impact on Previously Reported Results:
The adoption of the standard impacted the Company's previously reported consolidated statement of operations as follows:

	Amount previously reported for year ended December 31, 2017	Reclassification	Remeasurement	Restated amount for year ended December 31, 2017
Airport Improvement Fees	$ 43,486	$ 2,735	$ -	$ 46,221
Passenger Processing	23,344	-	468	23,812
Airfield	20,997	-	299	21,296
Total Revenue	125,794	2,735	767	129.296
Services and Repairs	21,306	2,735	-	24,041
Total Operating Expenses	99,691	2,735	-	102,426
Net Income (Loss)	(7,232)	-	767	(6,465)

4. 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 investments.

(b) Principles of Consolidation:
The financial statements include the accounts of the Company and its wholly-owned subsidiaries, WASCO, WASCO North Ltd., NASL, and a portion of the results of joint arrangements (note 4[k]).

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 financial institutions relating to debt service reserves.

(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 supplies, fuel and chemicals used in operations.

(f) Leases:
Company as lessee:

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 under the Ground Lease (note 11) are recognized as an expense on a straight-line basis over the lease term. The Company recognizes contingent rent payable based on the year in which it is incurred.

Company as lessor:

Finance income related to direct financing leases is recognized in a manner that produces a constant rate of return on the investment in the leases. The lease receivables are comprised of net minimum lease payments less unearned finance income.

For all other leases, leasing revenue is recognized straight-line over the duration of the respective agreements. The Company recognizes contingent rent receivable based on the year in which it is incurred.

(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 (note 11). No amounts are amortized longer than the lease term.

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
Civil Infrastructure	10 to 40 years
Buildings and Other Structures	10 to 40 years
Vehicles, Machinery and Equipment	5 to 20 years
Technology	3 to 10 years
Artwork	not depreciated

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) Contract Assets:

The Company has contract assets related to a certain fixed-price standy-ready contracts with customers whereby the amount of revenue recognized to date has exceeded the payments required (note 4[m]). The performance obligation within the contracts will be achieved over the term of the contracts.

(i) 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.

(j) Investment in Associates:

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.

(k) Joint Arrangements:

Joint arrangements are assessed at the inception of the agreement based on the structure as well as the legal and contractual terms. Where the arrangement meets the definition of a joint operation, the results of the joint operation are proportionately consolidated. Where the arrangement meets the definition of a joint venture, the equity method of accounting is used.

(l) 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 inflows, and written down to the net recoverable amount. The loss is charged to the consolidated statement of operations.

The Company assesses at each balance sheet date 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 and the loss is charged to the consolidated statement of operations

(m) Revenue Recognition:

Revenue from providing services is recognized over time in the accounting period in which the services are rendered.

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 airport facilities are used. Airport improvement fees are accrued based on the enplanement of passengers. Concession revenue is earned on a monthly basis and is recognized based on a percentage of sales or specified minimum annual guarantees. Leasing revenue is recognized over the duration of the respective lease agreements.

In the case of fixed-price stand-ready contracts, the customer pays the fixed amount based on a payment schedule. If the amount of revenue recognized to date exceeds the payments required, a contract asset is recognized. If the payments received to date exceed the revenue recognized, a contract liability is recognized.

Airport management contract revenue is recognized as services are rendered. Scheduled equipment and capital purchases acquired on behalf of the airport contractor, in accordance with the terms of the contract, are recorded at the value of the funding, net of the actual purchase price in the statement of operations because the Company does not retain ownership of the equipment or other capital acquisitions.

(n) Post-Employment Benefit Obligations:

The Company sponsors defined benefit pension plans, defined contribution pension plans and other post-employment benefit plans on behalf of its employees.

The cost of defined benefit pension plans, 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 (loss) 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.

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, if any, in respect of the minimum funding requirement and any subsequent re-measurement of that liability are recognized immediately in other comprehensive income (loss) without subsequent reclassification to income.

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.

Contributions to the Company's defined contribution pension plan are expensed as incurred.

(o) Financial Instruments:

Effective January 1, 2018:

The Company classifies its financial assets at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

The Company's cash and cash equivalents, restricted cash, accounts receivable, financing lease receivable and contract assets are classified as financial assets at amortized cost. Accounts payable and accrued liabilities and long-term debt are classified as financial liabilities at amortized cost. Investments in short-term notes and bonds have been classified as financial assets at fair value through other comprehensive income.

Prior to January 1, 2018:

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 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 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 financial liabilities. Investments in short-term notes and bonds have been classified as available for sale.

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.

