



FROM THE GROUND UP
ANNUAL REPORT 2005

CONSOLIDATED FINANCIAL STATEMENTS OF:
WINNIPEG AIRPORTS AUTHORITY INC.
Year ended December 31, 2005



WINNIPEG
AIRPORTS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This Management's Discussion and Analysis ("MD & A") complements and supplements the consolidated financial statements and related notes of Winnipeg Airports Authority Inc. ("WAA") and its subsidiaries for the fiscal year ended December 31, 2005. It is provided to explain management's view of the conditions and events that shaped the information contained in the financial statements and help in understanding how these conditions and events are expected to affect the business of WAA moving forward. This MD & A should be read in conjunction with the financial statements.

WAA is responsible for the management, operation and development of Winnipeg International Airport under a 60-year lease entered into in 1997 with Transport Canada. WAA is a not-for-profit, community-based corporation without share capital. WAA is fully responsible for financing its capital investments and all excess revenues are for reinvestment in Airport Infrastructure. WAA considers Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") to be the most reliable indicator of its financial performance.

Throughout this MD & A, EBITDA is used to describe earnings before any deduction for interest, taxes, depreciation and amortization. In the opinion of Management, EBITDA is a metric used by many other Canadian airports, investors and analysts for comparison purposes on the basis of ability to generate cash from operations. It is not intended to be representative of cash flow from operations or results of operations determined in accordance with Canadian generally accepted accounting principles, as EBITDA is not a recognized measure under Canadian GAAP.

The combined total of enplaned and deplaned passengers for 2005 was 3.2 million, representing a growth in passenger traffic of 6.6% over 2004.

FINANCIAL SUMMARY

(In thousands of dollars)

	2005	2004	% Change
Total Revenue	\$ 56,707	\$ 49,014	15.7
Salaries and Benefits	\$ 13,159	\$ 12,431	5.9
Operations	\$ 10,830	\$ 9,925	9.1
Property Taxes	\$ 2,208	\$ 2,095	5.4
Transport Canada Lease	\$ 3,911	\$ 2,905	34.6
Total Operating Expenses	\$ 30,108	\$ 27,356	10.1
EBITDA	\$ 26,599	\$ 21,658	22.8
Interest Expense (Net)	\$ 1,187	\$ (1,118)	206.2
Amortization	\$ 3,515	\$ 2,929	20.0
Excess Revenue over Expenses	\$ 21,874	\$ 19,759	10.7
Cash Flow from Operations	\$ 23,482	\$ 24,278	(3.3)

HIGHLIGHTS

EBITDA

EBITDA for the year of \$26,599,000 showed an improvement over the previous year by 22.8%. Revenues increased by 15.7%, outpacing Expenses which grew by 10.1% over 2004.

REVENUES

Winnipeg Airports Authority faced many challenges in 2005, including the failure of Jetsgo Airlines and Skyward Aviation, and the filing for bankruptcy protection under Chapter 11 by Northwest Airlines. Through the addition of some new routes and growth in charter business, Winnipeg Airports Authority Inc. achieved an increase in revenues of 15.7% and reached a record 3.2 million passengers, an increase of 6.6% over 2004. Cargo tonnage at 149,950 tonnes showed an increase over the previous year of 6.0%, a growth rate well above the North American cargo growth rate of 0.7%, as reported by Airports Council International.

The loss of Jetsgo Airlines from WAA's marketplace, and the revenues projected from this airline were very quickly replaced by other airlines serving the Winnipeg International Airport. WAA faced further challenges to Landing Fee Revenue growth in 2005 by virtue of the movement by airlines to replace larger aircraft with regional jets.

AIF Revenues exceeded those for 2005 by 37.6%, reflecting an increase in the AIF rate from \$10 to \$15 effective October 1, 2004, as well as growth in passenger traffic.

The following summarizes revenue on a comparative basis.
(In thousands of dollars)

	2005	2004	% Change
Aircraft Landing Fees	\$ 10,378	\$ 9,837	5.5
General Terminal Fees	\$ 5,677	\$ 5,327	6.6
Concessions	\$ 5,178	\$ 4,865	6.4
Car Parking	\$ 5,500	\$ 4,774	15.2
Space Rental	\$ 2,667	\$ 2,537	5.1
Land Rental	\$ 1,648	\$ 1,568	5.1
Passenger Security Fees	\$ 4,266	\$ 4,085	4.4
Other Revenue	\$ 1,758	\$ 1,749	0.5
Airport Improvement Fees	\$ 19,635	\$ 14,272	37.6
Total Revenues	\$ 56,707	\$ 49,014	15.7

EXPENSES

Total Operating Expenses increased 10.1% over 2004. It should be noted however that the 2004 Transport Canada Lease costs have been reduced by an adjustment of 2002 Lease costs. Removing the impact of this one time adjustment reduces the year over year expense growth to 6.6%.

