

going **SOMEWHERE**



WINNIPEG
AIRPORTS AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

The consolidated financial statements of the Winnipeg Airports Authority Inc. have been prepared by management and approved by the Board of Directors and the Members of the Winnipeg Airports Authority Inc. Management is responsible for the preparation and presentation of the information contained in the consolidated financial statements and other sections of this Annual Report. The Winnipeg Airports Authority Inc. maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

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

The Board of Directors ensures that management fulfills their responsibilities for financial reporting and internal controls through an Audit Committee which is comprised solely of directors who are neither officers nor employees of the Authority. This committee reviews the consolidated financial statements and reports to the Board of Directors. The auditors have full and direct access to the Audit Committee.

March 11, 2008



Barry W. Rempel
President & Chief Executive Officer



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

WINNIPEG AIRPORTS AUTHORITY INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2007

Dated March 11, 2008

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") contains certain forward-looking statements. By their nature, forward-looking statements require assumptions and are subject to inherent risks and uncertainties. Please refer to the section titled "Caution Regarding Forward-Looking Statements" contained at the end of this MD&A for a discussion of such risks and uncertainties and the material factors and assumptions related to forward-looking statements.

INTRODUCTION

This Management Discussion and Analysis complements and supplements the audited consolidated financial statements of Winnipeg Airports Authority Inc. ("WAA") for the year ended December 31, 2007. 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 James Armstrong Richardson International Airport (the "airport") under a 60-year lease entered into in 1996 with Transport Canada. WAA is a non-share, community based corporation. WAA is responsible for financing its capital investments and net income is reinvested in Airport infrastructure. WAA considers Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") to be an appropriate indicator of its ability to service its debt. EBITDA is a measure of the ability to generate cash flow and is used by other airports in Canada, investors and analysts for comparison purposes.

WAA uses measures other than Generally Accepted Accounting Principles ("GAAP"), including EBITDA to provide users with an alternate method for assessing performance and to provide a consistent basis for comparison. These measures are not in accordance with nor are they an alternative to GAAP and may be different from measures used by other companies.

OPERATING ACTIVITY

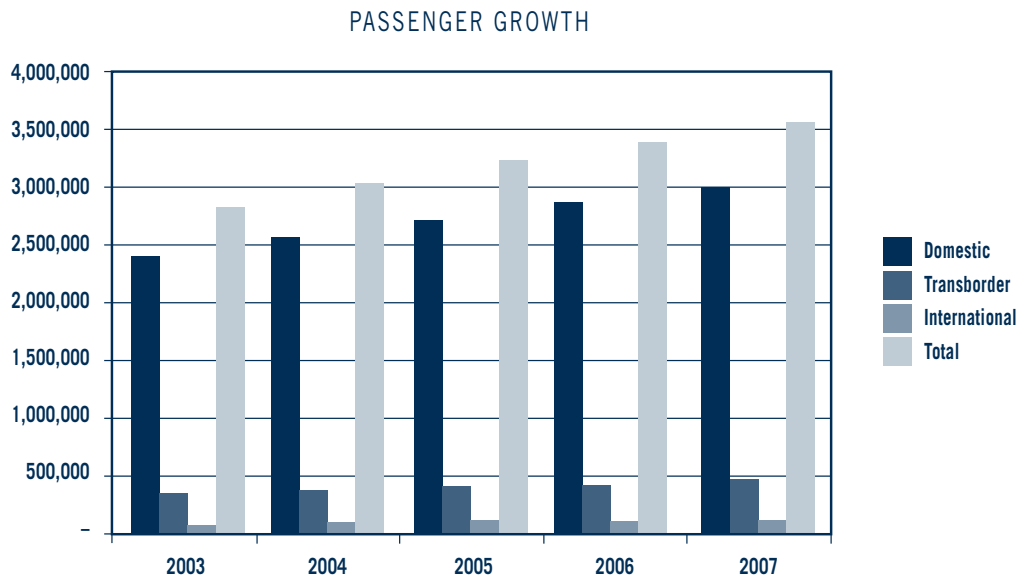
2007 was another year of increased activity in both the movement of people and of goods through the Winnipeg James Armstrong Richardson International Airport.

