2022
FINANCIAL REPORT

WINNIPEG
AIRPORTS AUTHORITY

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2022 FINANCIAL REVIEW

(In thousands of Canadian dollars)	2018	2019	2020	2021	2022
Revenue	$138,436	$139,781	$66,232	$75,139	$131,833
Operating Expenses[1]	60,593	62,983	50,250	46,909	64,618
Ground Lease Rent	9,471	9,730	535	-	8,773
Earnings Before Interest, Taxes & Depreciation	68,368	67,068	15,447	28,230	58,442
Depreciation	30,055	30,503	32,784	35,179	35,296
Earnings[2]	38,313	36,565	(17,337)	(6,949)	23,146
Net Income (Loss)	5,552	3,449	(40,296)	(34,211)	(5,458)
Capital Expenditures	$22,897	$56,981	$10,620	$8,503	$26,420

[1] – Operating expenses excluding ground lease rent and depreciation
[2] – Earnings before net finance expense and income taxes

This review discusses the financial and operating results of Winnipeg Airports Authority Inc. (the "Company" or "WAA") for the year ended December 31, 2022 and should be read in conjunction with the Consolidated Financial Statements of the Company for the years ended December 31, 2022 and 2021. These financial statements provide additional information on certain matters that may or may not be discussed in this review.

Corporate Profile

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

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

Operating Results

The global COVID-19 pandemic continued to have a significant impact on the operating results of the Company in 2022 as ongoing travel restrictions, testing requirements and public health measures remained in place throughout the first quarter due to the Omicron variant. Case numbers started to subside in the second quarter, which eventually resulted in the loosening of public health and related travel restrictions. This led to a surge in traffic throughout the summer months, with passenger volumes upwards of 82% of pre-pandemic levels throughout the third quarter.

The recovery continued throughout the remainder of the year, driven primarily by the domestic market, which made up 92% of total traffic in 2022. Certain transborder and international flights had not yet been restored and lagged due to the impact of the international travel restrictions.

WAA's operating results are primarily driven by passenger volumes, with cargo activity representing an increasingly important part of the business. In 2022, commercial passenger flights in Winnipeg were up 48% compared to the previous year. Total passenger traffic for 2022 was 3,031,113, which reflects an increase of 148% compared to 2021, but still only 68% of 2019 pre-pandemic levels.

Cargo landings grew steadily in 2022 and were up by 1.6% year-over-year. Commercial flight demand for overnight courier and e-commerce remains robust. There continues to be a modal shift from ocean to air cargo within supply chain distribution to expedite faster deliveries in order to meet market demand.

WAA ended 2022 with a net loss of $5.5 million compared to a $34.2 million loss in 2021. This improvement is a result of stronger revenue growth despite an increase in operating expenses, driven primarily by the expiry of the ground lease waiver from the federal government at the end of 2021.

Revenues

Revenue for the year is $131.8 million, which is an increase of $56.7 million from 2021 and approximately 94% of pre-pandemic levels. The increase is attributed to increased passenger volumes as the impact of the pandemic starts to diminish. Key revenue sources include Airport Improvement Fees (AIF), Aeronautical Revenue and Non-Aeronautical Revenue.

Improvements to airport infrastructure are funded through the collection of AIF from passengers originating from the airport in Winnipeg. This fee is collected by the air carriers at the point of sale and remitted to the Company based on the date passengers fly out of Winnipeg. The air carriers retain a 7% handling fee. WAA received $51.8 million in AIF in 2022, up $31.5 million over 2021. In 2022, the AIF funds were used to fund long-term debt principal and interest payments related to the terminal building.

The largest component of airfield revenue is landing fees billed to air carriers on the basis of gross take-off weight (“GTOW”) as specified by the aircraft manufacturer. Airfield revenue for 2022 was $20.9 million an increase of 45.9% compared to the previous year at $14.3 million, which is approximately 90% of pre-pandemic revenue.

Passenger processing revenue of $17.1 million increased by $9.8 million or 134%. Revenue is mostly based on landed seats on aircraft using the main air terminal building at YWG. The increase in landed seats aligned with the increased passenger volumes in 2022. Other revenue items in this category include ground handling fees and passenger boarding bridge fees charged per use.

The increased passenger volumes also had an impact on non-aeronautical revenue. Revenue from groundside activities (i.e., parking and ground transportation services such as ride-sharing services, taxis, limousines, and shuttle buses) increased by $8.5 million to $14.5 million, equalling 78% of pre-pandemic numbers.

Concession revenues are generated from restaurants and retail sales in Winnipeg’s air terminal building. As passenger volumes returned, many of the concessionaires started to expand operating hours in the summer and into the fall. Three new food and beverage concessions opened in 2022 which also helped bolster sales. Total concession revenue for 2022 was $3.6 million, an increase of $2.5 million from 2021.

Leasing revenue has remained stable throughout the pandemic. The 2022 revenue is $8.8 million, which is $0.9 million higher than in the prior year. The increase relates to additional tenants in the ground service equipment building, two new tenants on airside and inflationary rate increases. This represents land and building space the Company sub-leases to tenants on YWG lands under the terms of the Ground Lease.

The Company has diversified its revenue sources and operates ancillary business including the provision of safety management system audits and consulting as well as airport operations for smaller remote airports. The single largest contract is the management of Iqaluit International Airport which generated $11.0 million of revenue in 2022. Total Airport Management Contracts revenue of $11.8 million has increased from $10.3 million in 2021 and remains a stable source of revenue as the Company recovers from the pandemic.

