2021
FINANCIAL REPORT

WINNIPEG
AIRPORTS AUTHORITY

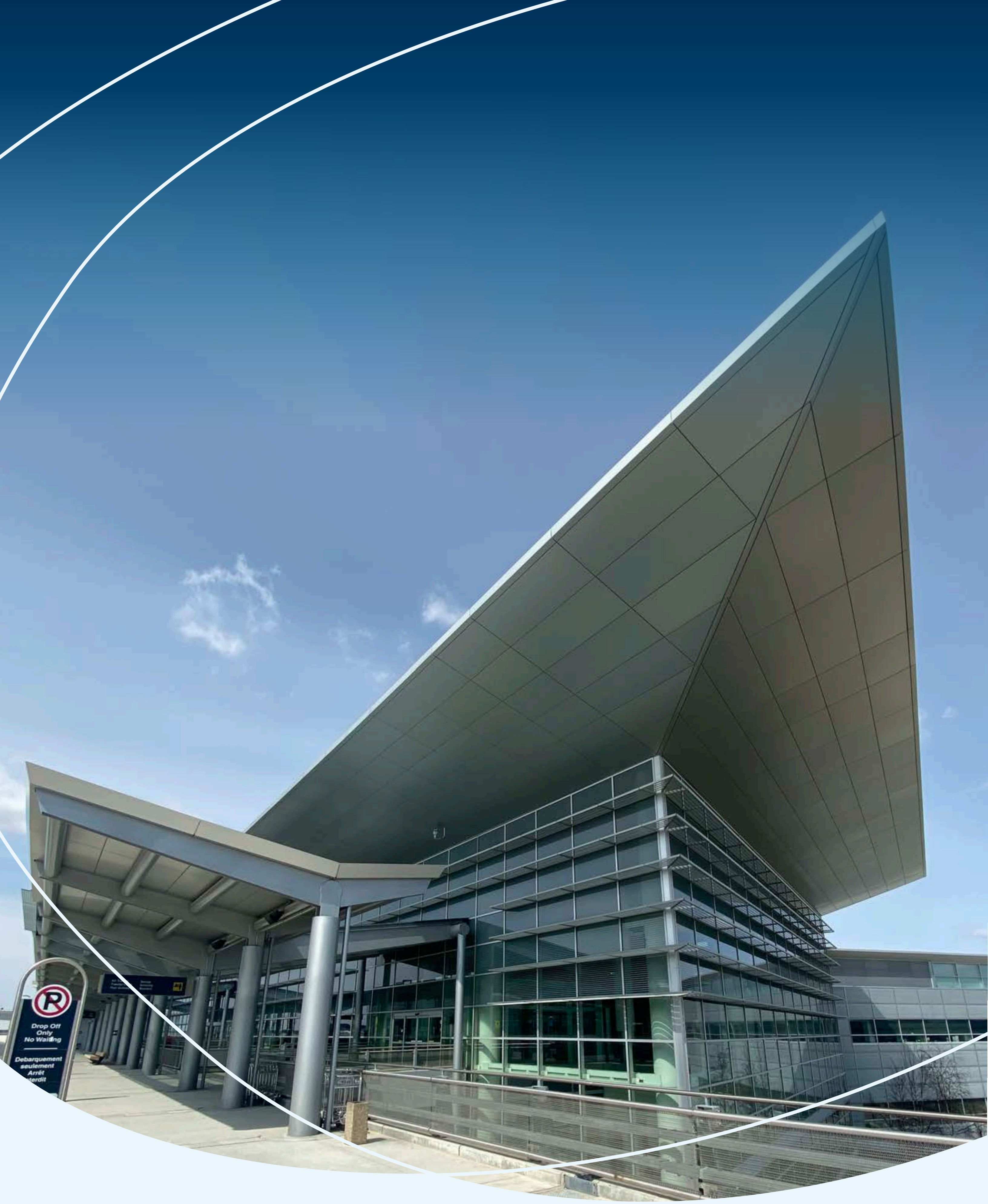
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TABLE OF CONTENTS

2021 FINANCIAL REVIEW

(In thousands of Canadian dollars)	2017	2018	2019	2020	2021
Revenue	$ 128,529	$ 138,436	$ 139,781	$ 66,232	$ 75,139
Operating Expenses[1]	62,262	60,593	62,983	50,250	46,909
Ground Lease Rent	8,688	9,471	9,730	535	-
Earnings Before Interest, Taxes & Depreciation	57,579	68,368	67,068	15,447	28,230
Depreciation	31,476	30,055	30,503	32,784	35,179
Net Income (Loss)	(6,465)	5,552	3,449	(40,296)	(34,211)
Capital Expenditures	24,323	22,897	56,981	10,620	8,503

[1] – Operating expenses excluding ground lease rent and depreciation

This review discusses the financial and operating results of Winnipeg Airports Authority Inc. ("the Company or WAA") for the year ended December 31, 2021 and should be read in conjunction with the Consolidated Financial Statements of the Company for the years ended December 31, 2021 and 2020. These financial statements provide additional information on certain matters that may or may not be discussed in this review.

Corporate Profile

The Company is a Canadian Airport Authority and a corporation without share capital under the Canada Not-for-profit Corporations Act. The Company is authorized to manage and operate airports in the Winnipeg area on a commercial basis, to set fees for their use and to develop and improve the facilities. In accordance with this mandate, the Company currently manages and operates Winnipeg James Armstrong Richardson International Airport ("YWG") under a ground lease with the federal government, which was executed in December 1996 (the "Ground Lease"). The Company also operates ancillary businesses outside of these demised premises.

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

The global COVID-19 pandemic continued to have a significant impact on the operating results of the Company as ongoing travel restrictions, testing requirements and public health measures suppressed the demand for air travel. A strong uptake in COVID-19 vaccines, which resulted in lower case levels and looser travel requirements, led to an increase in traffic in the later part of the year with the fourth quarter seeing 42% of the total passenger volume for 2021. However, the Omicron variant impacted this positive trajectory, reducing the demand for air travel through the holiday season and into the early stages of 2022. There are encouraging signs of recovery emerging but given the unprecedented nature of the COVID-19 pandemic, there is still uncertainty on when traffic levels will return to normal.