Passenger

Demand for air travel in Winnipeg is dynamic. As a result, 2007 set another record for passengers carried. Transborder travel reported the strongest increases in passenger volumes at just under 10%. This complements the continuing strength in demand for domestic flights as well as the growing demand for the seasonal flights to Europe and the sun destinations in Mexico, Caribbean and Dominican Republic.

Domestic flights comprise the majority of Winnipeg's passenger services. Flights often operate at high load factors, especially to hub airports such as Calgary and Toronto. Revenue from passenger flights is up nearly 10% as the airlines continue to try to match capacity with demand, in all sectors.

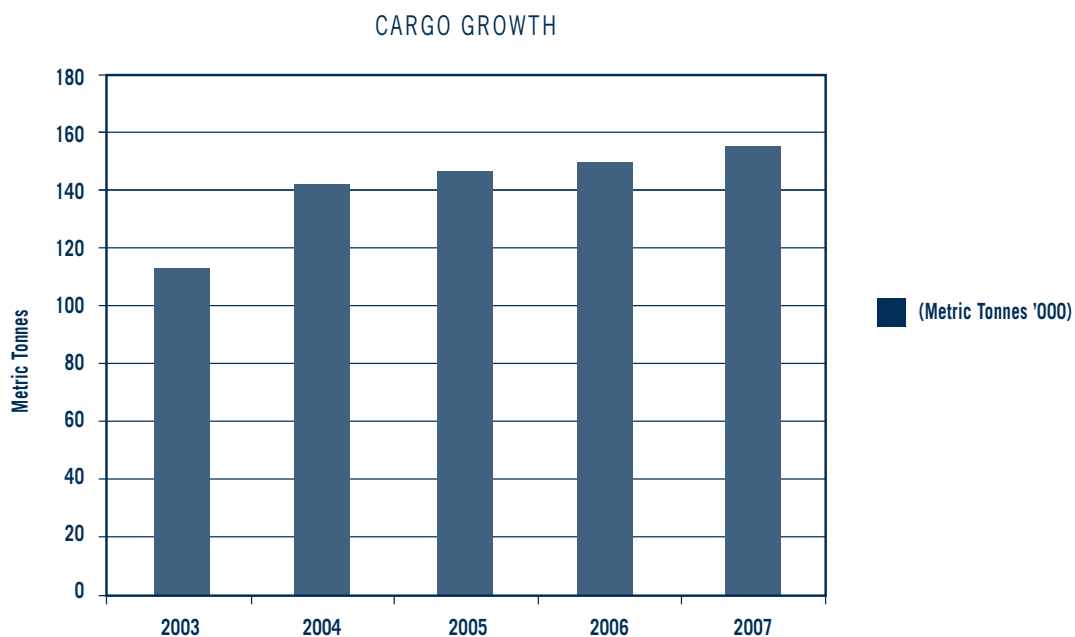
Passenger Traffic for last five years:



Cargo

Overall, North American freight volumes did not grow over the first ten months in 2007, and in fact declined slightly over the same period in 2006. However, there has been growing demand for air freight in Winnipeg leading to growth in tonnage of nearly 4% for the calendar year.

The continuing strength of Manitoba's economy and specifically growth in exports and manufacturing shipments lead to flights operating frequently with full loads. These increases are especially significant given the movement towards capacity sharing among airlines, expected to result in fewer scheduled flights in 2007. This was not the case however, and YWG (Winnipeg James Armstrong Richardson International Airport) reported increases in scheduled cargo operations and a resulting increase in revenue of 8.5%.



RESULTS OF OPERATIONS

Net Operating Results

The WAA's operating results for the years ended December 31 are summarized in the following table:

(In thousands of dollars)	2007	2006
Revenue	\$ 66,136	\$ 60,364
Operating expenses	33,785	31,849
Income before the undernoted ¹	32,351	28,515
Amortization	6,651	6,026
Interest expense	1,314	2,989
Gain on cash flow hedges	(331)	-
Income taxes of subsidiaries	197	(12)
Net income	24,520	19,512

Note 1: Revenue over expenses before interest, income taxes, depreciation and amortization of capital assets (EBITDA)

The above table demonstrates that for both years, the revenues generated by the WAA were more than sufficient to cover operating expenses, amortization and interest expense.

