WINNIPEG
AIRPORTS AUTHORITY

2014 Annual Report

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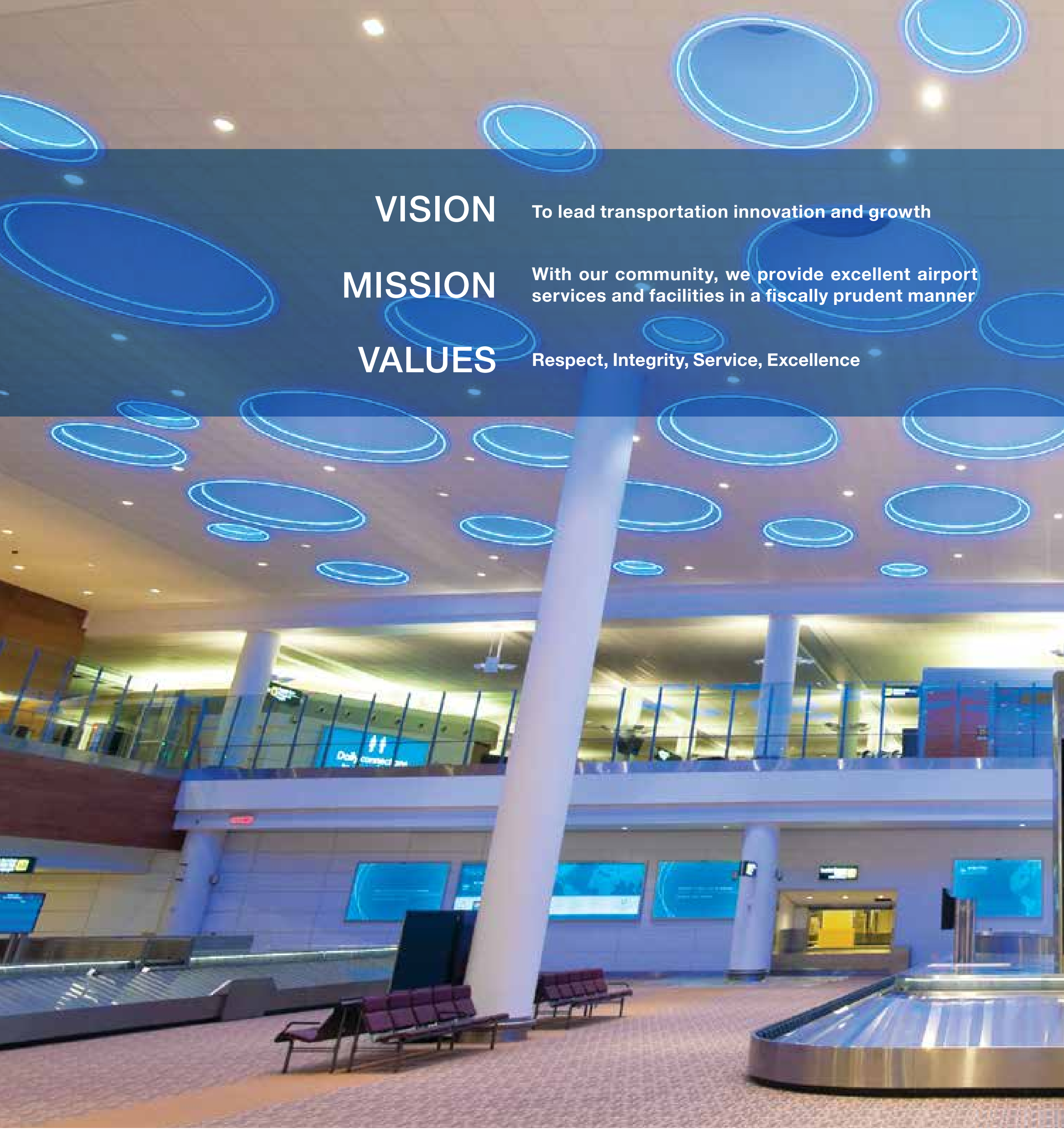


VISION
To lead transportation innovation and growth

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

VALUES
Respect, Integrity, Service, Excellence

STRATEGIC DIRECTIONS

Enhance customer service and value
We will understand our customer needs and assure value through measurements relevant to them.

Deliver and operate excellent facilities and services
We will deliver safe, secure and environmentally sound facilities and services incorporating universal design principles.


Douglas Little

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.

> *Winnipeg Richardson International Airport's total economic output, economy-wide in Manitoba, is over $3.6 billion annually and is responsible for nearly 20,000 jobs in and around the airport.*
>
> *– Barry Rempel*

NORTH AMERICAN DESTINATIONS

Destinations and airlines serving YWG are subject to change.

AIRLINES

Air Canada
Air Transat
Bearskin Airlines
Calm Air
Delta Airlines
First Air
Sunwing
United Airlines
WestJet

2014 NON-STOP DESTINATIONS

CANADA

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

U.S.

Denver
Chicago
Minneapolis
Las Vegas
Phoenix*
Palm Springs*
Fort Lauderdale*
Orlando*

CHARTER*

Bahamas
Freeport

Cuba
Cayo Coco
Holguin
Santa Clara
Varadero

Dominican Republic
Punta Cana

Jamaica
Montego Bay

Mexico
Cancun
Huatulco
Ixtapa-Zihuatanejo
Los Cabos
Puerto Vallarta

** Seasonal destinations*

MESSAGE FROM THE BOARD CHAIR

Tom Payne Jr. – Board Chair

Not many people are given an opportunity to help shape and provide direction impacting one of our community's most critical assets and engine of the economy – its airport. Winnipeg Richardson International Airport, operated by Winnipeg Airports Authority, is a community based, non-share capital corporation whose profits are reinvested back into the airport. As board members, our solemn duty is to govern the management of Winnipeg Airports Authority and its affiliated subsidiaries, with integrity and in the best interest of our community. We are honoured to perform this task on behalf of Manitobans.

As the incoming Chair of the Board of Directors, and as someone who has served on the Board for a number of years, I will continue to offer guidance, challenge the opinions of my colleagues, ask informed questions and work together in creating a vision that will lead our airport and community to higher altitudes.

I thank our past Chair, Garth Smorang for nine years of devoted service. He provided leadership, intuition, and guided the corporation with a sharp strategic mind. During his time on the Board, the airport campus underwent significant transformation.

In addition to Garth Smorang's departure, we also bid farewell to Jennifer Rattray. We thank her for her time on the board and wish her well in her role with the Province of Manitoba.

New faces joining the board include Kimberley Gilson, nominated by the City of Winnipeg and Gord Peters, appointed by the Board. We look forward to the fresh perspectives these two new members will offer.

On behalf of my colleagues on the Board, I thank Barry Rempel and his staff who continuously seek ways to improve Winnipeg Richardson International Airport and strengthen its role as an economic engine of our community.

Sincerely,

Tom Payne Jr.

> *"Winnipeg Richardson International Airport, operated by WAA, is a community based, non-share capital corporation whose profits are reinvested back into the airport."*
>
> *– Tom Payne Jr.*

“Our mission is to provide excellent airport services and facilities, and hinges on us doing so in a fiscally prudent manner.”

– Barry Rempel

MESSAGE FROM THE PRESIDENT & CEO

Winnipeg Airports Authority exists solely for the purpose of serving our community. We are guided by our vision of leading transportation innovation and growth, while remaining focused on working with our community to provide services they value, connecting people, goods, and services to more destinations around the world.