YWG's operating results are primarily driven by passenger volumes, with cargo activity representing an increasingly important part of the business. In 2021, commercial passenger flights in Winnipeg were down 5.5% compared to the previous year. Total passenger traffic for 2021 was 1,223,054, which reflects a decrease of 6% from 2020 and 73% lower than 2019 pre-pandemic levels. As a result of international travel restrictions imposed by the federal government, the majority of the passenger volume was domestic with less than 3% of traffic classified as transborder/international.

Cargo landings were up by 9.5% year-over-year. This is attributed to an increase in commercial flight demand for overnight courier and e-commerce as well as a modal shift from ocean to air cargo within supply chain distribution sectors requiring faster deliveries to meet market demand.

WAA ended 2021 with a net loss of $34.2 million compared to a $40.3 million net loss in 2020. This improvement is partly a result of a $5.6 million gain on the sale of an Investment in Associate.

Revenues

The sustained reduction in passenger volumes translates into revenue of $75.1 million, which is an increase of $8.9 million from 2020 but still approximately half of pre-pandemic levels. Key revenue sources include Airport Improvement Fees (AIF), Aeronautical Revenue and Non-Aeronautical Revenue.

Improvements to airport infrastructure are funded through the collection of AIF from passengers originating from YWG. This fee is collected by the air carriers at the point of sale and remitted to the Company based on the date passengers fly out of Winnipeg. The air carriers retain a 7% handling fee. WAA received $20.3 million in AIF in 2021, up $5.3 million over 2020. This was supported by the increase in the AIF rate on September 1, 2020 from $25 to $38. In 2021, the AIF funds were used to fund long-term debt principal and interest payments related to the terminal building.

The largest component of airfield revenue is landing fees billed to air carriers on the basis of gross take-off weight ("GTOW") as specified by the aircraft manufacturer. Airfield revenue for 2021 was comparable to the previous year at $14.3 million, which is approximately 62% of pre-pandemic revenue.

Passenger processing revenue of $7.3 million decreased by $2.4 million or 24%. Revenue is mostly based on landed seats on aircraft using the main air terminal building at YWG. There was a greater reduction in seats than passengers in 2021 as airlines were able to better utilize their aircraft and increase load factors. Other revenue items in this category include ground handling fees and passenger boarding bridge fees charged per use.

The reduced passenger volumes also had a ripple effect on non-aeronautical revenue. Revenue from groundside activities (i.e. parking and ground transportation services such as ride-sharing services, taxis, limousines and shuttle buses) reduced by $0.5 million to $6.0 million, equalling a third of pre-pandemic numbers.

Concession revenues are generated from restaurants and retail sales in Winnipeg's air terminal building. As a result of low passenger volumes, many of the concessionaires were either closed or operated with limited hours throughout most of the year. Total concession revenue for 2021 was $1.1 million, a reduction of $1.5 million from 2020.

Leasing revenue of $7.9 million has remained consistent throughout the pandemic. This represents land and building space the Company sub-leases to tenants on YWG lands under the terms of the Ground Lease.

The Company has diversified its revenue sources and operates ancillary business including the provision of safety management system audits and consulting for remote airports, the management of Iqaluit International Airport and services to other airports in British Columbia, Newfoundland, Manitoba and Bermuda. Airport Management Contracts revenue of $10.3 million has remained stable throughout the pandemic as it is not directly tied to passenger volumes. This revenue source now represents 13.8% of the Company's total revenue.

Other revenue sources in 2021 include funding through the federal government's Airport Relief Fund in the amount of $5.7 million, which was used towards covering general operations expenses.

Operating Expenses

The Company continued to place a significant focus on cost containment in 2021 and carefully managed its cost base as terminal services started to reopen in sync with increased passenger demand in the fourth quarter.

Overall operating expenses of $82.1 million are comparable to 2020 and reflect 80% of pre-pandemic costs. A large portion of the Company's operating expenses are fixed and do not reduce directly with fewer landings or passengers.

Salaries and benefits costs were $18.0 million in 2021, which represents a decrease of $1.5 million over 2020 and $6.1 million lower than 2019. A workforce reduction was undertaken in 2020 with approximately 20% of employees being laid off or having retired. No significant restructuring occurred in 2021. WAA continued to participate in the Canadian Emergency Wage Subsidy (CEWS) program, which provided funding towards employee salaries of $4.8 million in 2021, and $5.5 million in 2020.

Services and repairs costs of $17.7 million are comparable to 2020 and remain below pre-pandemic expenses. WAA continued to monitor passenger volumes and adjust the overall footprint of the terminal including consolidating operations to the west side of the facility, closing off gates and baggage carousels and temporarily shutting down several non-passenger access screening points. As traffic began to recover towards the end of the year, services were gradually re-opened in partnership with servide providers.

Ground lease rent is normally calculated using a graduated rate formula that increases the percentage rent as increased levels of gross revenue are earned by the Company. On March 31, 2020, the federal government waived the ground rent requirements effective from March to December 2020. Subsequently, an extension of the waiver was provided until December 31, 2021; therefore, no rent was recognized as an expense for the year.

The cost of supplies remained consistent in 2021 at $3.6 million. This represents chemical usage on the airfield, fuel costs, and various materials for maintenance and cleaning in the terminal.

Utility costs are comprised of expenses for consumption of natural gas, electricity and water, along with charges for waste water disposal. Overall utility costs were comparable to the prior year and reflect a decrease of 12% compared to pre-pandemic expenses as a result of lower consumption in the terminal.

Liquidity and Financing

Leading into the pandemic, the Company had a healthy cash reserve; however, resources were drawn on throughout 2020 to fund operations.

On February 3, 2021, the Company completed the issuance of a Series G $100 million bond at 3.04% due on February 3, 2051 to finance capital expenditures and general operations. This resulted in a cash balance of $115.4 million as of December 31, 2021.

Separately, the Company maintains restricted cash balances of $16.1 million for debt services requirements, which is consistent with the prior year.

To provide further liquidity, the Company has access to $150 million in committed credit facilities with $126.8 million available as of December 31, 2021.