SALARIES AND BENEFITS

Salaries and Benefits costs increased \$728,000 or 5.9% over 2004. WAA signed a new three-year agreement with the Employee Bargaining Unit effective July 1, 2005. Benefits costs include additional costs relating to the contribution to fund the deficiency in the Employee Defined Benefit Pension Plan described in the notes to the Financial Statements.

OPERATIONS

Operations costs increased \$905,000 or 9.1% over 2004 expenses. Significant items were increases in Bad Debts of \$176,000, Gasoline and Energy of \$123,000, Central De-icing Facility Operations of \$200,000, Legal Fees relating to Airline bankruptcies and the proposed Canada Airports Act of \$190,000, and Policing and Security costs of \$200,000.

PROPERTY TAXES

Amounts paid to the City of Winnipeg and Municipality of Rosser for Property Taxes increased 5.4% over 2004, including a small adjustment for prior years.

TRANSPORT CANADA LEASE

A recovery of 2002 Rent Expenses was reflected in the 2004 expenses impacting the year over year increase in Transport Canada Lease costs. Removing the impact of this retroactive adjustment changes the increase in Transport Canada Lease cost to 3.4%.

INTEREST

On September 28, 2005, WAA issued 5.205% Revenue Bonds in the amount of \$250 million due September 29, 2040. The net proceeds will be used to finance the AIRplan project.

Net interest costs have been expensed in 2005 in the amount of \$1,187,000.

AMORTIZATION

Assets put into service in 2004 and 2005 have increased amortization costs by \$586,000 or 20% over 2004.

AIRPORT SITE REDEVELOPMENT PROJECT AND CAPITAL PROJECTS

In 2005, investments in the AIRplan project totalled \$23,868,000 and included planning, design, construction for the site of the new air terminal building, related apron and roadways, the parkade, as well as roadway development.

Investments in other Capital items and major capital projects including a new bridge, new baggage security screening capability, holding bay, taxiway and apron projects were \$8,885,000.

LIQUIDITY AND CAPITAL RESOURCES

In accordance with WAA's mandate as a non-share capital corporation, all earnings are retained and reinvested in Airport operations and development, including investment in capital expenditures to meet ongoing operating requirements. As at December 31, 2005, the net equity in capital assets was \$90.5 million, and a further \$20.9 million was held in a fund accumulated from the AIF and restricted for investment in AIRplan.

As at December 31, 2005, WAA had bank indebtedness of \$2.8 million. The primary component of accounts payable of \$7.9 million at December 31, 2005, related to the completion of capital projects including components of the AIRplan project.

As at December 31, 2005, WAA had investment of bond proceeds in the amount of \$236.2 million reserved for investment in the Airport Site Redevelopment project.

WAA has a revolving term credit facility with a syndicate of banks led by CIBC, as part of WAA's Capital Markets Platform. The facility provides for a \$20 million 364-day extendible revolving loan and a \$200 million three-year extendible revolving term loan. The 364-day revolving loan is to be used for the general business purposes of WAA, while the revolving term loan is for general business purposes and WAA's capital investment program and AIRplan.

FINANCIAL OUTLOOK FOR 2006

Operating revenues are expected to increase proportionately with increases in passenger traffic. Increases to aeronautical fees implemented in January 2006 were modest. Parking revenues are projected to grow with the increased availability of parking spaces resulting from the parking structure scheduled for completion in the fourth quarter of 2006. Consolidated Revenues are planned at \$58.7 million, an increase of 3.5% over 2005.

EBITDA expectation for 2006 is \$26.8 million virtually equal to EBITDA for the previous year.

The major focus of the AIRplan program for 2006 will be finalization of the Air Terminal Building Designs, the completion of the construction of the Parkade and Parking Plaza, Arrivals Road and Taxi Corral, Land Drainage and related systems, and upgrade work required for the Central Utilities Facility.

CAUTION CONCERNING FORWARD-LOOKING INFORMATION

This MD & A contains certain statements about our future expectations. These statements are generally identified by words like "anticipate," "plan," "believe," "expect," "estimate," "intend" and the like. Because forward-looking statements involve future risks and uncertainties, actual results may be quite different from those expressed or implied in these statements. The forward-looking statements contained in this MD & A represent our expectations as of the date of the Annual Report and are subject to change after this date.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Year ended December 31, 2005

MANAGEMENT OF WINNIPEG AIRPORTS

Management of Winnipeg Airports Authority Inc. is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Their preparation necessarily involves the use of management's best estimates and careful judgement, particularly in those circumstances where transactions affecting a current period are dependent upon future events. All financial information in the Annual Report is consistent with the information and data contained in the financial statements.

To discharge its responsibilities for financial reporting and safeguarding assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and reliable preparation of financial statements.

The Board of Directors discharges its responsibilities for the financial statements primarily through its Audit Committee, which is composed solely of directors who are neither officers nor employees of the Authority. This committee meets periodically with management and independent auditors to review performance and to discuss audit, internal control, accounting policy and financial reporting matters. The Audit Committee reports its findings to the Board of Directors which reviews and approves annual financial statements. These financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The financial statements have been audited by KPMG LLP, who was appointed at the annual members' meeting.