Other revenue totalled $3.3 million which is lower than 2021 by $4.5 million. 2021 included funding through the federal government’s Airport Relief Fund in the amount of $5.7 million, which was used towards covering general operating expenses.

Operating Expenses

The Company carefully managed its cost base as terminal services started to reopen in line with increased passenger demand. Overall operating expenses, excluding ground rent and depreciation, are $64.6 million which represents an increase of $17.7 million over 2021 relating primarily to salaries and benefits as well as services and repairs.

Salaries and benefits costs were $26.0 million in 2022, which represents an increase of $7.9 million over 2021. The largest contributor to this increase was the reduction in government funding as the Canadian Emergency Wage Subsidy (CEWS) expired resulting in a $4.5 million reduction to funding.

Additional positions were added back to the workforce in 2022 as passenger volumes increased. A reduction was undertaken in 2020 with approximately 20% of employees being laid off or having retired.

Services and repairs costs of $24.3 million are higher than 2021 by $6.6 million. As traffic began to recover service contract providers needed to expand to meet demand which increased costs in parking, terminal and policing services. In addition, the AIF handling fee associated with increased revenues was higher by $2.2 million.

Ground lease rent is normally calculated using a graduated rate formula that increases the percentage rent as increased levels of gross revenue are earned by the Company. The federal government waived the ground rent requirements for the period from March 2020 to December 2021. In 2022, WAA incurred rent expense of $8.8 million.

Supplies of $5.0 million were $1.4 million higher than 2021 mainly due to higher fuel prices and general inflationary economic conditions increasing costs of materials. This category represents chemical usage on the airfield, fuel costs, and various materials for maintenance and cleaning in the terminal.

Utility costs are comprised of expenses for consumption of natural gas, electricity, and water. Overall utility costs were $2.8 million compared to $2.4 million in 2021.The increase was a result of higher consumption in the terminal and natural gas price increases.

Liquidity and Financing

Leading into the pandemic, the Company had a healthy cash reserve, however, resources were drawn on to fund operations and debt payments. On February 3, 2021, the Company completed the issuance of a Series G $100 million bond at 3.04% due on February 3, 2051, to finance capital expenditures and general operations. As the pandemic extended throughout 2021 and into the early part of 2022, several projects were deferred and cash flow was preserved.

This resulted in a cash and short-term investment balance of $104.8 million as at December 31, 2022, which is $10.6 million lower than as at December 31, 2021.

Separately, the Company maintains restricted cash balances of $16.2 million for debt services requirements, which is consistent with the prior year.

To provide further liquidity, the Company has access to $150 million in committed credit facilities with $118.9 million available as of December 31, 2022. The facility was renewed in 2022 for a 3-year term expiring in August 2025.

The Company's total revenue bond debt at the end of the year was $652.5 million compared to $660.1 million at December 31, 2021, a net decrease of $7.6 million related principal payments on Series A and D. Most of the Company's debt is in the form of revenue bonds. The Company also has a loan outstanding with the Manitoba Industrial Opportunity Program for $12.1 million, which reflects a reduction through principal payments of $0.7 million from 2021. Specialized airfield mobile equipment is financed through a leasing program with a total outstanding of $1.2 million, which reflects a decrease of $0.8 million related to monthly lease payments.

Capital Investments

Total capital investments remained below average for a couple years in light of reduced funding through the AIF and the pandemic's impact on general operations. As signs of a recovery emerged in 2022, the Company increased its capital plan to catch-up on certain deferred projects as well as to move key strategic initiatives forward. Total additions to capital assets were $26.4 million compared to $8.5 million the previous year.

Of the total investments in 2022, $17.4 million relates to enabling work for the new multi- tenant air cargo logistics facility, including $12.3 million to pave new apron space to accommodate additional freighters and $5.1 million in design and other related work.

The remaining spend relates to airside and groundside paving work, IT upgrades and equipment renewal.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Year ended December 31, 2022

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

Management is responsible for the preparation and representations contained in these financial statements and other sections of this Annual Report. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee, comprised entirely of independent directors of the Company, reviews the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited consolidated financial statements.

Winnipeg Airports Authority Inc. maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance assets are safeguarded and financial records are reliable and form a proper basis for the preparation of the consolidated 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 23, 2023

Nick Hays
President & Chief Executive Officer

NStefaniuk

Nicole Stefaniuk
Chief Financial Officer &
Senior Vice President, Corporate Services

Consolidated Financial Statements of

WINNIPEG AIRPORTS AUTHORITY INC.

Year ended December 31, 2022

To the Board of Directors of Winnipeg Airports Authority Inc.

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Winnipeg Airports Authority Inc. and its subsidiaries (together, the Company) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2022;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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

Other Information

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of

• not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 23, 2023

CONSOLIDATED BALANCE SHEET

As at December 31, 2022 (In thousands of Canadian dollars)

		2022		2021
Assets				
Current:				
Cash	$	44,809	$	115,397
Short Term Investments		60,000		-
Accounts Receivable (note 6)		22,456		13,829
Prepaid Expenses		1,830		1,480
Current Portion of Financing Lease Receivable (note 11)		725		723
Income Tax Receivable		1,287		-
Inventory		4,232		3,268
Restricted Cash (note 8)		16,239		16,142
		151,578		150,839
Non-Current:				
Property and Equipment (note 7)	$	617,850	$	626,726
Investments (note 9)		2,463		2,571
Investments in Associates (note 10)		74		74
Financing Lease Receivables (note 11)		23,504		24,213
Post-Employment Benefits (note 18)		1,305		3,215
Contract Assets		2,581		294
Deferred Income Tax (note 20)		-		156
	$	799,355	$	808,088
Liabilities and Equity				
Current:				
Accounts Payable and Accrued Liabilities	$	31,930	$	23,445
Income Taxes Payable		-		443
Deferred Revenue		1,985		1,536
Current Portion of Long-Term Debt (note 14)		112,331		11,894
	$	146,246	$	37,318
Non-Current:				
Deferred Revenue		3,690		4,392
Deffered Income Tax		776		-
Post-Employment Benefits (note 18)		6,734		5,930
Long-Term Debt (note 14)		551,033		663,055
	$	562,233	$	673,377
Equity:				
Retained Earnings		108,981		117,094
Accumulated Other Comprehensive Loss (note 19)		(18,105)		(19,701)
		90,876		97,393
	$	799,355	$	808,088