Financial assets at amortized cost

Financial assets at amortized cost are assets that are held for collection of contractual cash flows whether those cash flows represent solely payments of principal and interest. Financial assets at amortized cost are initially recorded at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset and are subsequently measured at amortized cost using the effective interest method. Interest income from these financial assets is included in the statement of operations.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially recorded at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method. Interest expense from these financial liabilities is included in the statement of operations.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise debt instruments. Debt instruments are financial assets that have been acquired for the purpose of both collecting contractual cash flows and selling the specified assets. The financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, with any subsequent changes in fair value recognized through other comprehensive income. Interest income (calculated using the effective interest rate method), and impairment gains or losses are recognized directly in profit or loss. Upon derecognition, changes in fair value accumulated in equity through other comprehensive income are reclassified to profit or loss.

Impairment

Financial assets, other than those at fair value through profit or loss, are assessed for impairment at each balance sheet date. The Company assesses all information available, including on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortized cost and FVOCI.

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 Company applies the simplified approach of the ECL model to recognize lifetime ECL for accounts receivable. The Company's investment in debt instruments at FVOCI is considered to have low credit risk, and the loss allowance recognized during the period was therefore limited to 12 months expected losses.

An impairment loss is recognized in the statement of operations in accordance with the policy outlined in note 4(l).

Fair Value

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

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

(p) Income Taxes:

The Company is exempt from income taxes. 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) Future Changes in Accounting Policies:

IFRS 16 – Leases, eliminates the dual accounting model for lessees such that most operating leases will be recorded on the balance sheet. This will impact the timing of recognition and nature of expenses associated with the lease agreements. The standard is effective for the year beginning on January 1, 2019.

The Company intends to adopt IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard would be recognized as an adjustment to the opening balance of equity at January 1, 2019, and comparative information, which will not be restated, will continue to be reported under IAS 17 and related interpretations. The Company will also apply the transition relief whereby it is not required to reassess and reflect in the prior periods whether a contract is, or contains, a lease at the date of contract origination. The accounting for lessors will not significantly change. The Company assessed the impact of IFRS 16 on the Ground Lease (note 11) and determined that no change in reporting is required due to the contingent basis of the rental formula.

The Company is currently assessing leases and subleases where the Company is the lessee for potential impact on the financial statements.

5. Critical Accounting Judgments and Estimates:

In applying the Company's accounting policies (note 4) 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 and is subject to change based on new information. Provisions, if required, take into account the relevant facts and circumstances of each matter and the consideration of any legal advice obtained.

(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 (note 11) 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.

6. Accounts Receivable:

	2018	2017
Trade Accounts	$ 10,014	$ 10,090
Other Receivables	143	896
	10,157	10,986
Provision for Doubtful Accounts	(486)	(34)
Total Accounts Receivable	$ 9,671	$ 10,952

Accounts receivable of $908 (2017 - $1,094) were considered past due but not impaired. These amounts relate to customers with no recent history of default.

7. Property and Equipment:

	Vehicles Machinery & Equipment	Technology	Buildings & Other Structures	Civil Infrastructure	Artwork	Construction in Progress	2018 Total
Gross Value							
Balance, January 1, 2018	$ 56,978	$ 26,506	$ 563,425	$ 210,217	$ 1,268	$ 865	$ 859,259
Additions	1,366	-	-	-	14	21,567	22,947
Transfers	-	5,399	3,513	7,374	-	(16,286)	-
Disposals	(187)	-	(1,475)	-	-	-	(1,662)
At December 31, 2018	$ 58,157	$ 31,905	$ 565,463	$ 217,591	$ 1,282	$ 6,146	$ 880,544
Accumulated Depreciation							
Balance, January 1, 2018	$ 25,786	$ 23,355	$ 97,669	$ 62,792	$ -	$ -	$ 209,602
Depreciation	2,364	1,451	15,379	10,861	-	-	30,055
Disposals	(93)	-	-	-	-	-	(93)
At December 31, 2018	$ 28,057	$ 24,806	$ 113,048	$ 73,653	$ -	$ -	$ 239,564
Net Value at							
December 31, 2018	$ 30,100	$ 7,099	$ 452,415	$ 143,938	$ 1,282	$ 6,146	$ 640,980

	Vehicles Machinery & Equipment	Technology	Buildings & Other Structures	Civil Infrastructure	Artwork	Construction in Progress	2017 Total
Gross Value							
Balance, January 1, 2017	$ 55,383	$ 25,486	$ 546,873	$ 206,014	$ 1,260	$ 2,003	$ 837,019
Additions	2,294	-	-	-	8	21,642	23,944
Transfers	-	1,301	17,144	4,335	-	(22,780)	-
Disposals	(699)	(281)	(592)	(132)	-	-	(1,704)
At December 31, 2017	$ 56,978	$ 26,506	$ 563,425	$ 210,217	$ 1,268	$ 865	$ 859,259
Accumulated Depreciation							
Balance, January 1, 2017	$ 22,366	$ 21,760	$ 88,086	$ 47,618	$ -	$ -	$ 179,830
Depreciation	4,119	1,876	10,175	15,306	-	-	31,476
Disposals	(699)	(281)	(592)	(132)	-	-	(1,704)
At December 31, 2017	$ 25,786	$ 23,355	$ 97,669	$ 62,792	$ -	$ -	$ 209,602
Net Value at							
December 31, 2017	$ 31,192	$ 3,151	$ 465,756	$ 147,425	$ 1,268	$ 865	$ 649,657