The Company's total revenue bond debt at the end of the year was $660.1 million compared to $570.6 million at December 31, 2020, a net increase of $89.5 million related to the $100 million issuance of Series G bonds offset by princinpal payments on Series A and D. The majority of the Company's debt is in the form of revenue bonds. The Company also has a loan outstanding with the Manitoba Industrial Opportunity Program for $12.8 million, a reduction through principal payments of $0.7 million from 2020. Specialized airfield mobile equipment is financed through a leasing program with a total outstanding of $2.1 million, which reflects a decrease of $0.8 million related to monthly lease payments.

Capital Investments

Total capital investments remain below average in light of reduced funding through AIF and the pandemic's impact on general operations. In 2021, total additions to capital assets were $8.5 million compared to $10.6 million the previous year. Several projects are still being deferred in order to preserve cash.

Of the total investments in 2021, $3.2 million relates to the initial planning and design for the cargo expansion project, which is funded in part by a $30-million investment from the federal government under the National Trade Corridors Fund. The remaining spend relates to critical airfield paving and necessary IT upgrades.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Year ended December 31, 2021

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 assets are safeguarded and 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.

April 14, 2022

Nick Hays
President and Chief Executive Officer

Nicole Stefaniuk, CPA, CA
Vice President, Finance and Administration

Consolidated Financial Statements of

WINNIPEG AIRPORTS AUTHORITY INC.

Year ended December 31, 2021

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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, 2021 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, 2021;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 financial 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 scepticism 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
April 14, 2022

CONSOLIDATED BALANCE SHEET

As at December 31, 2021 (In thousands of Canadian dollars)

		2021		2020
Assets				
Current:				
Cash	$	115,397	$	33,196
Accounts Receivable (note 6)		13,829		5,509
Prepaid Expenses		1,480		2,859
Current Portion of Financing Lease Receivable (note 11)		723		721
Inventory		3,268		3,087
Restricted Cash (note 8)		16,142		16,139
		150,839		61,511
Non-Current:				
Property and Equipment (note 7)		626,726		653,858
Investments (note 9)		2,571		-
Investments in Associates (note 10)		74		1,755
Financing Lease Receivables (note 11)		24,213		24,862
Post-Employment Benefits (note 18)		3,215		-
Contract Assets		294		125
Deferred Income Tax (note 20)		156		298
	$	808,088	$	742,409
Liabilities and Equity				
Current:				
Accounts Payable and Accrued Liabilities	$	23,445	$	19,301
Income Taxes Payable		443		716
Deferred Revenue		1,536		1,107
Current Portion of Long-Term Debt (note 14)		11,894		11,318
		37,318		32,442
Non-Current:				
Deferred Revenue		4,392		2,806
Post-Employment Benefits (note 18)		5,930		14,346
Long-Term Debt (note 14)		663,055		575,590
	$	673,377	$	592,742
Equity:				
Retained Earnings		117,094		138,162
Accumulated Other Comprehensive Loss (note 19)		(19,701)		(20,937)
		97,393		117,225
	$	808,088	$	742,409

Contingencies, Commitments & Guarantees (note 17)

The accompanying notes are an integral part of these financial statements

______________________ Director

______________________ Director

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2021 (In thousands of Canadian dollars)

		2021		2020
Revenue:				
Airport Improvement Fees (note 13)	$	20,334	$	15,008
Passenger Processing		7,317		9,689
Airfield		14,336		13,325
Groundside		5,989		6,458
Concessions		1,121		2,611
Leasing		7,917		7,774
Airport Management Contracts		10,349		10,427
Other (note 16)		7,776		940
		75,139		66,232
Operating Expenses:				
Salaries and Benefits (note 16)		18,027		19,462
Services and Repairs		17,697		17,429
Ground Lease Rent (note 11 & 16)		-		535
Supplies		3,556		3,750
Utilities		2,387		2,448
Property Taxes, Insurance and Other		5,242		7,161
Depreciation		35,179		32,784
	$	82,088	$	83,569
(Loss) before Other (Income) Expense, Net Finance Expense and Income Taxes		(6,949)		(17,337)
Share of Profit of Associates and Investment Income (note 9 & 10)		(89)		(73)
Gain on Long-Term Land Lease (note 11)		-		(7,350)
Write-down of Property and Equipment		449		-
(Gain) Loss on Disposal of Property and Equipment		(49)		43
Gain on Disposal of Investments (note 10)		(5,598)		-
Net Finance Expense (note 14)		31,186		29,512
Net Loss Before Income Tax		(32,848)		(39,469)
Income Tax Expense of Subsidiaries:				
Current		1,221		800
Deferred (note 20)		142		27
		1,363		827
Net Loss	$	(34,211)	$	(40,296)

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Year ended December 31, 2021 (In thousands of Canadian dollars)

		2021		2020
Net Loss	$	(34,211)	$	(40,296)
Other Comprehensive Loss:				
Items Subsequently Reclassified to Profit or Loss				
Recognition of Loss on Previously Settled Cash Flow Hedges		1,675		1,644
Realized Loss on Investments		-		12
Items that will not be Reclassified to Profit or Loss				
Employee Benefit Plan Re-Measurements (note 18)		13,143		(5,071)
Unrealized Loss on Equity Investments		(439)		-
Comprehensive Loss	$	(19,832)	$	(43,711)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31 (In thousands of Canadian dollars)

		Accumulated Other Comprehensive Income (Loss)		Retained Earnings		Total Equity
Balance – January 1, 2020	$	(22,593)	$	183,529	$	160,936
Net Income		-		(40,296)		(40,296)
Other Comprehensive Income						
Realized Loss on Investments		12		-		12
Employee Benefit Plan Re-Measurements		-		(5,071)		(5,071)
Recognition of Loss on Previously Settled Cash Flow Hedges		1,644		-		1,644
Balance - December 31, 2020	$	(20,937)	$	138,162	$	117,225
Net Loss		-		(34,211)		(34,211)
Other Comprehensive Income						
Unrealized Loss in Fair Value Investments		(439)		-		(439)
Employee Benefit Plan Re-Measurements		-		13,143		13,143
Recognition of Loss on Previously Settled Cash Flow Hedges		1,675		-		1,675
Balance – December 31, 2021	$	(19,701)	$	117,094	$	97,393