Contingencies, Commitments & Guarantees (note 17)

The accompanying notes are an integral part of these financial statements

BChell Director

[signature] Director

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2022 (In thousands of Canadian dollars)

	2022	2021
Revenue:		
Airport Improvement Fees (note 13)	$ 51,788	$ 20,334
Passenger Processing	17,113	7,317
Airfield	20,923	14,336
Groundside	14,503	5,989
Concessions	3,617	1,121
Leasing	8,813	7,917
Airport Management Contracts	11,766	10,349
Other (note 16)	3,310	7,776
	131,833	75,139
Operating Expenses:		
Salaries and Benefits (note 16)	25,975	18,027
Services and Repairs	24,286	17,697
Ground Lease Rent (note 11 & 16)	8,773	-
Supplies	4,953	3,556
Utilities	2,848	2,387
Property Taxes, Insurance and Other	6,556	5,242
Depreciation	35,296	35,179
	$ 108,687	$ 82,088
Income (Loss) before Other (Income) Expense, Net Finance Expense and Income Taxes	23,146	(6,949)
Investment Income (note 9)	(108)	(89)
Write-down of Property and Equipment	-	449
Gain on Disposal of Property and Equipment	-	(49)
Gain on Disposal of Investments (note 10)	-	(5,598)
Interest Income	(3,683)	(1,326)
Interest Expense (note 14)	31,831	32,512
Net Loss Before Income Tax	(4,894)	(32,848)
Income Tax Expense		
Current	(368)	1,221
Deferred (note 20)	932	142
	564	1,363
Net Loss	$ (5,458)	$ (34,211)

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Year ended December 31, 2022 (In thousands of Canadian dollars)

		2022		2021
Net Loss	$	(5,458)	$	(5,458)
Other Comprehensive Loss:				
Items Subsequently Reclassified to Profit or Loss				
Recognition of Loss on Previously Settled Cash Flow Hedges		1,704		1,675
Items that will not be Reclassified to Profit or Loss				
Employee Benefit Plan Re-Measurements (note 18)		(2,655)		13,143
Unrealized Loss on Fair Value Investments		(108)		(439)
Comprehensive Loss	$	(6,517)	$	(19,832)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31 (In thousands of Canadian dollars)

		Accumulated Other Comprehensive Income (Loss)		Retained Earnings		Total Equity
Balance – January 1, 2021	$	(20,937)	$	138,162	$	117,225
Net Loss		-		(34,211)		(34,211)
Other Comprehensive Income						
Unrealized Loss in Fair Value Investments		(439)		-		(439)
Employee Benefit Plan Re-Measurements		-		13,143		13,143
Recognition of Loss on Previously Settled Cash Flow Hedges		1,675		-		1,675
Balance - December 31, 2021	$	(19,701)	$	117,094	$	97,393
Net Loss		-		(5,458)		(5,458)
Other Comprehensive Income						
Unrealized Loss in Fair Value Investments		(108)		-		(108)
Employee Benefit Plan Re-Measurements		-		(2,655)		(2,655)
Recognition of Loss on Previously Settled Cash Flow Hedges		1,704		-		1,704
Balance – December 31, 2022	$	(18,105)	$	108,981	$	90,876

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended December 31, 2022 (In thousands of Canadian dollars)

		2022		2021
Operating Activities:				
Net Loss	$	(5,458)	$	(34,211)
Adjustments for:				
Depreciation		35,296		35,179
Gain on Disposal of Property and Equipment		-		(49)
Write-down of Property & Equipment		-		449
Deferred Income Taxes		932		142
Non-Cash Interest Expense (note 14)		2,013		1,997
Post-Employment Benefit Expense in Excess of Funding		59		1,512
Increase in Contract Asset		(2,287)		(169)
Realized Gain on sale of Investment in Associates		-		(5,598)
Share of Profit of Associates		-		(11)
Change in Non-Cash Operating Working Capital		(774)		1,979
		29,781		1,220
Investing Activities:				
Additions to Property and Equipment		(39,153)		(11,717)
Proceeds from Government Grants		10,068		-
Proceeds from Disposal of Property and Equipment		-		57
Increase in Short Term Investments		(60,000)		-
Decrease in Financing Lease Receivables		707		647
Increase in Restricted Cash		(97)		(3)
Proceeds on Redemption of Associate's Preferred Shares		-		568
Proceeds on Disposal of Investment in Associates		-		3,710
		(88,475)		(6,738)
Financing Activities:				
Proceeds from Long-Term Debt, net of Financing Costs		-		99,037
Repayment of Long-Term Debt		(11,894)		(11,318)
		(11,894)		87,719
Increase (Decrease) in Cash		(70,588)		82,201
Cash, Beginning of Year		115,397		33,196
Cash, End of Year	$	44,809	$	115,397
Interest Paid		29,505		28,537
Interest Received		2,280		1,293

The accompanying notes are an integral part of these financial statements

Notes to Consolidated Financial Statements

WINNIPEG AIRPORTS AUTHORITY INC.