Barry W. Rempel

PRESIDENT AND CHIEF EXECUTIVE OFFICER



Richard F. Ball, C.G.A.

SENIOR VICE PRESIDENT, ADMINISTRATION AND CHIEF FINANCIAL OFFICER

AUDITORS' REPORT

TO THE DIRECTORS OF WINNIPEG AIRPORTS AUTHORITY INC.

We have audited the consolidated statement of financial position of Winnipeg Airports Authority Inc. as at December 31, 2005, and the consolidated statements of operations and net assets, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. In accordance with the *Canada Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Winnipeg, Canada
February 17, 2006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of dollars)

December 31, 2005, with comparative figures for 2004

	2005	2004
ASSETS		
Current assets:		
Cash	\$ 692	\$ 1,602
Cash held in trust	97	104
Accounts receivable	5,648	2,700
Income taxes recoverable	25	16
Prepaid expenses	440	497
Inventories	376	325
	7,278	5,244
Capital assets (note 2)	90,434	64,834
Investment of bond proceeds (note 6)	236,241	–
Investment of restricted airport improvement fees (note 4)	20,926	26,118
Accrued pension asset (note 11)	2,704	1,084
Debt service reserve fund (note 6)	6,506	–
Deferred financing costs (note 7)	10,734	–
Organizational costs (note 3)	294	588
	\$ 375,117	\$ 97,868

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(In thousands of dollars)

LIABILITIES AND NET ASSETS

Current liabilities:

Bank indebtedness (note 5)	\$ 2,815	\$ –
Accounts payable and accrued liabilities	7,861	6,826
Security deposits	97	104
Deferred revenue	209	115
	<hr/>	<hr/>
	10,982	7,045

Long-term liabilities:

Long-term employee benefits	767	691
Deferred lease payments (note 9)	762	569
Future income taxes	8	12
Long-term swap contracts (note 8)	1,173	–
Revenue bonds series A (note 6)	250,000	–
	<hr/>	<hr/>
	252,710	1,272

Net assets:

Equity in capital assets	90,499	63,433
Restricted airport improvement fees (note 4)	20,926	26,118
	<hr/>	<hr/>
	111,425	89,551
Commitments (note 10)		
	<hr/>	<hr/>
	\$ 375,117	\$ 97,868

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director 
Arthur Mauro, Chairman of the Board

Director 
Tom Bryk, FCA, Chairman of the Audit Committee

CONSOLIDATED STATEMENT OF OPERATIONS AND NET ASSETS

(In thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenue:		
Aircraft landing fees	\$ 10,378	\$ 9,837
General terminal fees	5,677	5,327
Concessions	5,178	4,865
Car parking	5,500	4,774
Space rental	2,667	2,537
Land rental	1,648	1,568
Passenger security fees	4,266	4,085
Other revenue	1,758	1,749
Airport improvement fees (note 4)	—	6,371
Airport improvement fees restricted	19,635	7,901
	56,707	49,014
Expenses:		
Salaries and benefits	13,159	12,431
Operations	10,830	9,925
Property taxes	2,208	2,095
Transport Canada lease (note 12)	3,911	2,905
	30,108	27,356
Excess of revenue over expenses before the undernoted	26,599	21,658
Amortization	3,515	2,929
Interest expense (income) [note 6(c)]	1,187	(1,118)
Excess of revenue over expenses before income taxes	21,897	19,847
Income taxes of subsidiaries [note 1(k)]:		
Current	27	76
Future (recovery)	(4)	12
	23	88
Excess of revenue over expenses	21,874	19,759
Net assets, beginning of year	89,551	69,792
Net assets, end of year	\$ 111,425	\$ 89,551

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)

(In thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004

	Equity in capital assets	Restricted airport improvement fees	2005 Total	2004 Total
Balance, beginning of year	\$ 63,433	\$ 26,118	\$ 89,551	\$ 69,792
Excess (deficiency) of revenue over expenses	27,066	(5,192)	21,874	19,759
Balance, end of year	\$ 90,499	\$ 20,926	\$ 111,425	\$ 89,551

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
CASH PROVIDED BY (USED IN):		
Operations:		
Excess of revenue over expenses	\$ 21,874	\$ 19,759
Adjustments for:		
Amortization:		
Capital assets	3,221	2,636
Organizational costs	294	294
Deferred financing costs	77	–
Future income taxes	(4)	12
Loss (gain) on sale of capital assets	19	(28)
Long term swap contracts	1,173	–
Increase in long-term employee benefits	76	95
Increase in deferred lease payments	193	381
Increase in accrued pension asset	(1,620)	(678)
Change in non-cash operating working capital	(1,821)	1,807
	23,482	24,278
Financing:		
Increase (decrease) in bank indebtedness	2,815	(1,988)
Proceeds on revenue bonds series A	250,000	–
Deferred financing costs	(10,811)	–
Contribution for capital assets	3,844	–
	245,848	(1,988)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(In thousands of dollars)