8. Restricted Cash:

	2018	2017
Debt Service Reserve	$ 19,058	$ 19,056
Registered Deposit Note held in Trust	125,000	125,000
Construction Holdback	-	688
Total Restricted Cash	144,058	144,744
Less: Current Portion	(144,058)	(19,744)
Long Term Portion of Restricted Cash	$ -	$ 125,000

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 14 [a]). Proceeds from the issuance of Revenue Bonds Series F are held in trust, earning floating rate interest, until the maturity of Revenue Bonds Series C on November 20, 2019.

9. Investments:

	2018	2017
Short-Term Notes	$ 5,225	$ 6,225
Provincial/Municipal Bonds	8,173	10,368
Corporate Bonds	31,570	36,173
Accrued Income	296	350
Total Investments	$ 45,264	$ 53,116

Coupon rates on investments range from 1.5% to 9.75% and have terms to maturity ranging from April 2019 to September 2025.

10. Investments in Associates:

	2018	2017
Investment in Affiliated Companies:		
Equity Accounted Investments	$ 1,381	$ 1,834
Preference Shares	568	568
	$ 1,949	$ 2,402

Preference shares of SRG Security Resource Group Inc. have a 5% per annum cumulative dividend rate calculated on the issue price of the 568,092 preference shares of $568. The Company holds a put option to require the affiliated company to purchase the shares which is exercisable at any time. 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 one dollar per share.

Name of Entity	Principal Activity	Place of Incorporation	Ownership %
SRG Security Resource Group Inc.	Security Services	Canada	35%
Winnipeg Airport Lands Corp.	Land Development	Canada	50%
Churchill Transportation Inc.	Airport Operations	Canada	50%

Summarized financial information in respect of these associates is set out below:

	2018	2017
Financial Position:		
Total Assets	$ 4,617	$ 5,802
Total Liabilities	1,507	1,519
Company's Share of Associates' Net Assets	1,640	1,844
Financial Performance:		
Total Sales and Other Revenues	15,590	14,718
Total Profit / (Loss) for the Year	140	566

During the year, the Company received $480 in return on capital and $27 in dividends (2017 - $29 in dividends).

11. Leases:

Operating Leases:

The Company as lessee: The Winnipeg Airport lands are rented under a long-term lease entered into on December 31, 1996 with Transport Canada (Ground Lease). The lease is for a term of 80 years and can be terminated only in the event of default. The lease is on an "absolute net" basis allowing the Company peaceful possession of the leased premises. The rent relating to this lease is calculated by formula based on revenues of the Company as defined in the lease.

Estimated Ground Lease rent payments for the next five years are as follows:

2019	$ 10,023
2020	10,602
2021	11,070
2022	11,589
2023	12,131

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 and 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:

2019	**$ 7,939**
2020	9,322
2021	9,419
2022	9,517
2023	9,618

Finance Leases:

The Company as lessee: Finance lease obligations which the Company has entered into are described in note 14. The net book value of those assets included in property and equipment and associated with finance lease obligations is $2,517 (2017 – $1,812).

The Company as lessor: The Company's net investment in financing leases is:

	2018	2017
Total Minimum Lease Payments Receivable	$ 44,321	$ 46,408
Unearned Interest Income	22,610	23,987
	21,711	22,421
Current Portion	713	710
Long Term Portion of Financing Lease Receivable	$ 20,998	$ 21,711

12. Investments in Joint Operations:

The Company has entered into a joint arrangement to provide operational services at the Winnipeg Airport. The arrangement meets the definition of a joint operation and is accounted for using proportionate consolidation. The intergroup profit has been eliminated and 50% of the remaining operational results are consolidated, as follows:

	2018	2017
Financial Position:		
Total Assets	$ 522	$ 177
Total Liabilities	424	136
Financial Performance:		
Total Sales and Other Revenues	1,694	905
Total Expenses	1,398	722

13. 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 Winnipeg Airport. AIF revenue is collected by the airlines, at a handling fee of 6%, for the benefit of the Company. AIF revenues are used to pay for airport infrastructure development and related financing costs as jointly agreed with air carriers operating at the Winnipeg Airport.