Year ended December 31, 2022
(In thousands of Canadian dollars, unless otherwise noted)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Nature of Operations:

The Corporation:

Winnipeg Airports Authority Inc. (the "Company") is incorporated under the Canada Not-for-Profit Corporations Act. The address of the Company and its principal place of business is 249 – 2000 Wellington Avenue, Winnipeg, Manitoba, Canada R3H 1C2.

The Company operates the Winnipeg James Armstrong Richardson International Airport (the "Winnipeg Airport"), under a long-term lease with the Government of Canada for the benefit of the community (the "Ground Lease").

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

The Company has the following wholly owned for-profit subsidiaries:

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

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

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

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

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

2. Basis of Presentation:

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). These financial statements were approved for issuance by the Board of Directors on March 23, 2023.

3. Changes in Accounting Policies:

There are no changes in accounting policies that have a material impact on the Company's financial statements for the year ending December 31, 2022.

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

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

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

IAS 12 - Income Taxes

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

IAS 1 - Presentation of Financial Statements-Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 that require entities to disclose material accounting policy information instead of significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023, but earlier application is permitted. The Company is evaluating the impact of the amendments on the disclosure of its accounting policies.

IAS 1 - Presentation of Financial Statements-Classification of Liabilities as Current or Non-current

In October 2022, the IASB published amendments to the Classification of Liabilities as Current or Non-current in IAS 1 Presentation of Financial Statements. The amendments aim to improve the information companies provide when the right to defer settlement of a liability for at least 12 months is subject to the entity complying with covenants after the reporting date. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted. The Company is evaluating the impact of the amendments.

4. Significant Accounting Policies:

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

(a) Basis of Measurement:
These consolidated financial statements are prepared using the historical cost method, except for certain financial instruments and investments measured at fair value.

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

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

(c) Cash:
Cash includes cash on hand and deposits held with banks.

(d) Restricted Cash:
Restricted cash represents funds held by financial institutions relating to debt service reserves.

(e) Inventory:
Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method for all inventory categories.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
• Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• Variable lease payments that are based on an index or a rate;
• The exercise price of a purchase or extension option if the lessee is reasonably certain to exercise that option; and
• Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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

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

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

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

g) Property and Equipment:
Property and equipment are measured at cost less accumulated depreciation and impairment losses. Property and equipment include items such as improvements to leased land, runways, building and roadways. These assets will revert to Transport Canada upon the expiration or termination of the Ground Lease (note 11). No amounts are amortized longer than the lease term.

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

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

Assets under construction are not depreciated and are transferred to property and equipment when the asset is available for use. Normal repairs and maintenance are expensed as incurred. Expenditures constituting enhancements to the assets by way of change in capacity or extension of useful lives are capitalized.

(h) Contract Assets:

The Company has contract assets related to certain long-term contracts with customers whereby the amount of revenue recognized to date has exceeded the payments required (note 4(o)). The performance obligations within the contracts will be achieved over the term of the contracts.

(i) Deferred Revenue:

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

(j) Borrowing Costs:

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

(k) Government Grants:

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

(l) Investment in Associates:

The Company uses the equity method of accounting for investments in associates over which it has significant influence. The original investment in associates is initially recorded at cost and is subsequently increased or decreased to account for the Company's share of comprehensive income or loss of the investee company and is reduced by dividends received.

(m) Joint Arrangements:

Joint arrangements are assessed at the inception of the agreement based on the structure as well as the legal and contractual terms. Where the arrangement meets the definition of a joint operation, the Company recognizes its share of assets and liabilities of the joint operation. Where the arrangement meets the definition of a joint venture, the equity method of accounting is used.

(n) Impairment:

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows and written down to the recoverable amount.

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

The Company assesses at each balance sheet date whether there is any objective evidence that its investments in associates are impaired. If so, the carrying value of the Company's share of the underlying assets of associates is written down to its recoverable amount and the loss is charged to the consolidated statement of operations.

(o) Revenue Recognition:

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

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

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

In the case of fixed-price stand-ready contracts, the customer pays the fixed amount based on a payment schedule. Revenues from these contracts are recognized on a straight-line basis over the contract period as this depicts the Company's progress towards completion in satisfying the performance obligation. If the amount of revenue recognized to date exceeds the payments required, a contract asset is recognized. If the payments received to date exceed the revenue recognized, a contract liability is recognized.

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

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

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

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

(p) Post-Employment Benefit Obligations:

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

The cost of defined benefit pension plans, other post-retirement and post-employment benefits earned by employees is actuarially determined annually as at December 31. The cost is determined using the projected unit credit method and assumptions including market interest rates, salary escalation, retirement ages of employees, mortality rates, and health care costs. Past service costs are recognized immediately in income.

Gains and losses on curtailments or settlements are recognized in the period in which the curtailment or settlement occurs.

Net actuarial gains and losses are recognized immediately in other comprehensive income (loss) without subsequent reclassification to income. The current service cost and recognized element of any past service cost of employee benefits expense is recorded in salaries and benefits.

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

The amount recognized in the balance sheet at each year end reporting date represents the present value of the defined benefit obligation reduced by the fair value of plan assets.

Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded.

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

(q) Financial Instruments:

Initial Recognition and Measurement

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

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

The Company's cash, restricted cash, accounts receivable, financing lease receivable and contract assets are classified as financial assets at amortized cost. Accounts payable and accrued liabilities and long-term debt are classified as financial liabilities at amortized cost.