Investing:

Net decrease (increase) in investment of restricted airport improvement fees	5,192	(3,262)
Investment of bond proceeds	(236,241)	–
Increase in debt service reserve fund	(6,506)	–
Additions to capital assets	(32,753)	(18,098)
Proceeds on disposal of capital assets	68	91
	(270,240)	(21,269)
Increase (decrease) in cash	(910)	1,021
Cash, beginning of year	1,602	581
Cash, end of year	\$ 692	\$ 1,602

Supplementary cash flow information:

Income taxes paid	\$ 56	\$ 185
Interest paid	220	26

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2005

General:

Winnipeg Airports Authority Inc. (the Authority) was incorporated under Part II of the *Canada Corporations Act* as a corporation without share capital. The Authority operates the Winnipeg International Airport under a long-term lease with Transport Canada for the benefit of the community. All revenue in excess of expenses are used to fund airport capital improvements.

The Authority is governed by a Board of Directors whose members are nominated by the City of Winnipeg, the Rural Municipality of Rosser, Destination Winnipeg, the Winnipeg Chamber of Commerce, The Assiniboia Chamber of Commerce and the Federal and Provincial governments.

1. Significant accounting policies:

(a) Basis of accounting:

The Authority's financial statements are prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles and include the accounts of its wholly-owned subsidiaries, Winnipeg Airport Services Corporation and Avion Services Corp. All inter-company transactions have been eliminated.

(b) Cash held in trust:

Cash held in trust is restricted to be available to repay security deposits.

(c) Inventories:

Inventories of materials and supplies are stated at the lower of cost and replacement cost.

(d) Investments:

The investments are carried at the lower of cost and market value.

(e) Capital assets:

Capital assets are recorded at cost. Amortization is provided on the following basis:

Assets	Basis	Rate
Vehicles, machinery and equipment	Straight-line	3 to 20 years
Computer equipment	Straight-line	3 years

Leasehold improvements are amortized on a straight-line basis, based on the economic life of the asset which ranges from three to 40 years.

Construction in progress is transferred to leasehold improvements when the project is completed and the asset is placed in service. Interest incurred during the construction of a capital project is included in the cost of the asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2005

1. Significant accounting policies (continued):

(f) Organizational costs:

Organizational costs represent due diligence, planning and start-up expenditures incurred by the Authority in preparation for the transfer of the airport operations to the Authority.

Organizational costs are amortized on a straight-line basis over ten years, which commenced upon transfer of airport operations to the Authority on January 1, 1997.

(g) Revenue recognition:

Landing fees, general terminal fees, car parking revenue and passenger security fees are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum guarantees where applicable. Rental revenues are recognized over the term of respective leases, licenses and permits.

Deferred revenue consists primarily of concession revenue for minimum guarantees and rental revenue fees received in advance of services being rendered.

(h) Employee future benefits:

The Authority sponsors a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the member's five best consecutive years' earnings. The cost is being funded currently.

The Authority accrues its obligation under the employee defined benefit plan as the employees render the services necessary to earn the pension and other employee future benefits. The Authority has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- The net actuarial gain or loss in excess of 10% of the greater of, the benefit obligation and the market value of plan assets, is amortized over the average remaining service period of active employees.
- The transitional asset arising from adopting the new accounting standard on the pension plan is being amortized on a straight-line basis over 13 years.
- The Authority also provides separation benefits to eligible retiring employees. The cost of providing these benefits is accrued as long-term employee benefits and charged to expense based on yearly service entitlements.

(i) Deferred financing costs:

Costs relating to the issue of revenue bonds series A, including underwriting fees, professional fees and termination of swap agreements, are deferred and amortized on a straight-line basis over the term of the debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2005

1. Significant accounting policies (continued):

(j) Government assistance:

The Authority periodically applies for financial assistance under available government incentive programs. Government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets. Government assistance relating to operating expenses is recorded as revenue to offset current year expenses when the related expenditures are incurred.

(k) Income taxes:

The Authority is exempt from income taxes under Government of Canada legislation. The wholly-owned subsidiaries are taxable corporations and follow the asset and liability method of accounting for income taxes. Under this method, future 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 future 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.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Capital assets:

(In thousands of dollars)	Cost	Accumulated amortization	2005	2004
			Net book value	Net book value
Vehicles, machinery and equipment	\$ 8,351	\$ 2,708	\$ 5,643	\$ 4,596
Computer equipment	2,655	1,870	785	811
Leasehold improvements	62,535	9,969	52,566	49,822
Construction in progress	31,440	—	31,440	9,605
	\$ 104,981	\$ 14,547	\$ 90,434	\$ 64,834

No interest has been capitalized with respect to capital assets in 2005 or 2004. In 2005, government assistance for the purchase of equipment of \$3.8 million was recorded as a reduction of the cost of leasehold improvements related to security enhancements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2005

3. Organizational costs:

(In thousands of dollars)	2005	2004
Organizational costs	\$ 2,939	\$ 2,939
Accumulated amortization	2,645	2,351
	\$ 294	\$ 588