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended December 31, 2021 (In thousands of Canadian dollars)

	2021	2020
Operating Activities:		
Net Loss	$ (34,211)	$ (40,296)
Adjustments for:		
Depreciation	35,179	32,784
(Gain) Loss on Disposal of Property and Equipment	(49)	43
Write-down of Property & Equipment	449	-
Deferred Income Taxes	142	27
Non-Cash Interest Expense (note 14)	1,997	1,935
Post-Employment Benefit Expense in Excess of Funding	1,512	1,511
(Increase) Decrease in Contract Asset	(169)	1,186
Gain on Long-Term Land Lease	-	(7,350)
Realized Loss on Investments	-	12
Realized Gain on sale of Investment in Associates	(5,598)	-
Share of Profit of Associates	(11)	(73)
Change in Non-Cash Operating Working Capital	1,979	2,554
	1,220	(7,667)
Investing Activities:		
Additions to Property and Equipment	(11,717)	(19,777)
Proceeds from disposal of Property and Equipment	57	31
Decrease in Investments	-	28,514
Decrease in Financing Lease Receivable	647	705
(Increase) Decrease in Restricted Cash	(3)	54
Proceeds on Redemption of Associate's Preferred Shares	568	-
Proceeds on Disposal of Investment in Associates	3,710	-
Dividends and return of capital received from Associates	-	509
	(6,738)	10,036
Financing Activities:		
Proceeds from Long-Term Debt, net of Financing Costs	99,037	2,216
Repayment of Long-Term Debt	(11,318)	(10,652)
	87,719	(8,436)
Increase (Decrease) in Cash	82,201	(6,067)
Cash, Beginning of Year	33,196	39,263
Cash, End of Year	$ 115,397	$ 33,196
Interest Paid	28,537	27,566
Interest Received	1,293	783

The accompanying notes are an integral part of these financial statements

Notes to Consolidated Financial Statements of

WINNIPEG AIRPORTS AUTHORITY INC.

Year ended December 31, 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2021 (In thousands of Canadian dollars, unless otherwise noted)

1. Nature of Operations:

The Corporation:

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 the following wholly owned for-profit subsidiaries:

a) Airport City Winnipeg Ltd. (ACW) provides property development services at the Winnipeg Airport.

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

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

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

e) YWG Inc. provides airport management services at the Winnipeg Airport.

COVID-19 Pandemic:

The global COVID-19 pandemic continued to have a significant impact on the operating results of the Company as ongoing travel restrictions, testing requirements and public health measures suppressed the demand for air travel. A strong uptake in COVID-19 vaccines, which resulted in lower case levels and looser travel requirements, led to an increase in traffic in the later part of the year. However, the Omicron variant impacted this positive trajectory, reducing the demand for air travel through the holiday season and into the early stages of 2022.

There are encouraging signs of recovery emerging but given the unprecedented nature of the COVID-19 pandemic, there is still uncertainty on when traffic levels will return to normal.Given this uncertainty, management continues to monitor the liquidity position and evaluate numerous scenarios involving macro-economic factors, consumer travel sentiment and air carrier forward-looking schedules to ensure the financial sustainability of the Company.

2. Basis of Presentation:

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). These financial statements were approved for issuance by the Board of Directors on April 14, 2022.

3. Changes in Accounting Policies:

There are no changes in accounting policies that have a material impact on the Company's financial statements for the year ending December 31, 2021.

The following accounting standards have been issued but are not yet effective:

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued amendments to IAS 8 to help entities distinguish between changes in accounting policies and accounting estimates. The amendments issued are effective for annual periods beginning on or after January 1, 2023 and applicable to accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted. The Company is currently evaluating the impact that this standard will have on its financial statements.

IAS 12 - Income Taxes

In May 2021, the IASB issued amendments to IAS 12 to require companies recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. The amendments issued are effective for annual periods beginning on or after January 1, 2023, but early application is permitted. The Company is currently evaluating the impact that this standard will have on its financial statements.

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 and a portion of the results of joint arrangements (note 4[m]).

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

(c) Cash:

Cash includes cash on hand and deposits held with banks.

(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 using the first in, first out method for all inventory categories.

(f) Leases:

Company as a Lessee:

Leases are recognized as a right of use asset and corresponding liability at the date of which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- The exercise price of a purchase or extension option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Variable lease payments that are not based on an index or rate, such as those that are based on usage, have been excluded from the asset and liability and will continue to be recorded as incurred. Each lease payment is allocated between the liability and interest expense. The interest cost is charged to the consolidated statement of operations over the lease period to produce a constant rate of interest on the remaining balance of the liability for each period.

Right of use assets are accounted for under IAS 16 Property, Plant and Equipment. Right of use assets have the same accounting policies as directly owned assets, meaning the right of use assets are componentized and depreciated over the lease term, as applicable.

Ground Lease:

Annual operating lease payments under the Ground Lease (note 11) are variable as they are calculated based on revenues of the Company as defined in the lease agreement, and are recognized as an expense in the year in which they are incurred.

Company as a lessor:

Subleases are classified by the lessor as operating or financing by comparing the characteristics of the sublease to the right of use asset resulting from the head lease. In circumstances where the head lease is accounted for as an operating lease due to the variable nature of the payments, upon inception of the sublease, a financing lease receivable equal to the present value of all future lease payments under the sublease is recorded with the offset recognized in the statement of operations.

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 certain fixed-price stand-ready contracts with customers whereby the amount of revenue recognized to date has exceeded the payments required (note 4(o)). The performance obligations within the contracts will be achieved over the term of the contracts.

(i) Deferred Revenue:

Deferred Revenue is related to a long-term contract in one of the subsidiaries (note 4[o]). Receipts received in advance of assets purchased are held in deferred revenue and are recognized as revenue over the life of the underlying asset based on the expected total contract profit margin.

(j) 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.

(k) Government Grants:

Government grants are recognized when there is reasonable assurance that the Company has complied with the conditions associated with the relevant government program. Depending on the nature of the programs, the grants are recorded as a reduction to the carrying amount of the related asset, as other revenue, or net of operating expenses. Government grants receivable are recorded in trade and other receivables in the statement of financial position.