Barry Rempel – President & CEO

Passenger traffic reached a record high in 2014 with over 3.67 million people passing through our airport. In addition to reinforcing the need for increased air service to and from our community, each customer who ships goods, flies, parks, shops, or eats at our airport helps support and grow the local economy through job creation. Winnipeg Richardson International Airport's total economic output, economy-wide in Manitoba, is over $3.6 billion annually and is responsible for nearly 20,000 jobs in and around the airport.

As an airport authority, our mission is to provide excellent airport services and facilities, and hinges on us doing so in a fiscally prudent manner. All profits generated are reinvested back into the airport and its infrastructure to ensure our region's greatest asset can continue serving your need for personal or business connectivity. With that in mind, a significant investment was made last year in the rehabilitation of our main runway.

By listening to our customers and responding to their feedback, we identified a number of enhancements to the food and beverage offerings in the terminal, as well as a need for a premium passenger lounge. Many of these improvements began in late 2014 and our customers will soon be enjoying a variety of new services sure to enrich the overall travel experience.

Recognized as one of Canada's 10 Most Admired Corporate Cultures in 2014, WAA is confident in reaching for excellence because of the dedicated employees who work diligently to ensure our community receives a world-class experience at our airport.

Sincerely,

Barry Rempel

MESSAGE FROM MANAGEMENT

About Winnipeg Airports Authority

Winnipeg Airports Authority Inc. (WAA or the Company) is a non-share capital corporation responsible for the management and operation of Winnipeg Richardson International Airport, a full-service airport providing passengers and cargo clients access to markets across Canada, the United States, Mexico and the world. Located at the geographic centre of North America, with round-the-clock operations, Winnipeg Richardson International Airport is the number one dedicated freighter airport in Canada as measured by the number of flights. The airport generates over $3.6 billion in total economic output and welcomes over 3.67 million passengers annually.

Economic Conditions

The Canadian economy faced a number of challenges in 2014. The slow and steady economic growth, combined with continued low interest rates, left consumer confidence at a relatively low level at the end of the calendar year. The decline of the Canadian dollar in the latter part of 2014 could have a negative impact on the propensity to travel outside of Canada. Lower oil prices have allowed airlines to improve their financial position but the price per barrel has not yet had an impact on fares or on fuel surcharges.

Global growth was lower than originally expected at 2.6 percent (a very modest improvement over 2013's 2.5 percent). The United States has shown an economic resurgence of late but Europe and China are slowing down. Couple this with the turmoil in Ukraine and the ongoing issues in the Middle East and one would expect to see a reduction in air traffic. Despite these negative headwinds, Canadians travelled more than ever in 2014, with record-breaking passenger counts at most airports, and record-breaking load factors for Canada's mainline carriers.

Relationship with Transport Canada and Governance

Winnipeg Airports Authority is party to a long-term Ground Lease with the Government of Canada which provides the right for the Company to operate, maintain and develop the Winnipeg James Armstrong Richardson International Airport. Annually, Transport Canada performs a lease monitoring review to ensure the Company is in compliance with the key terms of this Ground Lease. The 2014 results of this review indicate the Company is managing the assets appropriately and remains substantially in compliance with the provisions of the Ground Lease.

In return for the right to operate, maintain and develop the airport, the Company pays rent to the Government of Canada based on a percentage of revenue. Ground Lease rent was $7.0 million (2013 - $6.4 million) during 2014.

Winnipeg Airport Services Corp.

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

In July 2014, Nunavut Airport Services Ltd. (NASL) assumed operations of the Iqaluit International Airport. The redevelopment of this capital city airport is a key development for Canada's North, especially given the reliance placed on the airport for the flow of people and goods in and out of the territory.

NASL won a 34-year contract to manage the operations of Iqaluit International Airport. Existing employees of the prior contractor were transitioned, plus new employees were hired. A contract requirement is to have a minimum of 20 percent Inuit beneficiaries as employees. NASL began operations in Iqaluit with almost 50 percent Inuit beneficiaries.

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

WINNIPEG RICHARDSON INTERNATIONAL AIRPORT

A key management decision-making tool is the use of a balanced scorecard approach with four filters: Employees, Customers, Systems & Processes, and Finance. Each business owner reports monthly on their measurements or key performance indicators under those categories. All decisions from staffing to capital budgets to customer service enhancements are made using the same four filters system.

EMPLOYEES

As of December 31, 2014, Winnipeg Airports Authority had 194 employees in all locations.

An automated time and attendance system was introduced in 2014, allowing for more timely and accurate payroll, benefits and accounting information and reducing the amount of paperwork and manual intervention.

Employer of Choice

In 2014, WAA was recognized once again as one of the Top 25 Employers in Manitoba. In addition, WAA was also named as one of Canada's 10 Most Admired Corporate Cultures in the Broader Public Sector category. To celebrate, a team of employees attended the Culture Summit in Toronto to learn about best practices on our path of continuous improvement.

Every two years an employee Engagement Survey is conducted to look for continuous improvement opportunities. Our efforts in 2014 focused specifically on methods to improve our internal communications. Employee communication sessions, two-way feedback meetings with managers conducted yearly, and employee events are ways we stay connected.

There were numerous events held to boost morale and build team spirit including: greening day (employees plant flowers around the airport campus), social club events, an employee golf tournament, a 'Slurpee' day, ice cream day plus the Campus Crew held two BBQs throughout the summer for the entire campus work force.

Lifelong Learning

Leadership development training programs were held during the year for 23 participants. In addition, some employees are completing their Airport Executive Leadership Program through Airports Council International.

Six of our Airfield Maintenance Specialists completed the Airside Operations certificate through the Airports International/WAA online college and all employees completed security update training.

Employees Giving Back

WAA is a community supporter and gets involved in numerous charity events. For example, 2014 marked the 19th year that WAA has participated in Winnipeg Harvest's Grow-A-Row program. Over this period, WAA employees have grown almost 40,000 pounds of fresh vegetables to help the local food bank. The airport's firefighters participated in breast cancer awareness month by holding their annual fundraising "boot drive" in the air terminal building. The 12th annual WAA charity golf tournament was held in August 2014 with over 150 participants. Since inception, this tournament has raised over $265,000 for the Firefighters Burn Fund of Manitoba.

United Way of Winnipeg held its annual campus kick-starter by hosting the 11th annual plane pull competition on the airport campus. The teams competed in two categories by pulling either a 90,000 lb DC-9 or a 191,00 lb Boeing 727 across the tarmac. The Company's "Blue Wings" posted a respectable time of 8.7 seconds. The Company has partnered with United Way since the inaugural competition and is a proud sponsor and participant, contributing almost $53,000 in 2014 to the campaign.

WAA hosted several Grade 9 students from Winnipeg area high schools for the annual "Take Our Kids to Work Day." The objective of this initiative is to give students a chance to experience and learn about local workplaces as they begin to consider career paths.

CUSTOMERS

Customers are defined in a number of ways at Winnipeg Richardson International Airport. We have public customers such as travellers and those using airport parking, but we also have internal customers such as our airline partners, concessionaires and service providers operating at the airport. We strive to meet the needs of all our customers.

Customer Experience

WAA participates in an Airports Council International (ACI) Airport Service Quality (ASQ) program. The ASQ Survey is the leading airport customer satisfaction benchmark program with over 200 airports in over 50 countries surveying passengers monthly. ASQ's sample plan is tailored to each airport's traffic. Each airport receives the data from all other airports allowing it to identify best practices and to measure its own performance. Excellence in service is not a one-time exercise; it is the result of continual effort and commitment.