4. Airport improvement fees:

The Authority entered into an agreement dated September 23, 1997 (amended February 18, 2000 and January 20, 2004), with the Air Transport Association of Canada and major air carriers serving the Winnipeg International Airport (the AIF Agreement). The AIF Agreement provides for a consultation process with air carriers on airport development, as well as the collection of an Airport Improvement Fee (AIF) by air carriers. AIF revenue is collected by the airlines for the benefit of the Authority and is recorded net of a 6% handling fee. AIF revenues can only be used to pay for airport infrastructure development and related financing costs. The AIF charge is \$15 (effective October 1, 2004) per local boarded passenger and \$10 of this fee together with its investment income earned thereon is restricted for airport site redevelopment.

The Authority is investing these restricted funds in accordance with an investment policy as approved by the Board. Investments at December 31, 2005, are in cash and cash equivalents.

5. Credit facilities:

The Authority has authorized credit facilities with three Canadian banks. Under these credit facilities the Authority is provided with a revolving operating facility in the amount of \$20 million plus a revolving term credit facility in the amount of \$200 million for the financing of construction costs related to the Authority's capital investment plan. These facilities are secured under the Master Trust Indenture [note 6(a)] and will be reduced with any new debt issuance. They are available by way of overdraft, prime rate loans or bankers' acceptance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2005

6. Revenue bonds series A:

(a) Bond issue:

(In thousands of dollars)	2005	2004
5.205% revenue bonds series A, due September 28, 2040, interest payable semi annually on March 28 and September 28 of each year until maturity, semi-annual installments of principal payable on each interest payment date commencing September 28, 2010	\$ 250,000	\$ –

In September 2005, the Authority completed a \$250 million revenue bond series A issue. The revenue bonds, at 5.205% are due September 28, 2040. The net proceeds from this offering are being used to finance the Airport Site Redevelopment and the funding of a \$6.5 million Debt Service Reserve Fund required by the Master Trust Indenture entered into by the Authority in connection with the offering.

The revenue bonds are direct obligations of the Authority ranking pari passu with all other indebtedness issued under the Master Trust Indenture. All indebtedness, including indebtedness under bank credit facilities are secured under the Master Trust Indenture by assignment of revenue and related book debts, a security interest in money in the reserve funds and certain accounts of the Authority, and an unregistered mortgage of the Authority's leasehold interest in the Winnipeg International Airport.

Pursuant to the terms of the Master Trust Indenture, the Authority is required to establish and maintain with a trustee a Debt Service Reserve Fund with a balance at least equal to 50% of annual debt service costs. At December 31, 2005, the Debt Service Reserve Fund included \$6.5 million in interest bearing deposits held in trust. These trust funds are held for the benefit of the bond holders for use and application in accordance with the terms of the Master Trust Indenture. In addition, the Authority is required to maintain an Operating and Maintenance Reserve Fund of approximately \$5.8 million. The Operating and Maintenance Reserve Fund may be satisfied by cash, letter of credit or the availability under a committed credit facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2005

6. Revenue bonds series A (continued):

(b) The future annual principal payments required to retire the revenue bonds are as follows:

(In thousands of dollars)	2005	2004
2006	\$ —	\$ —
2007	—	—
2008	—	—
2009	—	—
2010	2,595	—
Total thereafter	247,405	—

(c) Interest expense (income):

(In thousands of dollars)	2005	2004
Bond interest	\$ 3,387	\$ —
Other interest and financing costs	277	—
Interest income and other	(2,477)	—
	1,187	—
Less capitalized interest	—	—
	\$ 1,187	\$ —

(d) Investment of bond proceeds at December 31, 2005, are in cash and cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2005

7. Deferred financing costs:

(In thousands of dollars)	2005	2004
Deferred financing costs	\$ 10,811	\$ –
Less accumulated amortization	77	–
	<u>\$ 10,734</u>	<u>\$ –</u>

8. Long-term swap contracts:

In June and July 2005, the Authority entered into bond forward derivative contracts in the notional amount of \$182 million with expiry date of September 2005 to fix the effective interest rate at 5.75% on the revenue bonds issued on September 28, 2005. The Authority also entered into forward swap derivative contracts in the notional amount of \$200 million, with expiry date of January 2040, to fix the interest rate at 6.5% on planned bond issues.

On August 10, 2005, the Authority achieved the appropriate hedge accounting documentation and effectiveness testing. The loss incurred on the settlement of the 2005 contracts is being deferred and amortized over the life on the revenue bonds issued. The loss incurred, to the date of application of hedge accounting, on the contracts expiring in 2040 is \$1,173,378 and is recorded as a liability until the planned bonds are issued, at which time it will be amortized over the life of those bonds.