14. Long-Term Debt:

	2018	2017
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	$ 212,090	$ 217,136
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	124,805	124,653
Revenue bonds series D, 6.102%, due November 20, 2040, semi-annual blended principal and interest Payments of $6,393 payable on May 20 and November 20 of each year until maturity	152,353	155,536
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	99,687	99,623
Revenue bonds series F, 3.659%, due September 30, 2047, interest payable semi-annually on March 30 and September 30 of each year until maturity	124,081	124,185
Manitoba Industrial Opportunity Program	14,802	15,476
Finance Lease Obligation	1,791	1,112
	729,609	737,721
Current Portion	135,039	9,410
Long Term Portion of Debt	$ 594,570	$ 728,311

(a) Revenue Bonds:

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 the debt service reserve and certain accounts of the Company, and an unregistered mortgage of the Company's leasehold interest in the Winnipeg Airport.

Under the terms of the MTI, the Company is required to establish and maintain with a trustee a debt service reserve with a balance equal to at least 50 percent of annual debt service costs. These trust funds, which total approximately $19 million in cash (note 8), plus a letter of credit of $2.3 million, are held for the benefit of the bond holders in accordance with the terms of the MTI. In addition the Company is required to maintain an operating and maintenance reserve of approximately $14.7 million. The operating and maintenance reserve is satisfied by availability under a committed credit facility (note 15).

(b) Finance Lease Obligation:

The Company leases certain equipment with effective interest rates ranging from 2.82 % to 3.08 % over varying terms ending in 2023.

(c) Manitoba Industrial Opportunity Program Loan:

The loan is secured, and repayable to the Province of Manitoba in equal monthly installments until December 2040, at 5.88 % interest.

(d) The future annual principal and interest payments of long-term debt for the next five years are as follows:

	Principal	Interest
2019	$ 135,039	$ 34,048
2020	10,351	28,260
2021	10,887	27,677
2022	11,454	27,066
2023	111,882	26,423

(e) Net Financing Expense:

	2018	2017
Revenue Bond Interest	$ 37,304	$ 34,179
Other Interest and Financing Costs	1,055	1,605
Interest Income	(6,030)	(2,990)
	$ 32,329	$ 32,794

Revenue bond interest includes non-cash interest of $3,020 (2017 - $3,055) due to the amortization of deferred financing costs and settled cash flow hedges.

15. Credit Facilities:

The Company has authorized credit facilities of $100 million with a Canadian chartered bank. These facilities are secured under the Master Trust Indenture (note 14). They are available by way of overdraft, prime rate loans, or bankers' acceptances.

	2018	2017
Unsecured Bank Operating Line	$ 100,000	$ 100,000
Reductions to Available Balance:		
Outstanding Letters of Credit	(10,792)	(8,871)
Allocation to Operating and Maintenance Reserve (note 14)	(14,674)	(14,332)
Available Unsecured Bank Operating Line	$ 74,534	$ 76,797

16. Contingencies, Commitments and Guarantees:

(a) Contingencies:

The Company is involved in various claims and litigation arising in the ordinary course and conduct of business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to such litigation to be material to these financial statements. Previously reported claims have been substantially resolved.

(b) Subsidiary Guarantee:

The Company guarantees the operational performance of its subsidiary NASL, under the contract to provide airport operations, maintenance services and lifecycle rehabilitation to Iqaluit International Airport up to a maximum of $18.8 million, partially secured by a letter of credit of $4.7 million (2017 – $4.3 million).

(c) 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.

17. 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.

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		Post- Employment Plans	
	2018	2017	2018	2017
Change in Defined Benefit Obligation:				
Balance, Beginning of Year	$ 76,779	$ 67,367	$ 3,771	$ 3,440
Current Service Cost	2,158	2,127	142	122
Past Service Cost	-	424	-	-
Employee Contributions	304	357	-	-
Interest Cost	2,626	2,645	131	129
Re-Measurements:				
Loss (Gain) recognized from Changes in Economic Assumptions	(5,160)	6,407	(307)	326
Loss (Gain) recognized from Experience	(1,704)	(659)	-	(201)
Loss (Gain) recognized from Changes in Demographic Assumptions	-	602	-	(19)
Benefits Paid	(3,493)	(2,491)	(34)	(26)
Balance, End of Year	$ 71,510	$ 76,779	$ 3,703	$ 3,771
Change in Fair Value of Plan Assets:				
Fair Value, Beginning of Year	$ 77,866	$ 72,733	$ -	$ -
Interest Income	2,694	2,893	-	-
Re-Measurements:				
Return on Plan Assets, excluding any amounts included in Interest Income	(3,937)	3,146	-	-
Contributions:				
Employer	1,404	1,321	-	-
Plan Participants	304	357	-	-
Benefits Paid	(3,493)	(2,491)	-	-
Administrative Expenses	(109)	(93)	-	-
Fair value, End of Year	$ 74,729	$ 77,866	$ -	$ -
Funded Status:				
Plan Surplus (Deficit)	$ 3,219	$ 1,087	$ (3,703)	$ (3,771)
Accrued Asset (Liability)	$ 3,219	$ 1,087	$ (3,703)	$ (3,771)