WAA introduced a new short-term parking area located on the third level of the four-level parkade, meant specifically for meeters/greeters and well-wishers, as well to eliminate curb congestion. New family-friendly parking areas in the parkade and the surface parking lots were also introduced.

Visual paging was instituted in 2014, allowing customers with a hearing impairment to see important messages, thus improving the customer's ability to travel without impediments and enhancing the overall airport experience. In addition, upgrades were implemented to allow customers using the web interface to see current flight arrival and departure times – just as if they were in the air terminal building.

WAA continues to invest in airport infrastructure. In 2014, our main runway 18/36 was rehabilitated. This was a considerable investment in asphalt as the runway represents 2,200,000 ft^2 or 204,386 m^2. On average, WAA plans resurfacing projects to last approximately 14 years.

WAA's volunteer program, the Goldwings Ambassador Program, was initiated in 1997, our first year of operation as an airport authority. Since that time our Goldwing volunteers have contributed over 200,000 combined hours assisting travellers, offering a kind smile and welcoming newcomers to Winnipeg and Manitoba. Local high school students enrolled in aviation related programs also assist in the program as Silverwings.

Community

WAA continues to support the 220 Red River Royal Canadian Air Cadet Squadron with their goals to promote responsible citizenship, self-confidence, self-respect and self-reliance in youths aged 12 to 18. In December they set up their DreamFlyer, a glider simulator, in the Arrivals Area and also provided complimentary gift wrapping services.

The airport Campus Crew showed their Canadian spirit as they welcomed home from Sochi several gold medal winning Olympic athletes in February including Team Jones (curling), Jocelyne Larocque (hockey) and Dennis Thiessen (Paralympics curling).

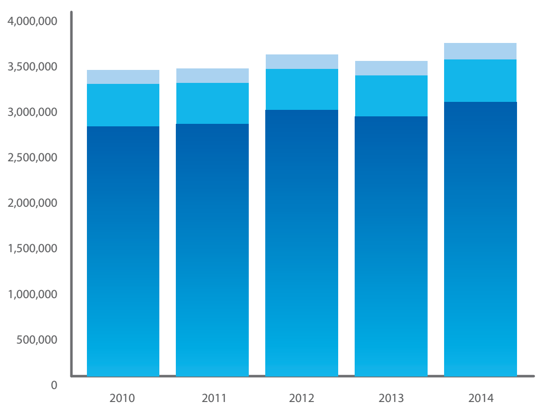
Honours and Awards

WAA received an Influence Award from the Meeting Professionals International Manitoba Chapter because of our efforts to raise awareness of the events and conferences industry in Manitoba without being directly involved in said industry. Our employees and volunteers partner regularly with local, national and international groups to assist with greeting arriving delegates to events and conferences, through the creation of a welcoming and positive first impression of the city.

One of our own received the Tourism Partner of the Year award from Tourism Winnipeg at its annual Tourism Awards of Distinction. Scott Marohn, Director of Air Service & Product Development was recognized as demonstrating a strong commitment to aligning with Tourism Winnipeg for the growth and success of the tourism industry.

Passenger Traffic

International traffic growth of 8.94 percent led an overall passenger growth for the year of 5.34 percent. This record-breaking passenger traffic of 3.67 million was driven by an increase in available capacity, including routes to new destinations. The previous record was in 2007 with 3.6 million passengers.



Carriers and Air Services

Sunwing increased capacity in the market to Orlando and added new options such as Freeport, Bahamas and Ixtapa-Zihuatanejo, Mexico. WestJet added service to Fort Lauderdale, timed to allow for cruise ship connections.

Domestic and transborder passenger counts also increased with additional capacity added by Air Canada to Toronto plus new routes from WestJet Encore to Regina, Saskatoon and Thunder Bay.

On the regional front, Calm Air added service to Sanikiluaq as well.

Air Cargo

Additional cargo capacity was added for 2014 with FedEx operating with a wide-body aircraft to Memphis. Cargojet won the service contract for the Canada Post and Purolator business allowing Winnipeg to become a pivotal hub in their route network. Both Arctic Co-op and the Northwest Company continued their re-supply flights from Winnipeg to Iqaluit using Cargojet as the service provider.

Aircraft Movements

Real Estate

The mandate for 2014 was to prepare an updated version of the 20-year Master Plan and five-year Land Use Plan. The consultation process embedded in such a review allowed the Company to reconnect with the tenant base and the surrounding community, as well as uncover game-changing economic opportunities. Upon full engagement, these opportunities will provide the ability to lead the development of a strategic network of real estate assets linking global transportation and innovation to the area.

While the focus for the year was on future planning, commercial activity still progressed on campus. In July 2014 the Courtyard by Marriott Winnipeg Airport opened and has experienced good occupancy success.

Commercial Services

Within the air terminal building footprint, the focus was on maintaining and growing key relationships with concessionaires to promote healthier food alternatives. This focused approach allowed the ability to broaden certain menu categories, further enhancing the overall offering and augmenting the customers' experience.

A Merchants' Association was also formed during 2014 with the objective of creating increased retail and food/ beverage sales through promotions and awareness campaigns. The association has become a mechanism for improved lines of communications for all concession tenants within the terminal.

An online parking reservation system was integrated into the mix of parking products offered to airport users. The system provides customers the ability to pre-book their parking, use promotional discount codes and helps to reduce travellers' angst related to all the steps needed to begin their journey. This system is also capable of integrating with loyalty programs and add-ons for additional product purchases.

SYSTEMS & PROCESSES

Operations

Safe operations during extreme winter conditions require state-of-the-art equipment, highly skilled employees and extensive planning leading up to weather events. During 2014, the airport completed its modernization of the key snow removal and cleaning equipment and renewed its snow removal and ice control plan.

Safety and Security

Non-Passenger Screening for Vehicles is part of the ongoing regulatory changes recently implemented by Transport Canada which have extended security enhancements to more parts of airport operations. The implementation phase of this program has focused on critical areas of the airport and has required the construction of temporary facilities to assist Canadian Air Transport Security Agency (CATSA) personnel to screen vehicles within the secure area of the airport. As the program and regulations evolve, WAA is expected to fund and construct permanent facilities according to CATSA requirements.

Health and Safety

As part of WAA's continuous improvements, several initiatives were undertaken including the acquisition of new self-calibrating atmospheric monitoring equipment for performing safe confined space entry and indoor air quality assessments, as well as radio communication headsets with noise cancelling technology and custom fitted earplugs in order to protect employee hearing.

In addition, in order to improve indoor air quality through the reduction of harmful vehicle exhaust emissions, WAA introduced a vehicle emissions program for ground support equipment that operate inside the air terminal building. Data provided from the vehicle exhaust emission testing was utilized to diagnose, repair and remove any sources of harmful emissions from ground support equipment.

Safety Management Systems

Safety Management System key performance indicators have been established to continuously improve airport stakeholder safety with respect to airside vehicle operations, compliance with airport zoning regulations, and wildlife management.

WAA introduced an enhanced risk management process called Hazard Identification and Risk Analysis, whereby any potential hazards associated with a change or existing operation are identified, risks are analyzed, and if safety risks are not as low as reasonable, then practicable mitigation measures are identified and put into place to continuously improve airport operational safety.