Revenue

Total revenue grew by 9.6% over 2006. The increase of \$5.8 million was driven by increased passenger and cargo volume. Increases in passenger activity drives revenue from landing and terminal fees, airport improvement fees, concessions and parking.

Landing and terminal fee revenue for 2007 increased by \$1.4 million or 8.2% over 2006 levels. The strength of the cargo sector growth coupled with the increasing demand for flights in all passenger sectors has led to this strong performance in both of these revenue categories. Landing fees are determined based on the maximum gross take off weight of each aircraft while terminal fees are determined based on the number of landed seats. As airlines continue to adjust the mix of aircraft landing at the Winnipeg James Armstrong Richardson International Airport, revenues from landing and terminal fees have not kept pace with the increased passenger demand as evidenced by the increasing load factors of the major air carriers.

Concessions revenue exceeded the previous year by 6.4%, mostly due to increased traffic through car rental and concession facilities as well as improved merchandise offerings and a new store which opened in 2007. As well, WAA introduced a number of customer service measures in 2007 to assist tenants with improved service delivery contributing to revenue growth and a higher overall rating in customer satisfaction.

Parking revenue continues to exhibit strong growth with an increase of \$1.0 million or 17.3%. This significant improvement is a result of continued demand coupled with an increase in public parking rates effective January 1, 2007. As the volume of passenger activity increases at the airport, there is a corresponding increase in the use of public parking facilities.

Airport improvement fees ("AIF") of \$22.4 million exceeded 2006 by \$1.8 million. The improvement in AIF by 8.5% is related to the increase in passenger traffic of 5.6% plus one time bad debt recoveries of previous years' AIF received during the year.

Revenue from real estate leases has increased over 2006 by \$0.3 million or 5.5%. Market rate adjustments on existing leases plus new leasing activities have contributed to this improvement.

WAA is focused on increasing the non-aeronautical revenues generated on the airport campus, which will include lease revenues and development opportunities.

Operating Expenses

Total operating expenses have increased by 6.1% compared to a revenue increase of 9.6%. The increase of \$1.9 million comes from two areas: personnel costs plus expenditures for materials, supplies and services.

Salaries and benefits increased by \$1.2 million as a result of increased staffing levels in a subsidiary of WAA, increasing costs of post-retirement benefits (including a defined benefit pension plan) and increases to salaries as per collective agreements as well as inflationary pressures for non-unionized personnel in a competitive marketplace for personnel.

Materials, supplies and services expenses increased by \$0.7 million over 2006. Included in this category are major expense items such as utilities, airfield safety supplies (commodities such as chemicals and sand), and equipment fuel. The cost drivers for these items are primarily weather related or are driven by commodity prices. WAA incurred greater electricity costs during 2007 as a result of two rate increases by the utility supplier. In addition, the cost of commodities and specifically fuel used for vehicles on the airfield and for safety and equipment increased during the year.

Ground Lease rent payments are fixed within the Ground Lease between WAA and the Government of Canada and increased in 2007 to \$4.0 million.

Amortization

Amortization expense increased from 2006 levels because newly constructed assets, such as the parking garage, are in use and have been for the entire period. This non-cash expense increased by \$0.6 million or 10.4% over 2006.

Interest expense

The amount of interest currently expensed in 2007 has decreased from 2006 by \$1.7 million. The net interest paid actually increased by \$0.4 million during the year as less interest income was earned on a lower investment balance. The difference between the interest paid and the interest expense is a result of the capitalization of interest on construction.

AIRPORT SITE REDEVELOPMENT AND CAPITAL PROGRAMS

Airport Site Redevelopment program ("ASR") expenditures in 2007 totaled \$93.5 million and resulted in important infrastructure benefiting customers and the community.

Site excavation for the new 51,000 m² air terminal building began in the spring and proceeded through the end of the year. The erection of structural steel started in the fall at the west end of the future departures concourse. At the same time, construction began on an elevated roadway directly opposite the new parking garage, facing the terminal construction site. The terminal building has been designed with a planning horizon of 2015 when passenger traffic is forecast to pass four million people. Facilities will be expandable to service future growth, estimated at 4.6 million per year by 2020. Opening is targeted for 2010.