9. Deferred lease payments:

In accordance with an amendment to the Ground Lease Agreement (note 10), the Government of Canada has deferred lease payments of \$762,000 (2004 – \$569,000). These deferred lease payments are repayable with no interest over a ten-year period commencing January 1, 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2005

10. Commitments:

(a) Ground Lease Agreement:

Effective December 31, 1996, the Authority signed the Ground Lease Agreement (the Agreement) with the Government of Canada (the Landlord) which provides that the Authority will lease the Winnipeg International Airport (the Airport) facilities for an initial term of 60 years. A 20-year renewal option may be exercised. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the Airport to the Landlord.

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

The estimated lease obligations for the next five years are approximately as follows:
(In thousands of dollars)

2006	\$	3,940
2007		4,000
2008		4,088
2009		4,264
2010		4,439

(b) Airport site redevelopment:

The airport redevelopment project is expected to cost approximately \$570 million including interest costs during construction, allowance for inflation and contingencies, and is scheduled for completion in 2009. At December 31, 2005, the Authority had outstanding contractual construction commitments amounting to approximately \$53.7 million (2004 – \$25.7 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2005

11. Pension:

Information for the defined benefit pension plan, based on the latest actuarial reports, measured as of December 31 is as follows:

(In thousands of dollars)	2005	2004
Fair value of plan assets	\$ 23,526	\$ 19,064
Accrued benefit obligation	26,537	22,980
Funded status – plan deficit	(3,011)	(3,916)
Unamortized net actuarial loss	5,786	5,081
Unamortized transitional asset	(71)	(81)
Accrued pension asset	\$ 2,704	\$ 1,084

The significant weighted average assumptions used are as follows:

	2005	2004
Accrued benefit obligation:		
Discount rate	5.25%	6.25%
Long-term average rate of compensation increase	3.5%	4.5%
Benefit costs:		
Discount rate	6.25%	6.65%
Expected long-term rate of return on plan assets	7.0%	7.0%
Long-term average rate of compensation increase	4.5%	4.5%

Other information about the Authority's defined benefit plan is as follows:

(In thousands of dollars)	2005	2004
Employer contributions	\$ 2,620	\$ 1,732
Employee contributions	221	188
Benefits paid	644	525
Pension expense	1,000	1,054

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2005

11. Pension (continued):

The plan assets consist of the following asset mix:

	2005	2004
Money market funds	3%	0%
Equity funds	56%	64%
Debt and mortgage funds	31%	27%
Real estate funds	10%	9%

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2004, and the next required valuation will be as of December 31, 2005.

12. Transport Canada lease:

In 2004, the Authority received a refund of \$880,000 from Transport Canada related to 2002 lease payments, which has been recorded as a reduction to the 2004 expense.

13. Fair value:

The fair value of cash, cash held in trust, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and security deposits approximates their carrying value due to their relatively short term to maturity.

The fair value of the revenue bond series A is \$254.2 million at December 31, 2005.

14. Policing contribution agreement:

In 2002, the Authority entered into a policing contribution agreement with the Canadian Air Transport Security Authority (CATSA), an agent of the Government of Canada, for the purposes of contributions by CATSA to the costs of policing incurred by the Authority in carrying out its responsibilities. Contributions are determined annually by CATSA up to a maximum amount not to exceed the actual allowable costs incurred by the Authority in providing these services. This agreement is to be extended annually as required. In connection with this agreement, the Authority has recorded contributions of \$999,000 (2004 – \$999,000).

2006 ANNUAL GENERAL MEETING

Winnipeg Airports Authority's Annual General Meeting will be held at 1:30 pm on Wednesday, May 3, 2006, at The Fairmont Winnipeg, Winnipeg, Manitoba.

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

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, are involved in decision making
4. Transparency

Board Committees

The Board has organized its affairs around three standing committees – Governance, Audit and AIRplan. 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. The purpose of the AIRplan Committee is to provide guidance on the Airport Infrastructure Redevelopment Plan (AIRplan) on behalf of the Board. Board members are rotated through the standing committees and/or may serve on one or more Task Forces. All Task Forces have a sunset provision.

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

The Board shall be comprised of 15 members of which 11 shall be nominated by seven different public and private sector agencies:

City of Winnipeg (3)
The Assiniboia Chamber of Commerce (1)
Province of Manitoba (1)
R.M. of Rosser (1)
Government of Canada (2)
Destination Winnipeg (1)
Winnipeg Chamber of Commerce (2)

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

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

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

Winnipeg Airports Authority has met all of the above principles.

Community Consultative Committee

The Ground Lease requires that Winnipeg Airports Authority 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 shall meet not less than twice each Lease Year, and shall be comprised of members who are generally representative of the community, including persons representing the interests of consumers, the traveling public and organized labour, aviation industry representatives and appropriate provincial and municipal government representatives.

Winnipeg Airports Authority has fully met this requirement, with the establishment of a Board-appointed CCC in January 1998, which meets quarterly.