Construction Safety

In order to protect personnel and underground utility infrastructure, and to improve the safety and overall process of damage prevention to buried cables and underground infrastructure, WAA became a registered utility owner with the 'Click Before You Dig' Manitoba service. The airport is a unique environment with many buried private and public utilities on and adjacent to the airport lands. All applicable excavation and ground disturbance is approved by WAA which requires underground utility identification and clearances for all registered utilities prior to breaking ground.

ENVIRONMENT

The Company has recognized environmental management as one of its corporate priorities and a key pillar of sustainability. WAA is committed to maintaining appropriate corporate mechanisms to ensure sound environmental management of the airport.

Airport Advisory Committee on the Environment

The Airport Advisory Committee on the Environment continues to meet to discuss environmental matters associated with airport operations and development, in an open and collaborative manner. In 2014, the Committee met three times with only minor issues brought forward by the members.

Environmental Reviews

As required under the Canadian Environmental Assessment Act, the Company approved 27 projects to be carried out on airport property in 2014. All projects were reviewed to determine their potential to cause significant adverse environmental effects. No approved project was determined to cause significant environmental effects. Mitigation measures were implemented for those projects that could potentially cause minor environmental effects.

Environmental Management System

The Company maintains an Environmental Management System (EMS) designed according to the principles of the ISO 14001 Standard. The main objectives of the EMS are to:

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

Noise Management

WAA installed a new noise management system during 2014 which allows responses to the community's noise-related inquiries in a timely manner. It provides the Company with the following capabilities:

- Directly correlates aircraft movements with operating and noise abatement procedures;
- Directly correlates the community's noise disturbance reports with aircraft movements;
- One-stop-shop system that allows WAA to receive, document and effectively analyze and report data;
- Correlates noise levels with aircraft movements on airport property;
- Provides real time flight tracking information; and
- Correlates aircraft movements with historic weather data.

Wildlife Management

Under the Canadian Aviation Regulations, WAA did a full review and update of the Wildlife Management Plan (WMP). Over a two-year period leading up to the 2014 update, WAA undertook a comprehensive ecological study of the flora and fauna present on airport property. Species habitat types, attractants, behavioural patterns and other notable observations were assessed and documented. The information and findings were used to support the development of new wildlife management strategies which were incorporated into the WMP.

Emissions Management

A greenhouse gas (GHG) emissions inventory was prepared in 2013 which provides a comparison of results from 2013 to the 2008 baseline year. The results suggest that there was a reduction of 19 percent GHG emissions from stationary sources under the Company's direct ownership and control. Several relevant emissions reduction initiatives were implemented within this time period, most notably the opening and operation of the energy efficient air terminal building.

WAA participated in the installation of an electric bus charging station at the airport, a first for North American airports. After a very quick 10 minute charge time, the electric bus operates on a two hour route. This new technology lowers operational costs and reduces emissions while providing customers with a quiet and comfortable ride, just steps from the front door of the air terminal building.

LEED Silver Certification

WAA is committed to the principles of sustainable development, and therefore embarked on a journey to design and develop a state-of-the-art terminal building that truly embraced the principals of sustainability. In 2011, we were honoured to receive the *Airports Going Green Award* from the City of Chicago Department of Aviation for leadership in pursuit of sustainability and for being the first Canadian airport terminal building to officially go through the Leadership in Energy and Environmental Design (LEED) registration process. The Winnipeg Richardson International Airport terminal building is now the first in Canada to become (LEED) certified. The airport achieved LEED Silver certification, which is beyond the rating initially targeted.

2014 FINANCIAL REVIEW

(In thousands of Canadian dollars)	2010	2011	2012	2013	2014
Revenue	$ 79,727	$ 81,230	$ 87,512	$ 93,176	$ 103,138
Operating expenses[1]	34,182	32,995	36,490	40,063	48,824
Ground lease rent	5,268	5,483	5,977	6,418	7,024
Earnings before interest, taxes & depreciation	43,277	42,752	45,045	46,695	47,290
Depreciation	5,969	13,356	30,656	31,585	32,137
Earnings[2]	37,308	29,396	14,389	15,110	15,153
Capital expenditures	$ 118,858	$ 72,125	$ 32,464	$ 13,492	$ 23,452

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

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

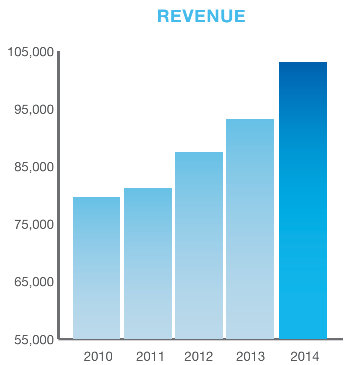
Operating Results

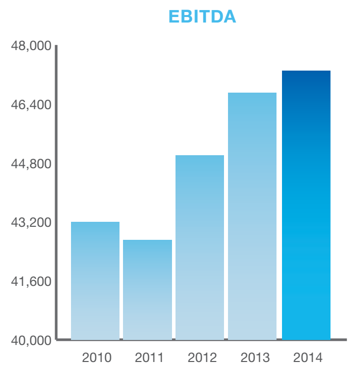
Revenue for the year topped $100 million for the first time in the Company's history. Aeronautical activities contributed roughly 60 percent of the growth. With record passenger levels and additional capacity added to the market, the increased revenue can be seen in airport improvement fees, airfield and passenger processing revenue.

Revenue from airport management contracts comprises the majority of the remaining increase as a result of Nunavut Airport Services Ltd. assuming operations of the Iqaluit International Airport in July 2014.

Related to increases in passenger activity levels, concessions and groundside revenues improved by 3 percent or $0.5 million. Over and above the aviation related activities, real estate leases on the campus also performed well with total revenue of $6.6 million, an increase of 8.8 percent over 2013.

Operating expenses increased to $88.0 million, an increase of $9.9 million over the prior year. The largest increase was an increase in municipal property taxes of $3.2 million. Operating costs of $2.5 million were incurred in the operation of the Iqaluit International Airport for approximately five months of the year, primarily through salaries and benefits, and services and repairs. The harsh winter conditions in the first quarter of 2014 led to an increase in utilities costs of $0.3 million for heating as well as supplies costs of $0.8 million to keep the airfield operational. Ground lease rent also increased by $0.6 million for 2014.





Investments and Financing

WAA holds an investment portfolio totaling $50.5 million at the end of 2014. The Company's investment strategy, managed by the Company's bank, is to maintain a laddered series of bonds to match future cash flow requirements for capital investments.

Financing of capital investments is accomplished by varying types of debt instruments. The majority of the Company's debt is in Revenue Bonds totalling $618.4 million at December 31, 2014. During 2014 lease financing was obtained for specific equipment used in airfield operations for a total of $1.2 million. In total, $3.8 million of lease financing for certain mobile assets, plus a long term loan of $17.5 million from the Province through the Manitoba Industrial Opportunity Program were outstanding at December 31, 2014.

Capital Investments

Total capital expenditures for 2014 were $23,452 (2013 - $13,492). All 11,000 feet (3,500 metres) of runway 18/36 was rehabilitated in 2014. This included a complete asphalt pavement resurfacing, removal and reinstallation of runway centreline and touchdown zone lights and localized land drainage sewer repairs. Other projects included the assembly of an airside screening building for vehicle inspection. In addition, three older underground fuel storage tanks were replaced with two modern tanks.