Initiated in 2006, the ASR roadways and civil site works package was largely completed in 2007 at a total cost of approximately \$58.0 million. Major components include a storm water drainage system, as well as a major new road network, providing convenient access points for both the current and future airport terminal buildings. Various improvements were made to parking capabilities, including a ramp for the new four-level covered parking garage, which accommodates 1,512 vehicles.

Airside development finished the year ahead of schedule, with phase 1 apron construction completed during the summer

and two taxiways made available prior to the winter. Major improvements were also made in the Central Utilities Building, with two new steam boilers successfully installed and commissioned in the fall.

Other capital program expenditures in 2007 were for the acquisition of airside safety equipment, upgrades to existing buildings and information technology.

ASSETS AND LIABILITIES

Assets

Current assets, excluding cash, increased by \$2.6 million over 2006. The reason for this is an increase in accounts receivable by \$2.3 million plus a minor increase in prepaid expenses. The accounts receivable is net of a provision for uncollectible accounts which is consistent with 2006.

The balance in property, plant and equipment has increased to \$274.0 million at the end of 2007, a net increase of \$90.8 million over 2006. This net increase is a result of continued expenditures on the ASR and other capital projects totaling \$96.0 million, less amortization.

The balance in investments continues to decline as planned with payments made toward the ASR. At December 31, 2006, the balance remaining in investments was \$195.3 million, compared to December 31, 2007, which has a balance of \$125.8 million: a decrease of \$69.5 million. Investments are held and managed by an independent party and are invested in short-term debt instruments with maturities less than one year, in accordance with WAA's investment policy.

The accrued pension asset increase of \$2.0 million is a result of funding payments being made in excess of the current year's pension expense, as determined by actuarial estimate. The deferred financing costs on the balance sheet at December 31, 2006, have been reclassified in accordance with the new Canadian Institute of Chartered Accountants ("CICA") standards for financial instruments. Of the existing balance of \$10.4 million, \$2.9 million was reclassified as an offset to the long-term debt while the remaining \$7.5 million was reclassified to Accumulated Other Comprehensive Income ("AOCI").

Liabilities

Current liabilities, excluding bank indebtedness, increased by \$2.0 million to a total of \$21.9 million. This increase is due primarily to increased accounts payable and accrued liabilities due to ASR. Out of the total accounts payable and accrued liabilities at December 31, 2007, \$12.5 million relates to this program.

Long-term employee benefits relate to separation and post-employment benefits for employees. This liability is determined actuarially, based upon current employee and pensioner data. The balance at December 31, 2007, has increased to \$3.6 million from the 2006 balance of \$3.2 million: an increase of \$0.4 million or 12.5%.

Through an amendment to the Ground Lease, the Government of Canada agreed to defer lease payments of \$762,000 to be repaid over a ten-year period beginning in 2006. The reduction in the balance to \$610,000 represents the repayment for two years (2006 and 2007).

In order to protect WAA from adverse changes in interest rates, WAA entered into cash flow hedges in mid 2005. Remaining unamortized losses incurred on settlement of the first set of such hedges in the amount of \$7.5 million were originally recorded as deferred financing costs but in 2007 have been reclassified to AOCI in accordance with the CICA accounting standards for financial instruments. The cash flow hedges which remain in place are recorded at their fair value as a liability of \$10.9 million at December 31, 2007.

The face value of the Revenue Bonds series A issued in 2005 are unchanged at December 31, 2007, at \$250.0 million. Principal payments on these bonds begin in 2010.

CASH FLOWS

Operations

The cash flow generated from operations for 2007 was \$28.4 million, a decrease of \$9.0 million from 2006. In 2006, an increase in cash flow was the result of an improvement in the working capital due to decreased accounts receivable and increased accounts payable and accrued liabilities, caused by the construction activity. The asset and liability levels have stabilized for 2007 with a net change in non-cash operating working capital of \$0.8 million.

Financing

WAA had a net inflow of cash in 2007 for financing activities of \$56,000 compared to a net outflow in 2006 of \$2.9 million. During the year, a subsidiary of WAA incurred a note payable of \$250,000 related to the acquisition of a competitor.