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

	Defined Benefit Pension Plans		Post-Employment Plans	
	2018	2017	2018	2017
Net Benefit Plan Cost:				
Current Service Cost	$ 2,158	$ 2,127	$ 142	$ 122
Past Service Cost	-	424	-	-
Net Finance Expense relating to Employee Benefits	(68)	(248)	131	129
Administrative Expenses	109	93	-	-
Net Benefit Plan Expense Recognized	$ 2,199	$ 2,396	$ 273	$ 251
Actual Return (Loss) on Plan Assets	$ (1,243)	$ 6,039	$ -	$ -
Amounts Recognized in Other Comprehensive Income (Loss):				
Re-Measurements	$ 2,927	$ (3,204)	$ 307	$ (306)
Cumulative Re-Measurements Recognized in Other Comprehensive Income (Loss):				
Cumulative Amount, Beginning of Year	$ 3,392	$ 6,596	$ (1,821)	$ (1,515)
Recognized	2,927	(3,204)	307	(306)
Cumulative Amount, End of Year	$ 6,319	$ 3,392	$ (1,514)	$ (1,821)

The significant weighted average assumptions used are as follows:

	2018	2017
Defined Benefit Obligation:		
Discount Rate	3.9%	3.5%
Long-Term Average Rate of Compensation Increase	3.0%	3.0%
Long-Term Average Rate of Health Benefit Cost Increase		
Initial Trend Rate	6.9%	7.3%
Annual Decrease	0.4%	0.4%
Ultimate Trend Rate	4.5%	4.5%
Year of Ultimate Trend Rate	2024	2024
Benefit Costs:		
Discount Rate	3.5%	3.5%
Long-Term Average Rate of Compensation Increase	3.0%	2.0%

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%	$ (10,787)	$ 14,026
Salary Growth Rate	1.00%	$ 1,865	$ (1,734)
Life Expectancy	1 year	$ 2,045	$ (2,059)

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 plans' assets consist of the following asset mix:

	2018	2017
Equity Funds	53%	53%
Debt and Mortgage Funds	40%	40%
Real Estate Funds	7%	7%

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 plans' liabilities are calculated using a discount rate set with reference to corporate bond yields; if the plans' assets underperform this yield, this may create a deficit.

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

Inflation Risk: The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plans' 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, or reduce the surplus.

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

The investment positions are managed within an asset-liability matching that has been developed to achieve long-term investments that are in line with obligations under the pension plans. The Company monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. Investments are 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, 2017 for all plans and the next required valuation will be as of December 31, 2018. Based on most recent actuarial valuations, the Company has provided a letter of credit in the amount of $3.8 million to satisfy funding requirements for the defined benefit pension plans and will not be contributing cash to the other post-employment plans.

Contributions to the defined contribution pension plan were $189 during the year (2017 - $120).

18. Accumulated Other Comprehensive Income:

Accumulated other comprehensive income (loss) (AOCI) includes the recognized loss on previously settled cash flow hedges related to Series A, C and D, and unrealized changes in fair value of investments. The components of AOCI are as follows:

		2018		2017
Recognized Loss on Previously Settled Cash Flow Hedges	$	(26,030)	$	(28,802)
Unrealized Loss in Fair Value of Investments		(931)		(603)
	$	(26,961)	$	(29,405)

19. Income Taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory rates of 27% (2017 - 27%) to the earnings before income taxes. The reasons for the differences and related tax effects are as follows:

		2018		2017
Income (Loss) before Income Taxes	$	5,995	$	(5,700)
Expected provision for income taxes at the statutory rate				
Increase (decrease) in taxes resulting from:		1,619		(1,539)
Tax Effect of Not-For-Profit Earnings		(1,169)		2,312
Impact of Tax Rate on Investment Income		(11)		(31)
Tax Effect of Non-Deductible Expenses		3		3
Recognition of Previously Unrecognized Tax Loss Carryforward		-		-
Other		1		20
	$	443	$	765

20. 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:

	2018	2017	Level
Assets			
Investments			
Short-Term Notes	$ 5,225	$ 6,225	Level 2
Provincial/Municipal Bonds	8,173	10,368	Level 2
Corporate Bonds	31,570	36,173	Level 2
Liabilities			
Revenue Bonds Series A	248,756	262,446	Level 2
Revenue Bonds Series C	128,017	131,336	Level 2
Revenue Bonds Series D	191,850	203,059	Level 2
Revenue Bonds Series E	101,756	103,135	Level 2
Revenue Bonds Series F	126,454	133,877	Level 2
Manitoba Industrial Opportunity Program Loan	13,489	15,585	Level 2

The fair value of the Revenue Bonds and Manitoba Industrial Opportunity Program loan 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.