Financial assets at amortized cost

Financial assets at amortized cost are debt instruments that are held for collection of contractual cash flows when those cash flows represent solely payments of principal and interest.

Financial assets at amortized cost are initially recorded at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset and are subsequently measured at amortized cost using the effective interest method. Interest income from these financial assets is included in the statement of operations.

Financial liabilities at amortized cost

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

Financial assets at fair value through other comprehensive income

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

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

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

Impairment

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

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The Company applies the simplified approach of the ECL model to recognize lifetime ECL for accounts receivable. For finance lease receivables the Company recognizes 12 months of ECL unless there has been a significant increase in credit risk since initial recognition.

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

Derecognition

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

Fair Value

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

- **Level 1:** valuation based on quoted prices in active markets for identical assets or liabilities obtained from the investment custodian, investment managers or dealer markets

- **Level 2:** valuation techniques with significant observable market parameters including quoted prices for assets in markets that are considered less active

- **Level 3:** valuation techniques with significant unobservable market parameters

(r) Income Taxes:

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

(s) Provisions:

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

The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to settle the Company's present obligation.

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

5. Critical Accounting Judgments and Estimates:

In applying the Company's accounting policies (note 4) management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

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

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

(a) Depreciation of Property and Equipment:

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

(b) Post-Employment Benefit Obligations:

The Company accounts for pension and other post-employment benefits in accordance with actuarial valuations. These valuations rely on statistical and other assumptions in order to anticipate future events.

These factors include key actuarial assumptions including discount rates, expected salary increases and mortality rates. Actual results may differ from results which are estimated based on assumptions.

(c) Leases:

The Company accounts for its Ground Lease (note 11) as an operating lease. In consideration of the terms of the lease, the Company has concluded that a right-of- use asset and related lease liability should not be recognized due to the variable

6. Accounts Receivable:

		2022		2021
Trade Accounts	$	22,986	$	14,270
Other Receivables		75		96
		23,061		14,366
Provision for Doubtful Accounts		(605)		(537)
Total Accounts Receivable	$	22,456	$	13,829

The aging analysis of these trade receivables and the expected credit losses as at December 31, 2022 and 2021 are as follows:

	2022		2021	
Current	21,440	(144)	12,838	(65)
30 – 60 days	990	(177)	1,024	(165)
60 – 90 days	261	(147)	196	(109)
Greater than 90 days	295	(167)	212	(198)
Total	22,986	(605)	14,270	(537)

7. Property and Equipment:

	Vehicles Machinery & Equipment	Technology	Buildings & Other Structures	Civil Infrastructure	Artwork	Construction in Progress	2022 Total
Gross Value							
Balance, January 1, 2022	$ 65,724	$ 46,116	$ 594,097	$ 254,218	$ 1,282	$ 3,072	$ 964,509
Additions	2,422	2,494	877	2,928	-	17,699	26,420
Transfers	11	20	43	(1,228)	-	1,154	-
At December 31, 2022	$ 68,157	$ 48,630	$ 595,017	$ 255,918	$ 1,282	$ 21,925	$ 990,929
Accumulated Depreciation							
Balance, January 1, 2022	$ 36,307	$ 31,296	$ 161,602	$ 108,578	$ -	$ -	$ 337,783
Depreciation	3,035	3,146	17,015	12,100	-	-	35,296
At December 31, 2022	39,342	$ 34,442	$ 178,617	$ 120,678	$ -	$ -	$ 373,079
Net Value at							
December 31, 2022	$ 28,815	$ 14,188	$ 416,400	$ 135,240	$ 1,282	$ 21,925	$ 617,850

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

8. Restricted Cash:

		2022		2021
Debt Service Reserve	$	16,239	$	16,142
Total Restricted Cash	$	16,239	$	16,142

Under the terms of a Master Trust Indenture, the Company is required to maintain a debt service reserve to cover principal and interest payments to be made on the long-term bonds (note 14 [a]).

9. Investments:

On February 1, 2021, the Company acquired shares of Security Services Corp (note 10) with a fair value of $3.0 million. As of December 31, 2022, the shares had a fair value of $2.5 million (2021: $2.6 million) and a related unrealized loss on investments of $0.1 million (2021: $0.4 million) was recognized in other comprehensive income.

During the year, the Company received cash dividends of $0.1 million (2021 - $0.1 million).

10. Investments in Associates:

		2022		2021
Investment in affiliated companies:				
Other investments	$	50	$	50
Equity accounted investments		24		24
	$	74	$	74

The Company's investment in common shares of SRG, representing a 35% ownership interest were purchased by Security Services Corp on February 1, 2021. The sale resulted in proceeds of $6.7 million of which $3.7 million was paid in cash and $3.0 million was settled with shares of Security Services Corp. The total gain on disposal is equal to $5.6 million. In 2021, the Company exercised its put option and redeemed its SRG preference shares of $0.6 million for cash proceeds equal to the carrying value.

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

Summarized financial information in respect of these associates, which primarily consists of ATR Cargo One LP, is set out below:

	2022		2021
Financial Position:			
Total Assets	30,466	$	30,180
Total Liabilities	5,422		5,409
Company's Share of Associates' Net Assets	11		11
Financial Performance:			
Total Sales and Other Revenues	3,990		3,768
Total Profit for the Year	2,274		2,340

The Company has a long-term sub-lease with ATR Cargo One LP that is classified as a financing lease. In 2020, a lease receivable was set up equal to the present value of future lease payments in the amount of $9,660 with the offset recognized as a Gain on long-term land lease in the Consolidated Statement of Operations. The lease receivable as at December 31, 2022 is $9,546 (2021 - $9,596).