(l) Investment in Associates:

The Company uses the equity method of accounting for investments in associates over which it has significant influence. The original investment in associates 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.

(m) 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 Company recognizes its share of assets and liabilities of the joint operation. Where the arrangement meets the definition of a joint venture, the equity method of accounting is used.

(n) 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 recoverable amount.

The recoverable amount of an asset or cash generating unit (CGU) is the higher of an asset or CGU's fair value less costs of disposal (FVLCD) or its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 recoverable amount and the loss is charged to the consolidated statement of operations.

(o) 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. Revenues from these contracts are recognized on a straight-line basis over the contract period as this depicts the Company's progress towards completion in satisfying the performance obligation. 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.

The Company has entered into several airport management contracts. Certain management contract revenue is recognized as services are rendered.

For airport management contracts which have several components, revenue is recognized as the service obligation is performed. Revenue recognized related to services from such contracts are recognized as the services are rendered based on the total expected contract profit margin.

Revenue related to lifecycle payments for assets where the Company takes ownership are recognized into revenue over the useful life of the asset purchased, with a margin determined based on the total expected contract profit margin.

Revenue related to lifecycle payments for assets purchased on behalf of the contracting party are recognized into revenue when the asset is purchased, with the cost of the asset being expensed based on the total expected contract profit margin.

(p) 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.

(q) Financial Instruments:

Initial Recognition and Measurement

Financial assets and financial liabilities are recognized when the Company 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 fair value through other comprehensive income, which results in an accounting loss being recognized in profit or loss when an asset is recognized.

The Company classifies its financial assets at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets for debt instruments 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, 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.

Financial assets at amortized cost

Financial assets at amortized cost are debt instruments that are held for collection of contractual cash flows when 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 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.

Financial assets at fair value through other comprehensive income also comprise equity investments at fair value when the Company has made an irrevocable election on initial recognition to classify the instrument as FVOCI. Where the Company has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Company has elected to record its investment in Security Services Corp at FVOCI.

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. For finance lease receivables the Company recognizes 12 months of ECL unless there has been a significant increase in credit risk since initial recognition.

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

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).

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

(r) 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.

(s) 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 management's 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.

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 and estimates 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 and estimates 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) 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 assumptions 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.

(c) 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 a right-of-use asset and related lease liability should not be recognized due to the variable nature of the rental formula. Certain long-term leases where the Company acts as the lessor are classified as finance lease receivables and calculated based on the present value of future lease payments discounted at a rate representing the estimated borrowing rate for a similar term.

(d) Future Cash Flow Projections:

The COVID-19 pandemic has caused a significant disruption to the industry and as a result the Company has endeavored to incorporate its impact on future cash flow projections which includes making assumptions and estimates regarding the timing and amounts of future revenues. These projections are incorporated into the Company's assessment of its ability to manage liquidity as well as its impairment assessments on fixed assets.

6. Accounts Receivable:

		2021		2020
Trade Accounts	$	14,270	$	6,456
Other Receivables		96		103
		14,366		6,559
Provision for Doubtful Accounts		(537)		(1,050)
Total Accounts Receivable	$	13,829	$	5,509

The aging analysis of these trade receivables and the expected credit losses as at December 31, 2021 and 2020 are as follows:

	2021		2020	
Current	12,838	(65)	4,641	(74)
30 – 60 days	1,024	(165)	712	(113)
60 – 90 days	196	(109)	265	(130)
Greater than 90 days	212	(198)	838	(733)
Total	14,270	(537)	6,456	(1,050)

7. Property and Equipment:

	Vehicles Machinery & Equipment	Technology	Buildings & Other Structures	Civil Infrastructure	Artwork	Construction in Progress	2021 Total
Gross Value							
Balance, January 1, 2021	$ 63,196	$ 42,185	$ 590,337	$ 243,713	$ 1,282	$ 15,763	$ 956,476
Additions	1,171	1,417	164	5,371	-	380	8,503
Transfers	1,378	2,514	4,045	5,134	-	(13,071)	-
Disposals	(21)	-	(449)	-	-	-	(470)
At December 31, 2021	$ 65,724	$ 46,116	$ 594,097	$ 254,218	$ 1,282	$ 3,072	$ 964,509
Accumulated Depreciation							
Balance, January 1, 2021	$ 33,385	$ 28,261	$ 144,606	$ 96,366	$ -	$ -	$ 302,618
Depreciation	2,936	3,035	16,996	12,212	-	-	35,179
Disposals	(14)	-	-	-	-	-	(14)
At December 31, 2021	$ 36,307	$ 31,296	$ 161,602	$ 108,578	$ -	$ -	$ 337,783
Net Value at							
December 31, 2021	$ 29,417	$ 14,820	$ 432,495	$ 145,640	$ 1,282	$ 3,072	$ 626,726

	Vehicles Machinery & Equipment	Technology	Buildings & Other Structures	Civil Infrastructure	Artwork	Construction in Progress	2020 Total
Gross Value							
Balance, January 1, 2020	$ 60,061	$ 38,144	$ 564,314	$ 238,594	$ 1,282	$ 43,665	$ 946,060
Additions	2,989	4,019	519	1,280	-	1,813	10,620
Transfers	350	22	25,504	3,839	-	(29,715)	-
Disposals	(204)	-	-	-	-	-	(204)
At December 31, 2020	$ 63,196	$ 42,185	$ 590,337	$ 243,713	$ 1,282	$ 15,763	$ 956,476
Accumulated Depreciation							
Balance, January 1, 2020	$ 30,682	$ 25,155	$ 128,602	$ 84,523	$ -	$ -	$ 269,962
Depreciation	2,831	2,106	16,004	11,843	-	-	32,784
Disposals	(128)	-	-	-	-	-	(128)
At December 31, 2020	$ 33,385	$ 28,261	$ 144,606	$ 96,366	$ -	$ -	$ 302,618
Net Value at							
December 31, 2020	$ 29,811	$ 13,924	$ 445,731	$ 147,347	$ 1,282	$ 15,763	$ 653,858

8. Restricted Cash:

		2021		2020
Debt Service Reserve	$	16,142	$	16,139
Total Restricted Cash	$	16,142	$	16,139

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]).