Investing

The net cash outflow on investing activities was \$26.9 million, a decrease of \$3.1 million from 2006. This outflow is a result of incurring \$96.0 million on construction costs related to ASR and other capital additions, net of a reduction in investments of \$69.5 million to pay for those capital expenditures.

LIQUIDITY AND CAPITAL RESOURCES

As a non-share corporation WAA is funded through operating revenues, AIF revenue, reserve funds, the debt capital markets and its syndicated bank credit facility. An overall Capital Markets Platform was established in 2005 by the WAA with a Master Trust Indenture setting out the terms of all debt, including bank facilities and revenue bonds. The Platform is being used to fund the ASR. At December 31, 2007, \$250.0 million of debt was outstanding in the form of Revenue Bonds. The syndicated bank credit facility is for \$200.0 million related to the ASR plus an operating line of credit for \$20.0 million. WAA has not drawn on these credit facilities at December 31, 2007.

In addition to the above noted debts, WAA entered into a capital lease during 2007 for the purpose of acquiring an airside emergency response vehicle for a total price of \$1.2 million. It is WAA's intention to seek out financing arrangement which allow for flexibility plus comply with existing terms and conditions of the Capital Markets Platform.

Given the projected rate of capital expenditures on ASR, projected revenues and expenses, and the availability of existing investments and bank credit facilities, it is unlikely that any liquidity shortfalls will occur in 2008. However, circumstances and events outside WAA's control could have a negative impact on the projected results and therefore the available liquidity.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies adopted by WAA are detailed in note 1 to the consolidated financial statements. In preparing financial statements, management is required to make certain estimates or assumptions, including estimates for amortization of capital assets, revenue recognition and the fair value of financial instruments. Actual results could differ from estimates. There were changes made to WAA's significant accounting policies effective January 1, 2007, as required by CICA accounting standards related to Financial Instruments. These changes are outlined in note 2 to the consolidated financial statements and under "Financial Instruments and Other Instruments" on page 10.

Property, plant and equipment of WAA includes improvements to leased land, runways, terminal and other buildings, equipment and roadways. These assets are recorded at cost and each asset type is amortized over their estimated useful lives. Amortization of such assets begins when the asset is completed and brought into service.

The timing of revenue recognition depends on the type of revenue and the specific arrangements in place. Landing fees, terminal charges and car parking are recognized as the facilities are used. Airport improvement fees, net of 6% airline administration fee, are recorded based upon the estimated enplanement of passengers. Revenues from concessions, ground transportation and space or property rentals are recognized in accordance with their respective agreements. At each month end there are certain estimates for the number of passengers, aircraft movements, sales and other criteria to determine the revenue earned for each of these respective revenue types.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

On January 1, 2007, WAA adopted the CICA Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments — Recognition and Measurement*, Section 3861, *Financial Instruments — Disclosure and Presentation*, and Section 3865, *Hedges*.

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

WAA's cash and bank indebtedness are classified as held-for-trading and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and long-term debt are classified as other liabilities.

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

Investments:

The new standards require WAA to classify investments as available-for-sale, held-for-trading or held-to-maturity. WAA classified its investments as available-for-sale and measured them at fair value. Subsequent changes in fair value are recorded in other comprehensive income (loss) until the investments are derecognized or impaired, at which time the amounts would be recorded in net income.

On January 1, 2007, no adjustment was required as the fair value equaled the previous carrying value.

Effective interest method:

Financing costs are included in the related long-term debt balances and recognized as an adjustment to interest expense over the life of the related long-term debt. In addition, the effective interest method is to be used to recognize interest expense, where the amount to be recognized varies over the life of the long-term debt based on the principal outstanding. Previously, financing costs were amortized on a straight line basis, over the life of the long-term debt, in the Statement of Operations. As a result of applying the effective interest method effective January 1, 2007, retained earnings increased by \$53,000 with a corresponding decrease in long-term debt.

Deferred financing costs:

On January 1, 2007, deferred financing costs were reclassified to long-term debt and to accumulated other comprehensive income. This resulted in a decrease to assets of \$10,443,636, a decrease to long-term debt of \$2,965,079 and a decrease to accumulated other comprehensive income (loss) of \$7,478,557.