Corporate Reporting and Disclosure Requirements

- Winnipeg Airports Authority must disclose any 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 must make a general report annually to their respective Nominator and the Board should report collectively to all Nominators.
- As a general practice, Winnipeg Airports Authority must optimize the use of Canadian resources and supplies and employ a competitive public tendering process for contracts in excess of \$75,000 (1996 dollars).
- In the event Winnipeg Airports Authority should increase airport user charges it shall provide 60 days advance public notice.
- Full audits in accordance with generally accepted auditing standards shall be conducted and Transport Canada has the right at any time to cause a complete audit to be conducted.
- Winnipeg Airports Authority will publish its Annual Report and shall include specific performance comparisons and disclose the remuneration paid to Board members and to its senior officers. The Annual Report shall be distributed in advance of the Annual General Meeting to all Nominators and the Minister of Transportation.
- At least once every five years Winnipeg Airports Authority shall cause a comprehensive independent review of Winnipeg Airports Authority's management operation and financial performance to be conducted by a qualified independent person. The report shall be distributed on a timely basis to the Minister of Transportation and to each Nominator and shall be available to the public on request.
- Winnipeg Airports Authority shall provide for public access: its Airport Master Plan, its five-year business plan, its past five-year annual financial statements and business plans, its incorporation documents and all signed airport transfer agreements.

Winnipeg Airports Authority has met all of the applicable principles.

Specific TSX Corporate Governance Criteria Disclosure

Winnipeg Airports Authority Governance Systems were designed to be aligned with the TSX Corporate Governance Guidelines. The full Disclosure of Corporate Governance Systems document is available in hard copy upon request at the corporate offices or on the Winnipeg Airports Authority Web site at www.waa.ca

WINNIPEG AIRPORT AUTHORITY INC.

BOARD OF DIRECTORS 2005

Appointed by the City of Winnipeg

Arthur Mauro, Chair

Otto Lang, Vice Chair, Senior Counsel, GPC International

Walter Hill, CA, Barrett-Hill Inc.

Appointed by The Assiniboia Chamber of Commerce

Warren Thompson, President, Prairie Edge Management

Appointed by Destination Winnipeg

Doug Harvey, President and GM, Maxim Transportation Services

Appointed by the Government of Canada

Geoffrey Elliot, Vice President, Corporate Affairs, CanWest Global Communications Corp.

André Thibeault, Armand Communications Corp.

Appointed by the Province of Manitoba

Elaine Cowan, Sales and Leasing Executive, Commercial Real Estate, J.J. Barnicke Winnipeg Ltd.

Appointed by the R.M. of Rosser

Carl Havixbeck, Farmer

Appointed by the Winnipeg Chamber of Commerce

Tom Bryk, FCA, President and CEO, Cambrian Credit Union

Irene Merie, Executive Director, Partners in the Park

Appointed by the Winnipeg Airports Authority Board

Jim Carr, President and CEO, Business Council of Manitoba

Lawrie Cherniack, Lawyer, Cherniack Smith

Bill Watchorn, FCA, President and CEO, ENSIS Corporation Inc.



2005 BOARD COMMITTEES

(as of December 31, 2005)

Audit

Walter Hill (Chair)
Tom Bryk
Irene Merie
André Thibeault
Warren Thompson

Governance

Jim Carr (Chair)
Elaine Cowan
Geoffrey Elliot
Warren Thompson
Bill Watchorn

AIRplan

Doug Harvey (Chair)
Lawrie Cherniack
Geoffrey Elliot
Carl Havixbeck
Otto Lang
Bill Watchorn
Lloyd McGinnis (Advisor)

BOARD OF DIRECTORS COMPENSATION FOR 2005

Lawrie Cherniack	\$	13,599.96
Otto Lang	\$	13,399.96
Bill Watchorn	\$	11,599.96
Walter Hill	\$	16,199.96
Arthur Mauro	\$	32,399.96
Doug Harvey	\$	17,799.96
Jim Carr	\$	15,599.96
Elaine Cowan	\$	12,599.96
Carl Havixbeck	\$	13,399.96
Irene Merie	\$	12,999.96
Warren Thompson	\$	14,199.96
Tom Bryk	\$	13,599.96
André Thibeault	\$	12,999.96
CanWest Global Foundation (on behalf of Geoffrey Elliot)	\$	11,799.96
Total	\$	212,199.44

EXECUTIVE OFFICERS 2005

Barry Rempel, President and CEO
Richard Ball, Senior VP Administration and CFO
R. (Bob) Edgar, Senior VP Airport Redevelopment
Michael Rodyniuk, Senior VP Marketing and Operations
Diane Jones, VP Operations
Shelley Tataryn, General Manager, Avion Services Corp.

EXECUTIVE OFFICERS 2005 – SALARIES

The salary range for the President of the Authority is \$150,000 to \$180,000.

The salary range for each of the Vice Presidents is \$100,000 to \$140,000.

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 \$90,000 (\$75,000 in 1992 dollars) entered into during the year that were not awarded on the basis of a public, competitive, tendering process. In 2005, Winnipeg Airports Authority Inc. entered into three contracts as described for the reasons indicated below.