9. Investments:

In 2020, the Company disposed of its entire portfolio of investments for a realized gain of $756 which was recorded in net finance expense (note 14e).

On February 1, 2021, the Company acquired shares of Security Services Corp (note 10) with a fair value of $3.0 million. As of December 31, 2021 the shares had a fair value of $2.6 million and a related unrealized loss on investments of $0.4 million that was recognized in other comprehensive income.

10. Investments in Associates:

		2021		2020
Investment in affiliated companies:				
Other investments	$	50	$	50
Equity accounted investments		24		1,137
Preference shares		-		568
	$	74	$	1,755

In 2021, the Company exercised its put option and redeemed its preference shares for cash proceeds equal to the carrying value.

The Company's investment in common shares of SRG, representing a 35% ownership interest were purchased by Security Services Corp on February 1, 2021. The sale resulted in proceeds of $6.7 million of which $3.7 million was paid in cash and $3.0 million was settled with shares of Security Services Corp. The total gain on disposal is equal to $5.6 million.

Name of Entity	Principal Activity	Place of Incorporation	Ownership %
Winnipeg Airport Lands Corp.	Land Development	Canada	50%
Churchill Transportation Inc.	Airport Operations	Canada	50%
ATR Cargo One LP	Real Estate	Canada	25%

The Company has significant influence over all of its investments in associates. Summarized financial information in respect of these associates, which primarily consists of ATR Cargo One LP, is set out below:

		2021		2020
Financial Position:				
Total Assets	$	21,891	$	27,859
Total Liabilities		386		2,165
Company's Share of Associates' Net Assets		11		1,557
Financial Performance:				
Total Sales and Other Revenues		3,688		17,635
Total Profit for the Year		2,030		1,258

The Company has a long-term sub-lease with ATR Cargo One LP that is classified as a financing lease. In 2020, a lease receivable was set up equal to the present value of future lease payments in the amount of $9,660 with the offset recognized as a Gain on long-term land lease in the Consolidated Statement of Operations. The lease receivable as at December 31, 2021 is $9,596.

The company did not receive any dividends or return of capital throughout the year (2020: $481 return of capital and $28 dividends). Of the total assets $21,867 relate to ATR Cargo
One LP (2020: $23,329).

11. Leases:

Company as a 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 Ground lease.

On March 31, 2020, the Government of Canada announced that it would be waiving ground lease rent from March 2020 through to December 2020 for Canadian Airport Authorities that pay rent to the federal government. The waiver was subsequently extended to December 31, 2021. As a result, the Company has not recognized any rent expense in the current year (2020: $535 which represents ground rent for January and February 2020).

The Company has entered into certain equipment leases that result in the recognition of a right-of-use asset and lease liability, which are described in note 14. The net book value of those assets included in property and equipment and associated with a lease liability is $3,764 (2020 - $4,005).

Company as a Lessor:

The Company leases out, under operating leases and subleases, 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 contractual fixed lease revenue for the next five years is approximately as follows:

2022	$	8,601
2023		8,659
2024		8,857
2025		9,059
2026		9,211

Company as a Lessor – Finance Leases:

The Company's net investment in financing leases is:

		2021		2020
Total Minimum Lease Payments Receivable	$	51,402	$	53,378
Unearned Interest Income		26,466		27,795
		24,936		25,583
Current Portion		723		721
Long-Term Portion of Financing Lease Receivable	$	24,213	$	24,862

Finance income earned on the leases was $557 (2020- $204).

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 by recording the Company's share of assets and liabilities. The intergroup profit has been eliminated and 50% of the remaining operational results are consolidated, as follows:

		2021		2020
Financial Position:				
Total Assets	$	381	$	280
Total Liabilities		375		375
Financial Performance:				
Total Sales and Other Revenues		1,604		1,562
Total Expenses		1,314		1,504

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. Effective September 1, 2020 the AIF increased from $25 to $38 per passenger. AIF revenue is collected by the airlines, at a handling fee of 7%, 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:

	2021	2020
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	$ 195,412	$ 201,264
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	141,523	145,355
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	99,935	99,852
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	124,177	124,145
Revenue bonds series G, 3.04%, due February 3, 2051, interest payable semi-annually on February 3 and August 3 of each year until maturity	99,067	-
Manitoba Industrial Opportunity Program	12,784	13,457
Lease Liability	2,051	2,835
	674,949	586,908
Current Portion	11,894	11,318
Long-Term Portion of Debt	$ 663,055	$ 575,590

Changes to the Company's long-term debt for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Balance beginning of year	$ 586,908	$ 595,053
Repayment of long-term debt	(11,318)	(10,652)
Proceeds from long-term debt, net of financing costs	99,037	2,216
Non-cash interest expense	1,997	1,935
Loss on previously settled cash flow hedges recognized in OCI	(1,675)	(1,644)
Balance end of year	$ 674,949	$ 586,908

(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 $16.1 million in cash (note 8), plus a letter of credit of $3.8 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 $9.4 million. The operating and maintenance reserve is satisfied by availability under a committed credit facility (note 15).

On December 21, 2020, the Company completed an amendment to the MTI. The amendment temporarily exempts the requirement for the Company to comply with its rate covenants prescribed under the MTI, for fiscal years 2020, 2021 and 2022. The exemption was sought due to the uncertain potential negative impacts of COVID-19, the unknown duration of the material decline in passenger and flight activity and the risks to achieving covenant compliance.

In February 2021, the Company issued $100 million of privately placed bonds to finance capital expenditures and general operations. The Series G revenue bonds are due February 2051 and bear interest at 3.04% per annum. Interest payments are due semi-annually.

(b) Finance Lease Obligation:

The Company leases certain equipment with effective interest rates ranging from 1.7% to 3.1% over varying terms ending in 2025.