Of the total assets $30,441 relate to ATR Cargo One LP (2021: $30,156).

11. Leases:

Company as a Lessee:

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

The Government of Canada waived ground lease rent from March 2020 through to December 2021. In 2022, the company resumed Ground rent lease payments and recorded an expense in the amount of $8.8 million (2021: Nil) in accordance with the Ground lease agreement.

The Company has entered into certain equipment leases that result in the recognition of a right-of-use asset and lease liability, which are described in note 14. The net book value of those assets included in property and equipment and associated with a lease liability is $3,535 (2021 - $3,764).

Company as a Lessor:

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

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

2023	$	9,329
2024		9,587
2025		9,797
2026		10,011
2027		10,229

Company as a Lessor – Finance Leases:

The Company's net investment in financing leases is:

	2022	2021
Total Minimum Lease Payments Receivable	$ 49,465	$ 51,402
Unearned Interest Income	25,236	26,466
	24,229	24,936
Current Portion	725	723
Long-Term Portion of Financing Lease Receivable	$ 23,504	$ 24,213

Finance income earned on the leases was $497 (2021- $557).

12. Investments in Joint Operations:

The Company has entered into a joint arrangement to provide operational services at the Winnipeg Airport. The arrangement meets the definition of a joint operation and is accounted for by recording the Company's share of assets and liabilities. The intergroup profit has been eliminated and 50% of the remaining operational results are consolidated, as follows:

	2022	2021
Financial Position:		
Total Assets	$ 439	$ 381
Total Liabilities	449	375
Financial Performance:		
Total Sales and Other Revenues	1,949	1,604
Total Expenses	1,648	1,314

13. Airport Improvement Fees:

The Company charges Airport Improvement Fees (AIF) of $38 dollars (2021 - $38) per local boarded passenger through an agreement with the Air Transport Association of Canada and major air carriers serving the Winnipeg Airport. AIF revenue is collected by the airlines, at a handling fee of 7%, for the benefit of the Company. AIF revenues are used to pay for airport infrastructure development and related financing costs as jointly agreed with air carriers operating at the Winnipeg Airport.

14. Long-Term Debt:

	2022	2021
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	$ 189,246	$ 195,412
Revenue bonds series D, 6.102%, due November 20, 2040, semi-annual blended principal and interest Payments of $6,393 payable on May 20 and November 20 of each year until maturity	137,451	141,523
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	100,000	99,935
Revenue bonds series F, 3.659%, due September 30, 2047, interest payable semi-annually on March 30 and September 30 of each year until maturity	124,209	124,177
Revenue bonds series G, 3.04%, due February 3, 2051, interest payable semi-annually on February 3 and August 3 of each year until maturity	99,099	99,067
Manitoba Industrial Opportunity Program	12,111	12,784
Lease Liability	1,248	2,051
	663,364	674,949
Current Portion	112,331	11,894
Long-Term Portion of Debt	$ 551,033	$ 663,055

Changes to the Company's long-term debt for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance beginning of year	$ 674,949	$ 586,908
Repayment of long-term debt	(11,894)	(11,318)
Proceeds from long-term debt, net of financing costs	-	99,037
Non-cash interest expense - deferred financing costs	309	322
Balance end of year	$ 663,364	$ 674,949

(a) Revenue Bonds:

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

Under the terms of the MTI, the Company is required to establish and maintain with a trustee a debt service reserve with a balance equal to at least 50 percent of annual debt service costs. These trust funds, which total approximately $16.2 million in cash (note 8), plus a letter of credit of $3.8 million, are held for the benefit of the bond holders in accordance with the terms of the MTI. In addition, the Company is required to maintain an operating and maintenance reserve of approximately $15.9 million. The operating and maintenance reserve is satisfied by availability under a committed credit facility (note 15).

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

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

Subsequent to year-end, the Company issued $100 million of privately placed bonds to re-finance the maturity of its Series E Revenue bonds. The new Series H bonds are due February 2033 and bear interest at 4.788% per annum. Interest payments are due semi-annually.

(b) Finance Lease Obligation:

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

(c) Manitoba Industrial Opportunity Program Loan:

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

(d) The future annual principal and interest payments of long-term debt as at year-end are as follows:

	Principal	Interest
2023	$ 112,331	$ 27,961
2024	12,757	25,765
2025	13,092	25,054
2026	13,648	24,314
2027	14,746	23,535

(e) Interest Expense:

	2022	2021
Revenue Bond Interest	$ 31,376	$ 31,646
Other Interest and Financing Costs	455	866
	$ 31,831	$ 32,512

Revenue bond interest includes non-cash interest of $2,013 (2021 - $1,997) due to the amortization of deferred financing costs and settled cash flow hedges.

15. Credit Facilities:

The Company has authorized credit facilities of $150 million (2021 - $150 million) with a Canadian chartered bank, expiring on August 8, 2025. The facility is secured under the Master Trust Indenture (note 14) and is available by way of overdraft, prime rate loans, bankers' acceptances and letter of credit.

	2022	2021
Senior Facility	$ 150,000	$ 150,000
Reductions to Available Balance:		
Outstanding Letters of Credit	(15,219)	(13,791)
Allocation to Operating and Maintenance Reserve (note 14)	(15,909)	(9,375)
Available Unsecured Bank Operating Line	$ 118,872	$ 126,834

16. Government Assistance:

Canada Emergency Wage Subsidy and Canada Recovery Hiring Program

In response to the negative economic impact of COVID-19, the federal government announced the Canadian Emergency Wage Subsidy ("CEWS") program in April 2020, which provided a wage subsidy grant on eligible remuneration to employers who met certain criteria. In addition, in June 2021 the federal government announced the Canada Recovery Hiring Program ("CRHP") which provided a wage subsidy for qualifying incremental remuneration.