Sole Source Contracts over \$90,000

Vendor Name	Description	Value	Basis for Selection
S & C Electric Company	Supply VISTA type electrical switch gear for electrical distribution upgrade	\$410,000	C
Ferguson Walker Marketing & Communications	Communications Services	\$240,000	D
Telegentra	Billing System upgrade and modifications to the Gate Management System	\$102,000	A

Basis for Selection

- A - Compatibility with existing products or services
- B - Cost and/or time effectiveness benefits resulting from previous company or industry experience
- C - Only supplier able to meet specific requirements
- D - Extension of previously tendered contract or service

TASK ORDER CONTRACTOR

In 2005, as part of the Airport Site Redevelopment project, Winnipeg Airports Authority issued a Request for Proposal and followed a competitive bid process for the awarding of a "Task Order Contract to expedite the construction program, to coordinate interfaces of individual projects and to maintain the construction site. The competitive tendering process for this contract required respondents to propose specific rates and mark up percentages established as a baseline for individual tasks, with the intent that the task order contractor and Winnipeg Airports Authority would use the contracted rates to negotiate and finalize the individual task orders issued under the contract." The successful bidder was Man-Shield Construction Inc. While this contract was issued under a competitive tendering process, Winnipeg Airports Authority has chosen to provide this additional information due to the unique nature of the contract.

Task Orders issued under this contract in 2005 exceeding \$90,000 were as follows:

Description	Value
Staging Area Development	\$ 571,180
Office Trailers	\$ 236,944
Construction – South Parking Lot	\$ 1,430,989
Nav Canada Cabling Relocation	\$ 281,526
Widening of Wellington Avenue	\$ 1,183,622
Supply and Install Electrical – Staging Area	\$ 175,475
South Parking Lot Electrical	\$ 631,197
Wellington LDS	\$ 433,734

COMMUNITY CONSULTATIVE COMMITTEE AND THEIR AFFILIATIONS

Mr. Jack Oatway, Chair

Nominated by the R.M. of Rosser

Mr. Joseph D. Barnsley

Nominated by Winnipeg Chamber of Commerce

Mr. Dave Boldt

Nominated by Western Economic Diversification

Ms. Ainley Bridgeman

Nominated by Winnipeg Airports Authority's Universal Design Advisory Committee

Mr. Roger Currie

Representative from the traveling public

Mr. Tim Feduniw

Nominated by Destination Winnipeg

Mr. Daniel Haughey

Nominated by Winnipeg Airports Authority's Advisory Committee on Environment

Mr. Rich Danis/Mr. Gordon Tufts

Nominated by the Province of Manitoba

Ms. Debbie O'Bray

Representative from the traveling public

Ms. Judy Saxby

Nominated by the Manitoba Aviation Council

Mr. Peter Thomson

Representative from the traveling public

Ms. Jacqueline Wasney

Nominated by the Consumers Association of Canada

Col. Tom Whitburn

Representative from 17 Wing

Mr. Kerry Williams

Nominated by the Manitoba Federation of Labour

CORPORATE INFORMATION FINANCING/SERVICES

Auditors: KPMG LLP

Lead Bank: Canadian Imperial Bank of Commerce

Legal Counsel: Aikins, MacAulay & Thorvaldson and Duboff Edwards Haight & Schachter

WINNIPEG INTERNATIONAL AIRPORT SERVICES

Passenger Carriers (serving Main Terminal Building)

Air Canada
Air Transat
Bearskin Airlines
Calm Air
First Air
Jazz Airlines
Northwest Airlines
Northwest Airlink
(operated by Pinnacle Airlines)
Skyservice Airlines
United Express
(operated by Air Wisconsin Airlines and SkyWest Airlines)
WestJet Airlines
Zoom Airlines

Passenger Carriers (other)

Air Nunavut
Canadian North
Execaire
Fast Air
Keystone Air Service
Kivalliq Air (a division of Keewatin Air)
Mississippi Airways
Nolinor
North American Charters 2000
Northway Aviation
Perimeter Aviation
Thunder Airlines
Voyageur Airways
Wasaya Airways
West Wind Aviation

Air Cargo Carriers

Cargojet
DHL
FedEx
Kelowna Flightcraft
Morningstar Air Express
Purolator
Transwest Air
UPS

Restaurants/Bars

The Exchange Brew Works & Eatery
Express Deli
Four Points Sheraton Hotel:
Restaurant and Local Heroes Sports Bar
Harvey's Serving Swiss Chalet Chicken
Second Cup
Tim Hortons
Toast! Café and Bar
Travel Lounge by Palliser®

Retailers

\$15 Boutique
Aer Rianta North America (duty free)
Bentley
DeLaga
Inter-City Leisure
Relay (Newsstand)/Canadian Scene
Showcase Manitoba
The Relax Shoppe
The UPS Store
Travelex Canada
Virgin Books and Music

Hotel

Four Points Sheraton

Car Rentals

Avis Rent-A-Car
Budget Rent-A-Car
Dollar Thrifty Car Rental
Enterprise Rent-A-Car
Hertz Rent-A-Car
National Car Rental