(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 as at year-end are as follows:

	Principal	Interest
2022	**$ 11,894**	**$ 30,132**
2023	112,331	27,961
2024	12,757	25,765
2025	13,092	25,054
2026	13,648	24,314

(e) Net Financing Expense:

	2021	2020
Revenue Bond Interest	$ 31,646	$ 29,348
Other Interest and Financing Costs	866	1,500
Interest Income	(1,326)	(1,336)
	$ 31,186	$ 29,512

Revenue bond interest includes non-cash interest of $1,997 (2020 - $1,935) due to the amortization of deferred financing costs and settled cash flow hedges.

15. Credit Facilities:

The Company has authorized credit facilities of $150 million (2020 - $150 million) with a Canadian chartered bank. The third amended and restated senior credit facility of $100 million was entered into on August 9, 2019 (the "Senior Facility"). A new subordinated credit facility of $50 million was issued on June 17, 2020 to provide additional liquidity as a result of the economic impact resulting from the COVID-19 pandemic (the "Subordinated Facility"). Upon expiry of the subordinated facility on June 17, 2021, an additional $50 million was subsequently issued under the Senior Facility. The Senior Facility is secured under the Master Trust Indenture (note 14). The facility is available by way of overdraft, prime rate loans, bankers' acceptances and letter of credit.

	2021	2020
Senior Facility	$ 150,000	$ 100,000
Subordinated Facility	-	50,000
Reductions to Available Balance:		
Outstanding Letters of Credit	(13,791)	(12,320)
Allocation to Operating and Maintenance Reserve (note 14)	(9,375)	(11,286)
Available Unsecured Bank Operating Line	$ 126,834	$ 126,394

16. Government Assistance:

Canada Emergency Wage Subsidy

In response to the negative economic impact of COVID-19, the federal government announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020, which provided a wage subsidy grant on eligible remuneration to employers who met certain criteria.

The Company received $4.8 million (2020: $5.5 million) in CEWS funding which has been recorded as a reduction to salaries and benefits in the consolidated statements of comprehensive income (loss). There is no CEWS balance included in accounts receivable as at December 31, 2021 (2020: $1.1 million).

The CEWS program was suspended in November 2021 and no further support is anticipated under this program.

Government of Canada Ground Rent Relief Waiver

On March 31, 2020, the Government of Canada announced that it would be waiving ground lease rent from March 2020 through to December 2020 for Canadian Airport Authorities that pay rent to the federal government. The waiver was subsequently extended to December 31, 2021. As a result, the Company has not recognized any rent expense in the current year. In 2020, a rent expense of $535 was recognized which represents ground rent for January and February 2020.

Airport Relief Fund

In May 2021, the federal government announced the Airport Relief Fund ("ARF") to provide targeted support to Canada's airports. The grant was to be used towards funding general operations and as such $5.7 million (2020: nil) has been recorded as Other Revenue in the consolidated statement of operations.

Airport Critical Infrastructure Program

In May 2021, the federal government announced the Airport Critical Infrastructure Program ("ACIP"), a new contribution funding program to help Canada's larger airports make critical investments in safety and security.

The Company has applied and been approved for 50% funding towards an airfield paving project. As at December 31, 2021, the Company has recognized $1.2 million in eligible funding, which has been recorded as an offset to the cost of the asset and is included in accounts receivable at year-end.

National Trade Corridor Funding

The Company has been awarded $30.4 million in funding towards a cargo expansion project under the National Trade Corridor Funding Program ("NTCF"). This project includes a new multi-tenant air cargo logistics facility and additional airfield paving that will take place over multiple years. To date, the Company has spent $8.9 million towards this project and has recognized $5.7 million in funding as an offset to the asset.

17. 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.

(b) Subsidiary Guarantee:

The Company guarantees the operational performance of its subsidiary NASL in accordance with the contract, up to a maximum of $18.8 million partially secured by a letter of credit of $4.8 million (2020 – $4.8 million). This is a long-term contract with 26 years remaining and includes specific price indexing parameters. The contract is to provide airport operations, maintenance services and lifecycle rehabilitation to Iqaluit International Airport.

(c) Director and Officer Indemnity:

The Company maintains Director and Officer insurance and 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.

18. 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	
	2021	2020	2021	2020
Change in Defined Benefit Obligation:				
Balance, Beginning of Year	$ 95,029	$ 85,425	$ 6,020	$ 5,035
Current Service Cost	2,441	2,269	289	243
Employee Contributions	250	264	-	-
Interest Cost	2,486	2,594	156	156
Re-Measurements:				
Loss (Gain) recognized from Changes in Economic Assumptions	(6,704)	8,295	(500)	621
Loss (Gain) recognized from Experience	824	(307)	-	-
Gain recognized from Changes in Demographic Assumptions	(739)	-	-	-
Benefits Paid	(4,336)	(3,511)	(35)	(35)
Balance, End of Year	$ 89,251	$ 95,029	$ 5,930	$ 6,020
Change in Fair Value of Plan Assets:				
Fair Value, Beginning of Year	$ 86,703	$ 82,696	$ -	$ -
Interest Income	2,222	2,534	-	-
Re-Measurements:				
Return on Plan Assets, excluding any amounts included in Interest Income	6,024	3,538	-	-
Contributions:				
Employer	1,691	1,311	-	-
Plan Participants	250	264	-	-
Benefits Paid	(4,336)	(3,511)	-	-
Administrative Expenses	(88)	(129)	-	-
Fair value, End of Year	$ 92,466	$ 86,703	$ -	$ -
Funded Status:				
Plan Surplus (Deficit)	$ 3,215	$ (8,326)	$ (5,930)	$ (6,020)
Accrued Asset (Liability)	$ 3,215	$ (8,326)	$ (5,930)	$ (6,020)

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

	Defined Benefit Pension Plans		Post-Employment Plans	
	2021	2020	2021	2020
Net Benefit Plan Cost:				
Current Service Cost	$ 2,441	$ 2,269	$ 289	$ 243
Net Finance Expense relating to Employee Benefits	264	60	156	156
Administrative Expenses	88	129	-	-
Net Benefit Plan Expense Recognized	$ 2,793	$ 2,458	$ 445	$ 399
Actual Return on Plan Assets	$ 8,246	$ 6,072	$ -	$ -
Amounts Recognized in Other Comprehensive Income (Loss):				
Re-Measurements	$ 12,643	$ (4,450)	$ 500	$ (621)
Cumulative Re-Measurements Recognized in Other Comprehensive Income (Loss):				
Cumulative Amount, Beginning of Year	$ (3,811)	$ 639	$ (3,229)	$ (2,608)
Recognized	12,643	(4,450)	500	(621)
Cumulative Amount, End of Year	$ 8,832	$ (3,811)	$ (2,729)	$ (3,229)