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: A2 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 14.

Credit and Concentration Risks:

The Company is subject to credit risk through its cash and cash equivalents, restricted cash, accounts receivable and investments 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 airlines through airfield and passenger processing fees and through 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 Winnipeg Airport is approximately 91% 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 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 as 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.

	2018		2017	
	Carrying Value	Effective Year End Interest Rate	Carrying Value	Effective Year End Interest Rate
Cash Equivalents	$ 15,410	1.7%	$ 17,707	1.41%
Debt Service Reserve Fund	$ 19,058	1.7%	$ 19,056	0.46%
Registered Deposit Note	$ 125,000	1.9%	$ 125,000	1.54%

If interest rates had been 50 basis points (0.50 %) higher/lower and all other variables were held constant, including timing of expenditures related to the Company's capital expenditure programs, the Company's net loss for the year would have increased/decreased by $463 (2017 - $483) (due to changes in returns on interest bearing assets), and the Company's other comprehensive loss would have increased/decreased by $294 (2017 - $475) (due to changes in the fair value of investments).

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.

21. Related Party Transactions:

The Company's related parties include key management personnel, the post-employment benefit plans for the Company's employees (note 17), as well as investment in associates.

In 2018, the Company paid $3,575 (2017 - $3,868) to associates for operational services included in operating expenses.

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 was as follows:

		2018		2017
Salaries and Short-Term Benefits	$	1,833	$	1,634
Post-Employment Benefits		161		99
Total	$	1,994	$	1,733

22. Capital Management:

The Company is incorporated without share capital under the Canada Not-for-Profit Corporations Act and, as such, net income is retained and reinvested in operations and development. Accordingly, the Company's only sources of capital for investing in operations and development are available bank debt, long-term debt and accumulated earnings included on the Company's balance sheet as retained earnings for a total of $986,176 (2017 - $987,000). The Company incurs debt to fund development based on what it considers affordable due to 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. The Company is in compliance with its debt covenants.

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.

23. Subsequent Event:

The Company incorporated two wholly owned subsidiaries to begin operations on January 1, 2019: YWG Inc., and Airport City Winnipeg Ltd. These entities are subcontracted to perform specific activities at the Winnipeg Airport on behalf of the Company.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

Governance Principles

The Board of Directors of Winnipeg Airports Authority Inc. recognizes that it has stewardship responsibility of a valuable community resource. The Board has implemented a corporate governance framework that aligns with best practices for effective corporate governance. 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 (Special Committees) on an as required basis to deal with particular matters. The full Board meets on a regular basis at least six times a year.

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.

The purpose of the Special Committee: Federal Governance Initiatives is to explore alternate structures and governance models, consistent with the Company's vision, mission and values, taking in to account the principles of lower costs, community benefits, employee engagement and sustainability.

Public Accountability Principles

Incorporated into the Company's By-laws 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

The Board is composed exclusively of unrelated, non-management Directors. 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.

Qualification and eligibility requirements of Board members:

- 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.
- No Director can be an elected official or government employee at any time during the two years prior to becoming a Director.

Community Consultative Committee

The Company has 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 at least twice a year 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

- The Company has adopted a Code of Conduct and Conflict of Interest Policy. All Directors are in compliance with this policy.
- The Company discloses non-arm's length transactions.
- Directors make a general report annually to their respective Nominator and the Board reports collectively to all Nominators.
- The Board has a self-evaluation process in place to review the performance of the Board and Board committees. As a general practice, the Company optimizes the use of Canadian resources and supplies and employs a competitive process for contracts in excess of $109,000 ($75,000 1994 dollars).
- One third of the Board of Winnipeg Airports Authority Inc. is female.
- In the event the Company increases airport user charges it provides 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.
- The Company 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 the Company conducts a comprehensive independent review of WAA'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.
- The Company provides for public access to the Airport Master Plan, five-year business plan, past five-year annual financial statements and business plans, incorporation documents, and all signed airport transfer agreements.

WAA Board of Directors 2018

Nominated by the City of Winnipeg

D. Greg Doyle, FCPA, FCA, Corporate Director
Scott Penman, Corporate Director
Kimberley Gilson, LL.B, Partner
Duboff Edwards Haight & Schachter Law Corporation

Nominated by the Assiniboia Chamber of Commerce

Gerry Glatz, Owner
Teledisc Systems

Nominated by Economic Development Winnipeg Inc.

Paul Soubry, President & CEO
NFI Group Inc.

Nominated by the Government of Canada

Don Boitson, Vice President, North American Operations
Magellan Aerospace Ltd.
Kenneth Grower, Corporate Director

Nominated by the Province of Manitoba

Peter Kaufmann, Vice President - Sales & Leasing
Capital Commercial Real Estate Services Inc.

Nominated by the Rural Municipality of Rosser

Thomas Payne Jr. (Chair), President
Payne Transportation Ltd.