Cash Flow

Cash flow from operating activities of $15.0 million is sufficient to support the Company's capital investment and financing program, and to meet the requirements of the Master Trust Indenture covenants. During 2014, $13.5 million was used in investing activities: expenditures on infrastructure financed by investments. A total of $6.9 million, net, was repaid on debt during the year.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Year ended December 31, 2014

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

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

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

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

March 25, 2015

Barry W. Rempel
President and Chief Executive Officer

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

Consolidated Financial Statements of

Winnipeg Airports Authority Inc.

Year ended December 31, 2014

INDEPENDENT AUDITOR'S REPORT

March 25, 2015

pwc

To the Board of Directors of Winnipeg Airports Authority Inc.

We have audited the accompanying consolidated financial statements of Winnipeg Airport Authority Inc. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flow for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Winnipeg Airports Authority and its subsidiaries as at December 31, 2014 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants
Winnipeg, Manitoba
Canada

CONSOLIDATED BALANCE SHEET

As of December 31, 2014 (In thousands of Canadian dollars)

	2014	2013
Assets		
Current:		
Cash and cash equivalents	$ 26,173	$ 31,500
Accounts receivable (note 5)	9,761	9,265
Prepaid expenses	743	665
Current portion of financing lease receivable (note 9)	30	28
Inventory	1,562	979
	38,269	42,437
Non-current:		
Property and equipment (note 7)	691,305	700,076
Restricted cash (note 6)	19,712	19,716
Investments (note 8)	50,484	60,213
Investments in associates (note 10)	2,852	2,684
Financing lease receivable (note 9)	7,012	7,042
Other assets	17,494	18,361
	$ 827,128	$ 850,529
Liabilities and Equity		
Current:		
Accounts payable and accrued liabilities	$ 19,694	$ 19,261
Income taxes payable	34	-
Deferred revenue	854	728
Current portion of long-term debt (note 13)	8,316	7,690
	28,898	27,679
Non-current:		
Deferred income tax (note 17)	384	859
Post-employment benefits (note 15)	3,247	693
Long-term debt (note 13)	631,415	638,631
	$ 635,046	$ 640,183
Equity:		
Retained earnings	200,537	221,750
Accumulated other comprehensive loss (note 16)	(37,353)	(39,083)
	163,184	182,667
	$ 827,128	$ 850,529

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

______________________ Director ______________________ Director

CONSOLIDATED STATEMENT OF OPERATIONS

As of December 31, 2014 (In thousands of Canadian dollars)

	2014	2013
Revenue		
Airport improvement fees (note 11)	$ 37,202	$ 34,154
Airfield	18,101	16,680
Passenger processing	19,585	18,414
Groundside	13,931	13,651
Concessions	3,339	3,119
Leasing	6,603	6,070
Airport management contracts	2,955	-
Other	1,422	1,088
	103,138	93,176
Operating expenses		
Salaries and benefits	17,633	16,066
Services and repairs	16,936	14,462
Ground lease rent (note 9)	7,024	6,418
Supplies and equipment	3,675	2,915
Other	2,380	2,098
Utilities	2,670	2,327
Property taxes	4,807	1,609
Insurance	723	586
Depreciation	32,137	31,585
	$ 87,985	$ 78,066
Income before investment income, net finance expense & income taxes	15,153	15,110
Share of profit of associate (note 10)	(165)	(223)
Net finance expense (note 13)	32,305	32,474
	(16,987)	(17,141)
Income tax expense of subsidiaries:		
Current	34	-
Deferred (recovery) (note 17)	(475)	71
	(441)	71
Net loss	$ (16,546)	$ (17,212)

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

As of December 31, 2014 (In thousands of Canadian dollars)

	2014	2013
Net loss	$ (16,546)	$ (17,212)
Other comprehensive income:		
Items subsequently reclassified to profit or loss		
Recognition of loss on previously settled cash flow hedges	2,373	2,273
Unrealized loss on available for sale investments	(643)	(181)
Items that will not be reclassified to profit or loss		
Employee benefit plan re-measurements (note 15)	(4,667)	7,816
Comprehensive loss	$ (19,483)	$ (7,304)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As of December 31, 2014 (In thousands of Canadian dollars)

	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance – January 1, 2013	$ (41,175)	$ 231,146	$ 189,971
Net loss for the year	-	(17,212)	(17,212)
Other comprehensive income			
Realized gain on available for sale securities	(181)	-	(181)
Employee benefit plan re-measurements	-	7,816	7,816
Recognition of loss on previously settled cash flow hedges	2,273	-	2,273
Balance – December 31, 2013	$ (39,083)	$ 221,750	$ 182,667
Net loss for the year	-	(16,546)	(16,546)
Other comprehensive income			
Unrealized loss on available for sale securities	(643)	-	(643)
Employee benefit plan re-measurements	-	(4,667)	(4,667)
Recognition of loss on previously settled cash flow hedges	2,373	-	2,373
Balance – December 31, 2014	$ (37,353)	$ 200,537	$ 163,184

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

As of December 31, 2014 (In thousands of Canadian dollars)

	2014	2013
Operating activities		
Net loss	$ (16,546)	$ (17,212)
Adjustments for:		
Depreciation	32,137	31,585
Deferred income taxes	(475)	71
Non-cash interest expense (note 13)	2,716	2,602
Post-employment benefit funding in excess of expense	(2,113)	(878)
Share of profit of associate	(165)	(223)
Change in non-cash operating working capital (note 21)	(564)	(662)
	14,990	15,283
Investing activities		
Additions to property and equipment	(23,452)	(13,492)
Loss on disposal of property and equipment	86	-
Decrease (increase) in investments	9,086	(60,394)
Decrease in financing lease receivable	28	27
Investments in associates	(3)	-
(Increase) decrease in restricted cash	4	(1,526)
Decrease in other assets	867	-
	(13,384)	(75,385)
Financing activities		
Repayment of bank indebtedness	-	(10,000)
Proceeds from long-term debt, net of financing costs	1,224	99,366
Repayment of long-term debt	(8,157)	(7,350)
	(6,933)	82,016
Decrease (increase) in cash and cash equivalents	(5,327)	21,914
Cash and cash equivalents, beginning of year	31,500	9,586
Cash and cash equivalents, end of year	$ 26,173	$ 31,500
Cash and cash equivalents:		
Cash on hand	$ 8,360	$ 5,616
Cash equivalents	17,813	25,884
Interest paid	32,499	30,095
Interest received	2,594	1,572

The accompanying notes are an integral part of these financial statements

Laird Kay

Notes to the Consolidated Financial Statements of

Winnipeg Airports Authority Inc.

Year ended December 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Governing statutes and nature of operations:

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 "Airport"), and associated businesses in Winnipeg, Manitoba under a long-term lease with the Government of Canada for the benefit of the community (the "Ground Lease"). Net income is used to fund airport capital improvements.

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

2. Basis of presentation:

The Company prepares its annual financial statements in accordance with Canadian generally accepted accounting principles as set out in the 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 25, 2015, 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, 2014 have been summarized in note 3.

3. Significant accounting policies:

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

(a) Basis of measurement:

These consolidated financial statements are prepared using the historical cost method, except for certain financial instruments measured at fair value, including available-for-sale investments.

(b) Principles of consolidation:

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

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

(c) Cash and cash equivalents:

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

(d) Restricted cash:

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

(e) Inventory:

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

(f) Leases:

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

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

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

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

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

(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 9). No amounts are amortized longer than the lease term plus one renewal option.