The Company received $0.2 million (2021: $4.8 million) in CEWS and CRHP funding which has been recorded as a reduction to salaries and benefits in the consolidated statements of operations.

Government of Canada Ground Rent Relief Waiver

The Government of Canada waived ground lease rent from March 2020 through to December 2021. In 2022, the Company resumed Ground rent lease payments and recorded an expense in the amount of $8.8 million (2021: Nil) in accordance with the Ground lease agreement.

Airport Relief Fund

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

Airport Critical Infrastructure Program

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

The Company has applied and been approved for 50% funding towards an airfield paving and terminal security project. In 2021, the Company recognized $1.2 million in eligible funding, which has been recorded as an offset to the cost of the asset.

National Trade Corridor Funding

The Company has been awarded $30.4 million in funding towards a cargo expansion project under the National Trade Corridor Funding Program ("NTCF"). This project includes a new multi-tenant air cargo logistics facility and additional airfield paving that will take place over multiple years. To date, the Company has spent $38.2 million towards this project and recognized $12.3 million in 2022 (2021: $5.7 million) in funding as an offset to the asset. Of the funding recognized, $9.3 million (2021: $5.7 million) is included in accounts receivable at year-end.

17. Contingencies, Commitments and Guarantees:

(a) Contingencies:

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

(b) Subsidiary Guarantee:

The Company guarantees the operational performance of its subsidiary NASL in accordance with the contract, up to a maximum of $18.8 million partially secured by a letter of credit of $4.9 million (2021 – $4.8 million). This is a long-term contract with 25 years remaining and includes specific price indexing parameters. The contract is to provide airport operations, maintenance services and lifecycle rehabilitation to Iqaluit International Airport.

(c) Director and Officer Indemnity:

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

18. Post-Employment Benefit Plans:

The Company sponsors defined benefit pension plans and other post-employment benefit plans on behalf of its employees. The plans provide benefits to members in the form of a guaranteed level of pension payable for life. All of the plans have similar risk characteristics and operate under the same regulatory framework. The level of benefit payable depends on members' length of service and their salary in the final years leading up to retirement. The responsibility for the governance of the plans lies with the Company, including overseeing contribution schedules and investment decisions. The plan assets are held in trust and governed by federal regulation. The Company has a pension committee to assist in the management of the plans.

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

	Defined Benefit Pension Plans		Post- Employment Plans	
	2022	2021	2022	2021
Change in Defined Benefit Obligation:				
Balance, Beginning of Year	$ 89,251	$ 95,029	$ 5,930	$ 6,020
Current Service Cost	2,057	2,441	248	289
Employee Contributions	256	250	-	-
Interest Cost	2,664	2,486	178	156
Re-Measurements:				
Loss (Gain) recognized from Changes in Economic Assumptions	(24,797)	(6,704)	(1,979)	(500)
Loss (Gain) recognized from Experience	(832)	824	431	-
Gain recognized from Changes in Demographic Assumptions	-	(739)	-	-
Benefits Paid	(3,771)	(4,336)	(20)	(35)
Balance, End of Year	$ 64,828	$ 89,251	$ 4,788	$ 5,930
Change in Fair Value of Plan Assets:				
Fair Value, Beginning of Year	$ 92,466	$ 86,703	$ -	$ -
Interest Income	2,756	2,222	-	-
Re-Measurements:				
Return on Plan Assets, excluding any amounts included in Interest Income	(17,653)	6,024	-	-
Contributions:				
Employer	2,438	1,691	-	-
Plan Participants	256	250	-	-
Benefits Paid	(3,771)	(4,336)	-	-
Administrative Expenses	(126)	(88)	-	-
Fair value, End of Year	$ 76,366	$ 92,466	$ -	$ -
Funded Status:				
Plan Surplus (Deficit)	$ 11,538	3,215	$ (4,788)	$ (5,930)
Impact of Asset Ceiling	(12,179)	-	-	-
Accrued Asset (Liability)	$ (641)	$ 3,215	$ (4,788)	$ (5,930)

The net defined benefit pension plans' accrued liability of $641 is comprised of post-employment benefit assets of $1,305 and post-employment benefit liabilities of $1,946.

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

	Defined Benefit Pension Plans		Post-Employment Plans	
	2022	2021	2022	2021
Net Benefit Plan Cost:				
Current Service Cost	$ 2,057	$ 2,441	$ 248	$ 289
Net Finance (Income) Expense relating to Employee Benefits	(92)	264	178	156
Administrative Expenses	126	88	-	-
Net Benefit Plan Expense Recognized	$ 2,091	$ 2,793	$ 426	$ 445
Actual Return on Plan Assets	$ (14,897)	$ 8,246	$ -	$ -
Amounts Recognized in Other Comprehensive Income (Loss):				
Re-Measurements	$ (4,203)	$ 12,643	$ 1,548	$ 500
Cumulative Re-Measurements Recognized in Other Comprehensive Income (Loss):				
Cumulative Amount, Beginning of Year	$ 8,832	$ (3,811)	$ (2,729)	$ (3,229)
Recognized	(4,203)	12,643	1,548	500
Cumulative Amount, End of Year	$ 4,629	$ 8,832	$ (1,181)	$ (2,729)

The significant weighted average assumptions used are as follows:

	2022	2021
Defined Benefit Obligation:		
Discount Rate	5.1%	3.0%
Long-Term Average Rate of Compensation Increase	3.0%	3.0%
Long-Term Average Rate of Health Benefit Cost Increase		
Initial Trend Rate	7.0%	7.5%
Annual Decrease	0.3%	0.3%
Ultimate Trend Rate	4.5%	4.5%
Year of Ultimate Trend Rate	2032	2031
Benefit Costs:		
Discount Rate	3.0%	2.6%
Long-Term Average Rate of Compensation Increase	3.0%	3.0%

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

	Impact on Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount Rate	1.00%	$ ($8,263)	$ 10,460
Salary Growth Rate	1.00%	$ 1,604	$ (1,598)
Life Expectancy	1 year	$ 1,690	$ (1,737)

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

The plans' assets consist of the following asset mix:

	2022	2021
Equity Funds	11%	51%
Debt and Mortgage Funds	77%	44%
Real Estate Funds	12%	5%

As part of the Company's Investment strategy, the Company implemented a new investment policy and transferred a portion of its equity holdings into long-duration income bonds for better asset/liability matching.

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

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

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

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

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

The investment positions are managed within an asset-liability matching that has been developed to achieve long-term investments that are in line with obligations under the pension plans. The Company monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. Investments are diversified such that the failure of any single investment would not have a material impact on the overall level of assets.

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2021 for all plans and the next required valuation will be as of December 31, 2022. Based on most recent actuarial valuations, the Company has provided a letter of credit in the amount of $6.6 million to satisfy funding requirements for the defined benefit pension plans and will not be contributing cash to the other post-employment plans.

Contributions to the defined contribution pension plan were $458 during the year (2021 - $360).

19. Accumulated Other Comprehensive Loss:

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

		2022		2021
Recognized Loss on Previously Settled Cash Flow Hedges	$	(17,558)	$	(19,262)
Unrealized Loss in Fair Value of Investments		(547)		(439)
	$	(18,105)	$	(19,701)

20. Income Taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory rates of 27% (2021 - 27%) to the earnings before income taxes. The reasons for the differences and related tax effects are as follows:

	2022		2021
(Loss) Income before Income Taxes	(4,894)	$	(32,848)
Expected (recovery) provision for income taxes at the statutory rate	(1,321)		(8,869)
Increase (decrease) in taxes resulting from:			
Tax Effect of Not-For-Profit Earnings	1,868		11,242
Impact of Tax Rate on Investment Income	(29)		-
Tax Effect of Non-Deductible Expenses	8		1
Non-Taxable Portion of Investment Sale	-		(941)
Other	38		(70)
	564	$	1,363

21. Financial Instruments:

Fair Value:

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

	2022	2021	Level
Liabilities			
Revenue Bonds Series A	191,752	231,110	Level 2
Revenue Bonds Series D	144,567	176,821	Level 2
Revenue Bonds Series E	100,032	102,532	Level 2
Revenue Bonds Series F	97,078	134,417	Level 2
Revenue Bonds Series G	67,667	96,915	Level 2
Manitoba Industrial Opportunity Program Loan	10,886	12,603	Level 3

The fair value of the Revenue Bonds and Manitoba Industrial Opportunity Program loan is determined through current market rate yield calculations.

Risk Management:

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

Liquidity Risk:

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

In addition, in February 2021 a $100 million of privately placed bonds were issued to finance capital expenditures and general operations (note 14).

As public health and travel restrictions were removed in 2022, passenger volumes began to recover and the above mitigation strategies eased.

The Company continues to update and review its multi-year cash flow projections on a regular basis and matches its long-term financing arrangements with its cash flow needs. In view of its credit ratings (Moody's: A1 and Standard & Poors: A as at December 31, 2022 and 2021), the Company has ready access to sufficient long-term funds as well as committed lines of credit through credit facilities with a Canadian bank. The future annual principal payment requirements of the Company's obligations under its long-term debt are described in note 14.

Credit and Concentration Risks:

The Company is subject to credit risk through its cash, restricted cash, accounts receivable, finance lease receivable and investments in the event that the counterparty defaults.

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

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

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

In addition, there is concentration risk with two main carriers contributing to 45% (2021 – 37%) of total revenue. These carriers continue to provide service to the Company and meet their payment obligations.

Interest Rate Risk:

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

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

Price Risk:

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

22. Related Party Transactions:

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

In 2022, the Company paid nil (2021 - $167) to associates for operational services included in services and repairs in the Consolidated Statement of Operations.

The Company has a financing lease receivable of $9,546 (2021: $9,596) with ATR Cargo One LP. The Company also performed property management and maintenance services for ATR Cargo One LP and recognized revenue of $151 (2021 - $151).

Transactions with Key Management Personnel

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

	2022	2021
Salaries and Short-Term Benefits	$ 2,463	$ 1,160
Post-Employment Benefits	341	135
Total	$ 2,804	$ 1,295

23. Capital Management:

The Company is incorporated without share capital under the Canada Not-for-Profit Corporations Act and, as such, net income is retained and reinvested in operations and development. Accordingly, the Company's only sources of capital for investing in operations and development are available bank debt, long-term debt and accumulated earnings included on the Company's balance sheet for a total of $891,234 (2021 - $918,877).

The Company manages its rates for aeronautical and other fees to safeguard the Company's ability to continue as a going concern and to maintain a conservative capital structure. It makes adjustments to these rates in light of changes in economic conditions and events, and to maintain sufficient net income to meet ongoing debt coverage requirements.

As described in note 14, the Company obtained waivers for its rate covenants expiring on December 31, 2022. The Company was onside with its covenant calculations as at December 31, 2022.

WINNIPEG
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