Nominated by the Winnipeg Chamber of Commerce

BJ Reid, FCPA, FCA (Vice-Chair), Vice President, Fund Services and Chief Financial Officer
Investors Group Mutual Funds
Sangeet Bhatia, CPA, CA, CMC, Partner, Consulting
Deloitte Inc.

Appointed by the WAA Board

Brita Chell, FCPA, FCA, Chief Financial Officer
G3 Canada
Paul Vogt, President & CEO
Red River College
Donna Price, FCPA, FCGA, Corporate Director
Susan Dawes, Partner
Myers LLP.
Arthur Mauro (Chair Emeritus), Corporate Director

2018 Board Attendance

	Board Meetings			Governance Committee Meetings			Special Committee: Federal Governance Initiatives		
	Eligible	Attended	Telephone	Eligible	Attended	Telephone	Eligible	Attended	Telephone
Sangeet Bhatia	7	6	1	4	4				
Susan Dawes[i]	7	5	2	3	3				
Kimberley Gilson	7	5	1	4	4				
Kenneth Grower[ii]	3	2		1	1				
Tom Payne Jr.	7	6	1	4	4				
Donna Price	7	6	1	4	4				
Paul Soubry	7	5		4	3			No Meetings of the Special Committee on Federal Governance Initiatives were held in 2018	
Paul Vogt	7	5	1	4	4				
				Audit Committee Meetings					
Don Boitson	7	3	2	5	2	2			
Brita Chell	7	4	3	5	3	2			
D. Greg Doyle	7	6	1	5	5				
Gerry Glatz	7	6	1	5	5				
Peter Kaufmann[iii]	7	6	1	3	3				
BJ Reid	7	6	1	5	5				
Scott Penman	7	5	2	5	4	1			

(See footnotes showing up at the bottom that relate to the above chart)

Board of Directors Compensation for 2018

Name	Regular	Meeting	Chair	Total Earnings
Sangeet Bhatia	$ 12,000	$ 6,300		$ 18,300
Don Boitson	12,000	4,650		16,650
Brita Chell	12,000	6,000		18,000
Susan Dawes	11,000	4,800		15,800
D. Greg Doyle	12,000	7,650	$ 7,000	26,650
Kimberley Gilson	12,000	5,700	5,000	22,700
Gerry Glatz	12,000	7,650		19,650
Kenneth Grower	5,000	1,800		6,800
Peter Kaufmann	11,000	6,150		17,150
Tom Payne Jr.	50,000			50,000
Scott Penman	12,000	6,975		18,975
Gordon Peters	1,000			1,000
Donna Price	12,000	6,300		18,300
BJ Reid	12,000	7,650	5,000	24,650
James Robinson	1,000			1,000
Paul Soubry	12,000	4,800		16,800
Paul Vogt	12,000	5,700		17,700
				$ 310,125

i Governance Committee membership effective July 24, 2018
ii Governance Committee membership effective November 27, 2018
iii Audit Committee membership effective April 19, 2018

Executive Officers 2018

Barry Rempel, President and Chief Executive Officer
Catherine Kloepfer, Senior Vice President Corporate Services and Chief Financial Officer
Pascal Bélanger, Vice President and Chief Commercial Officer
Vince Dancho, Vice President Operations

The base compensation range for the President & Chief Executive Officer is $275,000 to $375,000.
The base compensation range for Vice Presidents is $175,000 to $275,000.

Community Consultative Committee and their Affiliations

Loren Remillard - The Winnipeg Chamber of Commerce
Dave Dyson - Deputy Minister of Growth, Enterprise and Trade
Colin Ferguson - Travel Manitoba
Dayna Spiring - Economic Development Winnipeg
Doug McNeil - City of Winnipeg
Scott Sinclair - Deputy Minister of Infrastructure
Jeff Traeger - United Food & Commercial Workers Union
Wendell Wiebe - Manitoba Aerospace Association
Ron Evans - Indigenous Relations
Chuck Davidson - Manitoba Chambers of Commerce

Corporate Information

Auditors: PricewaterhouseCoopers LLP
Bank: Canadian Imperial Bank of Commerce
Legal Counsel: MLT Aikins LLP, Miller Thompson LLP, Fillmore Riley LLP and Taylor McCaffrey LLP

Single Source Contracts

During 2018 contracts were awarded in excess of $109,000 ($75,000 in 1994 dollars) outside of a competitive process for the reasons indicated in the following table:

Vendor	Description	Value	Basis for selection
Federated CO-OP	Fuel	$ 439,653.79	G
Glacial Aggregates Inc	Airfield Supplies	$ 143,220.88	E
Skidata Inc	System Upgrades	$ 205,383.00	A / C
SMS Engineering	Engineering Services	$ 190,695.75	A / F
Team Eagle LTD	Heavy Equipment	$ 1,119,273.41	A / B / E
Vancouver Airport Authority	Security Equipment	$ 735,000.00	D / F
BDO Canada LLP	Software and Implementation	$ 462,530.00	D
Bouygues Energies and Services Canada Limited	Janitorial Services	$ 1,417,802.00	G
Toromont Cat	Heavy Equipment	$ 180,500.00	D
Precision Joint Sealing Inc	Infrastructure Maintenance	$ 174,999.00	F
Airport Technologies	Heavy Equipment	$ 289,442.00	G
Flexity Solution Inc	Software	$ 151,779.20	D
LM Architectural Group	Architectural Services	$ 109,307.65	G
CDW Canada	Computer Equipment	$ 264,500.00	C

Basis for Selection

A – The acquisition is part of an equipment standardization program.
B – The goods or services are of a proprietary nature or there is only one qualified supplier.
C – Safety, security or critical operating needs require urgent procurement.
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.
F – A strategic alliance/partnership can be formed with one vendor in order to take advantage of current technology and expertise.
G – An alliance/partnership can be formed with one supplier in order to significantly promote the strategic objectives.

WINNIPEG RICHARDSON INTERNATIONAL AIRPORT SERVICES

Passenger Carriers

Serving Main Terminal Building

Air Canada
Air Canada Express
(Jazz Aviation on behalf of Air Canada Express)
Air Transat
Bearskin Airlines
Calm Air
Delta Air Lines
Delta Air Lines
(Endeavor Air / SkyWest / Compass on behalf of Delta)
Flair Air
Sunwing Airlines
Swoop
United Airlines
(ExpressJet / SkyWest on behalf of United)
Wasaya
WestJet
WestJet Encore

Other

Perimeter Aviation
Fast Air Ltd.
Skynorth Air Ltd.
Missinippi Airways
Keewatin Air Limited
Kississing Lakelodge Ltd.
Les Investissements Nolinor
2080061 Ontario Inc.
Execaire, A Division Of Gate Gourmet Canada Inc.
Ornge
Air Bravo Corp.
The North West Company LP
Sun Country Airlines
Flightpath Charter Airways Inc.
Execaire Aviation
FN Aircraft Limited Partnership
Morningstar Partners Ltd.
Airsprint Inc.
Air Inuit Ltd.
Northern Air Charter (P.R.) Inc.
Air Tindi Ltd.
Ifl Group Inc.
Pal Air Ltd.
Sunwest Aviation Ltd.
Sky Regional
Navitrans
Miami Air International, Inc.
Skyservice Business Aviation
Thunder Airlines
Saults & Pollard Real Estate
British Airways
First Air (Bradley Scheduled) Ltd.
North Star Air Ltd.
Chartright Air Inc.
Northway Aviation Ltd.
J.W. Childs Associates LP
Voyageur Airways
Harvard Oil & Gas Inc.

Air Cargo Carriers

Scheduled

Cargojet
DHL
(operated by Southern Air)
FedEx
UPS

Non-Scheduled

Air Bridge Cargo Airlines
Atlas Air Cargo
Cargolux
Centurion Cargo
China Cargo Airlines
Korean Air Cargo
LATAM Cargo
Nippon Cargo Airlines

Restaurants/Bars

Pre-Security

Harvey's
Root98
Stella's Café and Bakery
Tim Hortons

Post-Security Domestic

Freshii
Fuel Bar
Green Carrot Juice Company
Plaza Premium Lounge
Prairie Bistro
Skylights Lounge
Starbucks
Tim Hortons
True Burger

Post-Security Transborder

Tim Hortons Express
Urban Crave Restaurant and Lounge

Retailers

Pre-Security

ICE Currency Exchange
Red River News

Post-Security Domestic

Bentley
Best Buy Express
ICE Currency Exchange
Lolë
Metalsmiths Sterling
PGA TOUR Shop
Prairie News
Red River News Express
Rocky Mountain Chocolate Factory
The Scoreboard
The Exchange News & Gifts
The Loop Duty Free

Post-Security Transborder

CNBC News
ICE Currency Exchange
The Loop Duty Free

Hotels

Courtyard by Marriott
Four Points by Sheraton
The Grand by Lakeview

Car Rentals

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

MAKING A DIFFERENCE

Based on the Rolland products selected, compared to products in the insustry made with 100% virgin fiber, our savings are:

One tree

945 gal. U.S. of water
10 days of water consumption

97 lb of waste

318 lb CO2
602 miles driven

1 MMBTU
3,975 60W light bulbs for one hour

0 lb NOX

ECF

TCF

BIO GAS ENERGY

PERMANENT

WINNIPEG
AIRPORTS AUTHORITY

249-2000 Wellington Avenue
Winnipeg, Manitoba R3H 1C2

waa.ca