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

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

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

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

(h) Borrowing costs:

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

(i) Investment in associates:

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

(j) Impairment:

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

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

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

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

(k) Revenue recognition:

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

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

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

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.

(l) Defined benefit obligations:

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

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

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

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.

(m) Financial instruments:

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

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

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities 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

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

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

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

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

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

Losses incurred upon the settlement of derivative contracts recognized as part of an effective hedging relationship are recorded in accumulated other comprehensive income (loss). These losses are recognized into income over the life of the previously hedged item.

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

(n) Direct financing lease receivable:

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

(o) Other assets:

Other assets consist of investments in real property development projects and are carried at amortized cost.

(p) Income taxes:

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

(q) Provisions:

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

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

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

(r) New and amended standards adopted by the Company:

The following new and amended standards have been adopted by the Company for the first time for the financial year beginning on or after January 1, 2014.

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

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

(s) Future changes in accounting policies:

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

(i) IFRS 9 – Financial Instruments, effective January 1, 2018 addresses classification, measurement and recognition of financial assets and financial liabilities. It introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss.

(ii) IFRS 11 – Accounting for acquisitions of interest in joint operations, effective for years beginning on or after January 1, 2016. It amends IFRS 11 to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business.

(iii) IFRS 15 – Revenue from contracts with customers, effective years beginning on or after January 1, 2017. Its objective is to provide a single comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets.

It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount that the entity expects to be entitled to in exchange for those goods and services. The changes extend beyond disclosures, and the Company is assessing the effect on information technology systems, processes, and internal controls to address changes in the financial reporting.

4. Critical accounting judgments and estimates:

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

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

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

(a) Depreciation of property and equipment:

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

(b) Provisions:

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

(c) Post-employment benefit obligations:

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

(d) Leases:

The Company accounts for its Ground Lease (note 9) as an operating lease. In consideration of the terms of the lease, the Company has concluded that the agreement does not transfer substantially all of the risks and rewards of the leased item to the Company. The agreement shows that the risks and rewards are substantially retained by the Lessor.

5. Accounts receivable:

	2014		2013	
Trade accounts	$	9,246	$	8,598
Other receivables		515		667
Total accounts receivable	$	9,761	$	9,265

Accounts receivable of $107 (December 31, 2013 - $91) were considered past due but not impaired. These amounts relate to a number of customers with no recent history of default.

6. Restricted cash:

	2014		2013	
Debt service reserve	$	19,033	$	19,039
Construction holdback		679		677
Total restricted cash	$	19,712	$	19,716

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

7. Property and equipment:

	Vehicles machinery & equipment	Airfield infrastructure	Buildings & other structures	Leasehold improvements	Construction in progress	2014 Total
Gross value						
Balance, January 1, 2014	$ 28,735	$ 92,032	$ 571,060	$ 106,413	$ 13,016	$ 811,256
Additions	2,268	-	-	-	21,184	23,452
Transfers	-	10,625	9,094	1,390	(21,109)	-
Disposals	(910)	-	-	-	-	(910)
At December 31, 2014	$ 30,093	$ 102,657	$ 580,154	$ 107,803	$ 13,091	$ 833,798
Accumulated depreciation						
Balance, January 1, 2014	$ 13,275	$ 19,881	$ 67,552	$ 10,472	$ -	$ 111,180
Depreciation	1,932	4,117	25,278	810	-	32,137
Disposals	(824)	-	-	-	-	(824)
At December 31, 2014	$ 14,383	$ 23,998	$ 92,830	$ 11,282	$ -	$ 142,493
Net value at						
December 31, 2014:	$ 15,710	$ 78,659	$ 487,324	$ 96,521	$ 13,091	$ 691,305

	Vehicles machinery & equipment	Airfield infrastructure	Buildings & other structures	Leasehold improvements	Construction in progress	2013 Total
Gross value						
Balance, January 1, 2013	$ 26,442	$ 88,954	$ 564,064	$ 106,413	$ 11,891	$ 797,764
Additions	2,293	138	-	-	11,061	13,492
Transfers	-	2,940	6,996	-	(9,936)	-
At December 31, 2013	$ 28,735	$ 92,032	$ 571,060	$ 106,413	$ 13,016	$ 811,256
Accumulated depreciation						
Balance, January 1, 2013	$ 11,585	$ 15,886	$ 42,426	$ 9,698	$ -	$ 79,595
Depreciation	1,690	3,995	25,126	774	-	31,585
At December 31, 2013	$ 13,275	$ 19,881	$ 67,552	$ 10,472	$ -	$ 111,180
Net value at						
December 31, 2013	$ 15,460	$ 72,151	$ 503,508	$ 95,941	$ 13,016	$ 700,076

8. Investments:

		2014		2013
Short-term notes	$	4,564	$	10,335
Provincial bonds		12,641		15,742
Corporate bonds		32,798		33,587
Accrued income		481		549
Total investments	$	50,484	$	60,213

Coupon rates on investments range from 1.269% to 5.505% and have terms to maturity ranging from May 2015 to June 2018.

9. Leases:

Operating Leases:

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

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

2015	$	7,232
2016		7,585
2017		7,925
2018		8,218
2019		8,522

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

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

2015	$	6,602
2016		6,800
2017		7,504
2018		7,729
2019		7,961

Finance leases:

The Company as a lessee: Finance lease obligations which the Company has entered into are described in note 13. The net book value of those assets included in property and equipment and associated with finance lease obligations is $4,897 (2013 - $3,881).

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

	2014	2013
Total minimum lease payments receivable	$ 22,732	$ 23,264
Unearned interest income	15,690	16,194
	7,042	7,070
Current portion	30	28
	$ 7,012	$ 7,042

10. Investments in associates:

	2014	2013
Investment in affiliated companies:		
Equity accounted investment	$ 2,284	$ 2,116
Preference shares	568	568
	$ 2,852	$ 2,684

Preference shares 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 on or after March 1, 2015. The option expires and terminates upon the date of completion of an initial public offering of the shares of the affiliated company. The price to be paid for the common shares is generally equal to the fair market value at that time. The price to be paid for the preference shares is equal to the redemption value of $1 per share.

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

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

	2014	2013
Financial Position:		
Total assets	$ 6,540	$ 5,888
Total liabilities	1,290	1,163
Company's share of associates' net assets	2,406	2,222
Financial Performance:		
Total sales and other revenues	13,906	14,514
Total profit for the year	472	635

Primarily all of the carrying value of the investments in associates relates to SRG Security Resource Group Inc. During the year, the Company received $28 dividends (2013 - $28).

11. Airport improvement fees:

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

12. Credit facilities:

The Company has authorized credit facilities with a Canadian chartered bank. Under the credit facilities the Company is provided with a revolving credit facility in the amount of $70 million. These facilities are secured under the Master Trust Indenture (note 13). They are available by way of overdraft, prime rate loans, or bankers' acceptances. As at December 31, 2014, the Company has not drawn on these facilities (December 31, 2013 - nil).