The significant weighted average assumptions used are as follows:

	2021	2020
Defined Benefit Obligation:		
Discount Rate	3.0%	2.6%
Long-Term Average Rate of Compensation Increase	3.0%	3.0%
Long-Term Average Rate of Health Benefit Cost Increase		
Initial Trend Rate	7.5%	7.5%
Annual Decrease	0.3%	0.3%
Ultimate Trend Rate	4.5%	4.5%
Year of Ultimate Trend Rate	2031	2031
Benefit Costs:		
Discount Rate	2.6%	3.1%
Long-Term Average Rate of Compensation Increase	3.0%	3.0%

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%	$ (13,875)	$ 18,313
Salary Growth Rate	1.00%	$ 3,201	$ (3,061)
Life Expectancy	1 year	$ 2,904	$ (2,928)

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:

	2021	2020
Equity Funds	51%	48%
Debt and Mortgage Funds	44%	44%
Real Estate Funds	5%	8%

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, 2020 for all plans and the next required valuation will be as of December 31, 2021. Based on most recent actuarial valuations, the Company has provided a letter of credit in the amount of $5.3 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 $360 during the year (2020 - $399).

19. Accumulated Other Comprehensive Loss:

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

		2021		2020
Recognized Loss on Previously Settled Cash Flow Hedges	$	(19,262)	$	(20,937)
Unrealized Loss in Fair Value of Investments		(439)		-
	$	(19,701)	$	(20,937)

20. Income Taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory rates of 27% (2020 - 27%) to the earnings before income taxes. The reasons for the differences and related tax effects are as follows:

		2021		2020
(Loss) Income before Income Taxes	$	(32,848)	$	(39,469)
Expected (recovery) provision for income taxes at the statutory rate		(8,869)		(10,657)
Increase (decrease) in taxes resulting from:				
Tax Effect of Not-For-Profit Earnings		11,242		11,549
Impact of Tax Rate on Investment Income		-		(79)
Tax Effect of Non-Deductible Expenses		1		3
Non-Taxable Portion of Investment Sale		(941)		-
Other		(70)		11
	$	1,363	$	827

21. Financial Instruments:

Fair Value:
The fair value of cash, restricted cash, accounts receivable, 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:

	2021	2020	Level
Liabilities			
Revenue Bonds Series A	231,110	249,209	Level 2
Revenue Bonds Series D	176,821	192,953	Level 2
Revenue Bonds Series E	102,532	104,839	Level 2
Revenue Bonds Series F	134,417	142,722	Level 2
Revenue Bonds Series G	96,915	-	Level 2
Manitoba Industrial Opportunity Program Loan	12,603	12,926	Level 3

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 and concentration risk, and market risk which comprises interest rate risk and price risk. The Company's financial instruments are not subject to significant foreign exchange risk.

Liquidity Risk:

Along with the rest of the global aviation industry, the Company has faced an abrupt and severe drop in air traffic as a result of the COVID-19 pandemic which has led to substantial declines in revenues, earnings and cash flow from operations.

Since the beginning of the pandemic, the Company has managed its liquidity risks by implementing cost reduction initiatives, deferring capital spend, increasing its Airport Improvement Fees, and applying for federal support programs including the Canada Emergency Wage Subsidy ("CEWS"), the Airport Relief Fund ("ARF") and the Airport Critical Infrastructure Fund ("ACIP") (note 16).

In fiscal 2020, management further managed its risk by liquidating its investment portfolio, increasing its credit facilities by $50 million and obtaining a covenant waiver from bondholders, which is further explained in note 14. In addition, in February 2021 a $100 million of privately placed bonds were issued to finance capital expenditures and general operations (note 14).

The Company updates and reviews its multi-year cash flow projections on a regular and as-needed basis and matches its long-term financing arrangements with its cash flow needs. In view of its credit ratings (Moody's: A1 and Standard & Poors: A as at December 31, 2021 and 2020), 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, restricted cash, accounts receivable, finance lease receivable and investments in the event that the counterparty defaults.

The Company manages the exposure for cash, restricted cash and investments by contracting only with financial institutions that maintain a very high credit rating, and therefore generally considers the exposure to be low.

The Company performs ongoing credit assessments of its accounts receivable and financing lease balances and maintains valuation allowances for expected 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.

In addition, there is concentration risk with two main carriers contributing to 37% of total revenue. These carriers continue to provide service to the Company and meet their payment obligations.

The impact of the global pandemic on the aviation industry has increased this risk and management has responded by increasing the frequency of monitoring its aged accounts receivable balance.

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 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.

Price Risk:

Price risk is the risk the fair value of an investment will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Company's exposure to equity securities price risk arises from its investment held and classified on the balance sheet at fair value through other comprehensive income.

22. Related Party Transactions:

The Company's related parties include key management personnel, the post-employment benefit plans for the Company's employees (note 18), as well as its investment in associates.

In 2021, the Company paid $167 (2020 - $2,624) to associates for operational services included in services and repairs in the Consolidated Statement of Operations.

The Company has a Financing Lease Receivable of $9,596 (2020: $9,640) with ATR Cargo One LP and recognized a gain on Long-Term Land Lease in the Consolidated Statement of Operations of $9,640 in 2020. The Company also performed property management and maintenance services for ATR Cargo One LP and recognized revenue of $151 (2020 - $90).

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:

	2021	2020
Salaries and Short-Term Benefits	$ 1,160	$ 1,610
Post-Employment Benefits	135	147
Total	$ 1,295	$ 1,757

23. 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 for a total of $919,284 (2020 - $851,464).

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.

As described in note 14, the Company obtained waivers for its rate covenants, and therefore, the Company is in compliance with its covenants as at December 31, 2021.


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