13. Long-Term Debt:

	2014	2013
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	$ 230,665	$ 234,722
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	124,308	124,207
Revenue bonds series D, 6.102%, due November 20, 2040, interest payable semi-annually on May 20 and November 20 of each year until maturity, semi-annual blended principal and interest payments commenced on May 20, 2011	164,029	166,533
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	99,375	99,293
Manitoba Industrial Opportunity Program	17,494	18,167
Finance lease obligation	3,784	3,247
Deferred lease payments	76	152
	639,731	646,321
Current portion	8,316	7,690
	$ 631,415	$ 638,631

(a) Revenue bonds:

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

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

Pursuant to the terms of the MTI, the Company is required to establish and maintain with a trustee a debt service reserve (note 6) with a balance at least equal to 50 percent of annual debt service costs. These trust funds are held for the benefit of the bond holders for use and application in accordance with the terms of the MTI. In addition the Company is required to maintain an operating and maintenance reserve of approximately $19 million. The operating and maintenance reserve may be satisfied by cash, letter of credit or the availability under a committed credit facility.

(b) Finance lease obligation:

The Company leases certain equipment with effective interest rates ranging from 3.25 percent to 3.71 percent over a five year terms ending in 2019.

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

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

(d) Deferred lease payments:

In accordance with an amendment to the Ground Lease (note 9), the Government of Canada deferred lease payments of $762. The deferred lease payments are repayable without interest on a straight line basis over a ten year period ending January 1, 2016.

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

2015	$	8,316
2016		9,312
2017		8,997
2018		8,890
2019		134,328
Total thereafter	$	469,888

(f) Net financing expense:

		2014		2013
Revenue bond interest	$	34,291	$	33,773
Other interest and financing costs		497		1,374
Interest income		(2,483)		(2,673)
	$	32,305	$	32,474

Revenue bond interest includes non-cash interest of $2,716 (2013 - $2,602) due to the amortization of deferred financing costs and settled cash flow hedges.

14. Contingencies, commitments and guarantees:

(a) Ground Lease:

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

(b) Contingencies:

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

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

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

(c) Subsidiary Guarantee:

The Company guarantees the operational performance of Nunavut Airport Services Ltd., a wholly owned subsidiary, under contracts to provide airport operations, maintenance services and lifecycle rehabilitation to Iqaluit International Airport to December 31, 2047 up to a maximum of $18.8 million, partially secured by a letter of credit of $3.1 million.

(d) Director and officer indemnity:

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

15. Post-employment benefit plans:

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

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

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

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

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

	Defined Benefit Pension Plans		Other Post Employment Plans	
	2014	2013	2014	2013
Change in defined benefit obligation:				
Balance, beginning of year	$ 51,251	$ 51,657	$ 3,867	$ 3,244
Current service cost	1,861	2,007	323	349
Employee contributions	394	373	-	-
Interest cost	2,397	2,286	157	89
Re-measurements:				
Loss (gain) recognized from changes in economic assumptions	7,194	(6,535)	(87)	13
Loss (gain) recognized from experience	541	(816)	(866)	-
Loss (gain) recognized from changes in demographic assumptions	(546)	3,982	1,116	271
Benefits paid	(1,587)	(1,703)	(786)	(99)
Balance, end of year	$ 61,505	$ 51,251	$ 3,724	$ 3,867
Change in Fair Value of Plan Assets:				
Fair value, beginning of year	$ 54,425	$ 45,515	$ -	$ -
Interest income	2,640	2,097	-	-
Re-measurements:				
Return on plan assets, excluding any amounts included in interest income (expense)	2,685	4,731	-	-
Contributions:				
Employer	3,521	3,510	-	-
Plan Participants	394	373	-	-
Benefits paid	(1,587)	(1,703)	-	-
Administrative expenses	(96)	(98)	-	-
Fair value, end of year	$ 61,982	$ 54,425	$ -	$ -
Funded Status:				
Plan surplus (deficit)	$ 477	$ 3,174	$ (3,724)	$ (3,867)
Accrued pension asset (liability)	$ 477	$ 3,174	$ (3,724)	$ (3,867)

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

	Defined Benefit Pension Plans		Other Post Employment Plans	
	2014	2013	2014	2013
Net benefit plan cost:				
Current service cost	$ 1,861	$ 2,007	$ 323	$ 349
Net finance expense relating to employee benefits	(243)	189	157	89
Administrative expenses	96	98	-	-
Net benefit plan expense recognized in the year	$ 1,714	$ 2,294	$ 480	$ 438
Actual return on plan assets	$ 5,325	$ 6,828	$ -	$ -
Amounts recognized in other comprehensive loss:				
Re-measurements	$ (4,504)	$ 8,100	$ (163)	$ (284)
	$ (4,504)	$ 8,100	$ (163)	$ (284)
Cumulative re-measurements recognized in other comprehensive income (loss):				
Cumulative amount beginning of year	$ 4,331	$ 12,431	$ (1,678)	$ (1,962)
Recognized during the year	4,504	(8,100)	163	284
Cumulative amount, end of year	$ 8,835	$ 4,331	$ (1,515)	$ (1,678)

The significant weighted average assumptions used are as follows:

	2014	2013
Defined benefit obligation:		
Discount rate	4.0%	4.75%
Long-term average rate of compensation increase	3.0%	3.0%
Long-term average rate of health benefit cost increase		
Initial trend rate	8.5%	6%
Annual decrease	0.4%	1%
Ultimate trend rate	4.5%	3%
Year of ultimate trend rate	2024	2016
Benefit costs:		
Discount rate	4.0%	4.5%
Long-term average rate of compensation increase	2.5%	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%	$ (9,841)	$ 12,846
Salary growth rate	1.00%	$ 1,905	$ (1,636)
Life expectancy	1 year	$ 1,573	$ (1,588)

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

The plan assets consist of the following asset mix:

	2014	2013
Equity funds	50%	57%
Debt and mortgage funds	43%	36%
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 plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if the plan assets underperform this yield, this may create a deficit.

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

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

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

The Company ensures that the investment positions are managed within an asset-liability matching (ALM framework) that has been developed to achieve long-term investments that are in line with obligations under the pension plan. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company does not use derivatives to manage its risk. Investments are well diversified such that the failure of any single investment would not have a material impact on the overall level of assets.

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2014 for all plans and the next required valuation will be as of December 31, 2015. Based on most recent actuarial valuations, during 2015 the Company expects to contribute $3.5 million in cash to the defined benefit pension plans and $nil in cash to the other post-employment plans.

16. Accumulated other comprehensive income:

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

		2014		2013
Recognized loss on previously settled cash flow hedges	$	36,529	$	38,902
Unrealized changes in fair value of available for sale investments		824		181
	$	37,353	$	39,083

17. Deferred income taxes:

Deferred income taxes of $475 (2013 - $71) have been recognized in respect of the temporary difference associated with the Company's subsidiary's investment in an associate. The change in the Company's deferred tax balance has been recognized in income.

18. Financial instruments:

Fair Value:

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

		2014		2013
Assets				
Finance lease	$	7,070	$	7,094
Investments				
Short-term notes		4,564		10,335
Provincial bonds		12,641		15,742
Corporate bonds		32,798		33,587
Liabilities				
Revenue bonds Series A		266,228		233,886
Revenue bonds Series C		138,606		135,594
Revenue bonds Series D		210,168		183,060
Revenue bonds Series E		101,624		94,014
MIOP loan		29,498		27,878
Finance lease obligation		3,768		3,257

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

Risk management:
The Company is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include liquidity risk, credit risk, interest rate risk and concentration risk. The Company's financial instruments are not subject to foreign exchange risk or other price risk.

Liquidity risk:
The Company manages its liquidity risks by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis, and by matching its long-term financing arrangements with its cash flow needs. In view of its credit ratings (Moody's: 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 13.

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

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

The Company derives a substantial portion of its revenues from air carriers through airfield and passenger processing fees and through the airlines' collection of airport improvement fees on its behalf. The Company's right under the Airport Transfer (Miscellaneous Matters) Act to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses.

Passenger activity at the airport is approximately 90 % origin and destination traffic, and although there is concentration of service with three air carriers, the Company believes that any change in the airline industry will not have a significant impact on revenues or operations. In addition, the Company's unfettered ability to increase its rates and charges mitigates the impact of these risks.

Interest rate risk:
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash equivalents and restricted cash (debt service reserve and holdbacks) are subject to floating interest rates. Management has oversight over interest rates that apply to its cash equivalents and restricted cash. These funds are invested from time to time in short-term bankers' acceptances permitted by the Master Trust Indenture, while maintaining liquidity for purposes of investing in the Company's capital programs. The fair value of short-term and medium-term investments will fluctuate with changes in interest rates.

	2014		2013	
	Carrying value	Effective year end interest rate	Carrying value	Effective year end interest rate
Cash equivalents	$ 17,813	1.08%	$ 25,884	1.16%
Debt service reserve fund	$ 19,033	0.60%	$ 19,039	1.0%

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 earnings for the year would have increased/decreased by $481 as a result of the Company's exposure to interest rates on its floating rate assets.

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

19. Related party transactions:

The Company's related party transactions include key management personnel and post-employment benefit plan for the Company's employees (note 15). None of the transactions incorporate special terms and conditions and no guarantees were given or received.

Transactions with key management personnel

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

		2014		2013
Salaries and short-term benefits	$	1,336	$	1,332
Post-employment benefits		84		85
Total	$	1,420	$	1,417

20. 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 airport operations and development. Accordingly, the Company's only sources of capital for investing in airport operations and development are bank debt, long-term debt and accumulated earnings included on the Company's balance sheet as retained earnings. The Company incurs debt, including bank debt and long-term debt, to fund development. It does so on the basis of what it considers affordable based on revenues from AIF and in order to maintain a minimum debt service coverage ratio. This provides for a self-imposed limit on what the Company can spend on major development of the airport.

The Company manages its rates for aeronautical and other fees to safeguard the Company's ability to continue as a going concern and to maintain a conservative capital structure. It makes adjustments to these rates in light of changes in economic conditions and events, and to maintain sufficient net income to meet ongoing debt coverage requirements. The Company is not subject to capital requirements imposed by a regulator.

21. Working Capital

Changes in non-cash working capital are as follows:

		2014		2013
Accounts receivable	$	(496)	$	(272)
Prepaid expenses		(78)		(131)
Inventory		(583)		(33)
Accounts payable and accrued liabilities		433		(69)
Income taxes payable		34		-
Deferred revenue		126		(157)
	$	(564)	$	(662)

2014
Annual Public Meeting

**Winnipeg Airports Authority's
Annual Public Meeting will be held:**

WEDNESDAY **9:00AM**	**APRIL 29** **2015**
CANADIAN MUSEUM **FOR HUMAN RIGHTS**	**85 ISRAEL ASPER WAY** **WINNIPEG, MB**

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

Dan Harper

Corporate Governance

DISCLOSURE OF CORPORATE GOVERNANCE SYSTEMS

Governance Principles

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

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

Board Committees

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

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

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

Public Accountability Principles

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

Board Composition and Director Requirements

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

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

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

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

The qualification and eligibility requirements of Board members prescribe that a Director may serve for a term not exceeding three years and that no more than three terms (or nine years) may be served. Directors can be neither elected to nor employed by any level of government. 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

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

Corporate Reporting & Disclosure Requirements

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

Winnipeg Airports Authority Inc. Board of Directors 2014

Nominated by the City of Winnipeg

D. Greg Doyle, Corporate Director
Jennifer Rattray, Associate VP of Indigenous, Government and Community Affairs, University of Winnipeg
Don Price, Corporate Director

Nominated by The Assiniboia Chamber of Commerce

Gerry Glatz, Owner, Teledisc Systems

Nominated by Economic Development Winnipeg Inc.

Paul Soubry, President & CEO, New Flyer Industries

Nominated by the Government of Canada

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

Nominated by the Province of Manitoba

Eugene Kostyra, Corporate Director

Nominated by the Rural Municipality of Rosser

Tom Payne Jr., President, Payne Transportation LP (Vice Chair)

Nominated by the Winnipeg Chamber of Commerce

Doneta Brotchie, President, FUNdamentals Creative Ventures
BJ Reid, Chief Financial Officer, Mutual Funds & Vice President, Fund Services

Appointed by the Winnipeg Airports Authority Board

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

2014 Board Attendance

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

*Audit committee membership term began on April 1, 2014

Board of Directors Compensation for 2014

Don Boitson	$	16,450	Tom Payne Jr.	$	16,300
Doneta Brotchie		16,600	Don Price		13,967
D. Greg Doyle		24,050	Jennifer Rattray*		8,833
Janice Filmon		15,700	BJ Reid		17,350
David Friesen		21,000	Ross Robinson		15,175
Gerry Glatz		17,050	Garth Smorang		41,600
Eugene Kostyra		16,075	Paul Soubry		14,200
			Total	$	254,350

*Resigned effective July 28, 2014

Executive Officers 2014

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

Public Competitive Tendering

Winnipeg Airports Authority Inc., under the terms of its lease agreement with the Government of Canada, reports all contracts in excess of $105,000 ($75,000 in 1994 dollars) entered into during the year that were not awarded on the basis of a public, competitive, tendering process. In 2014, Winnipeg Airports Authority Inc. entered into the following contracts as described for the reasons indicated in the following table:

Vendor	Description	Value	Basis for selection
Air-Transport IT Services	Airport Information System	$ 631,100	D
Airport Technologies Inc.	Airfield Equipment	$ 544,300	A
Wausau Equipment	Airfield Equipment	$ 299,600	A
Team Eagle	Airfield Equipment	$ 264,100	A
ADB Airfield	Airfield Lighting	$ 210,800	E
Birchwood Chevrolet	Vehicle Fleet	$ 196,400	A
MTS Allstream	Radios	$ 166,600	A

Basis for Selection

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

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

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

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

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

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

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

Community Consultative Committee and their Affiliations

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

Corporate Information

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

WINNIPEG RICHARDSON INTERNATIONAL AIRPORT SERVICES

Passenger Carriers
(Serving Main Terminal Building)

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

Passenger Carriers *(Other)*

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

Air Cargo Carriers
(Scheduled)

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

Air Cargo Carriers
(Non-scheduled)

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

Restaurants/Bars

Pre-Security
  Harvey's
  Stella's Café and Bakery
  Tim Hortons

Post-Security Domestic
  Fuel Bar
  Gondola Pizza
  Prairie Bistro
  Red Wok
  Salisbury House
  Starbucks
  Tim Hortons
  Upper Crust

Post-Security Transborder
  Tim Hortons Express
  Urban Crave

Retailers

Pre-Security
  International Currency Exchange (ICE)
  Liquor Mart Express
  Red River News

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

Post-Security Transborder
  AerRianta Duty Free Shop
  CNBC News
  International Currency Exchange (ICE)

Hotels

Courtyard by Marriott
Four Points by Sheraton
The Grand by Lakeview

Car Rentals

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

WINNIPEG
AIRPORTS AUTHORITY

249-2000 Wellington Avenue
Winnipeg, MB   R3H 1C2

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