Cash flow hedges:

Effective January 1, 2007, the existing cash flow hedges of WAA are recorded at fair value on the balance sheet as either a long-term liability or long-term asset. The effective portion of changes in fair value is recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. Any ineffective portion of designated hedges is recognized immediately in income.

The impact of adopting Section 3865, *Hedges*, was recorded as an adjustment to opening balances at January 1, 2007. The accumulated losses of \$331,206 resulting from the ineffective portion of deferred amounts relating to existing cash flow hedges, was recorded as a decrease to retained earnings. The unrealized loss on cash flow hedges of \$9,668,000 was recorded as a decrease to accumulated other comprehensive income. The fair value of the designated hedges is recorded as a liability on the balance sheet with an offsetting amount to accumulated other comprehensive income (loss).

Comprehensive income:

Section 1530, *Comprehensive Income*, establishes standards for reporting and presentation of comprehensive income, which is defined as the change in equity from transaction and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

ACCOUNTING CHANGES FOR 2008

In December 2006, the CICA issued three new accounting standards: Handbook Section 1535, *Capital Disclosures*, Handbook Section 3862, *Financial Instruments — Disclosures* and Handbook Section 3863, *Financial Instruments — Presentation*.

Handbook Section 1535 requires the following additional disclosures: (i) qualitative information about WAA's objectives, policies and processes for managing capital; (ii) quantitative data about what WAA manages as capital; (iii) whether WAA has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments — Disclosure and Presentation*, revising and enhancing its disclosure requirements but not changing the existing presentation requirements for financial instruments. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how WAA manages those risks. Handbook Section 3862 requires qualitative and quantitative disclosure of: (i) exposures to risks arising from financial instruments, how they arose and the potential impact on the amount, timing and certainty of future cash flows; (ii) information about WAA's risk management function and the reporting and measurement systems used; (iii) WAA's policies for hedging or mitigating risk and avoiding concentrations of risk; and (iv) the sensitivity to individual market risk factors together with the methodology for performing the analysis. Handbook Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

RISKS AND UNCERTAINTIES

WAA faces certain risks beyond its control which may or may not have a significant impact on its financial condition.

Airport revenues are primarily a function of aircraft size and frequency, driven by overall passenger and cargo demand. Over the past years several significant events have demonstrated the fragile nature of air travel demand. In addition, economic conditions, global health epidemics, political unrest, government regulations, the price of oil and consequently airfares, all contribute to traffic demand. The continued uncertainty over the health of the United States economy contributes to the risk that passenger demand and cargo volumes could decrease, having a potential negative impact on WAA's landing and terminal fees.

As interest rates fall, an outcome of the struggling United States economy, the risk increases that WAA's interest income could decline. The lower rates also contribute to the negative valuation of the cash flow hedges and the potential for larger settlements on expiry of those instruments. The result of an unfavourable outcome on settlement adds to the long-term level of amortization on the ASR. In addition, the unsettled nature of the capital markets has increased spreads which in turn may impact the actual coupon rate when future bond issues are finalized.

The financial instability of the airline industry globally, and more particularly in the United States, could have an impact on WAA's ability to generate revenue. However, the risk to the WAA is mitigated by the 85% origin and destination characteristics of WAA's passenger traffic plus the nature of the 12% of passengers connecting in Winnipeg, which in essence increases the consistent level of origin and destination demand within the region.

Another potential impact to the stability of WAA's earnings is the air carriers continued trend to use smaller gauge aircraft for shorter routes. Such changes in the mix of aircraft impact WAA's ability to project aircraft landing fees and to plan for adequate capacity on the airfield and in the terminal. Aeronautical revenue may therefore be lower than expected if passenger or aircraft activity volumes are not realized.

Large scale construction projects such as the ASR are subject to cost escalation risks. However, as 90% of the total project cost is already incurred or under fixed-price contract arrangements, limited escalation risk remains.

The availability of adequate insurance coverage is subject to the conditions of the overall insurance market and WAA's claims and performance record. WAA participates with an insurance buying group that also includes airports in Halifax, Montreal, Ottawa, Calgary, Edmonton and Vancouver. This group has been successful in placing all of its insurance needs. The Government of Canada has issued an Order in Council to provide indemnity for "war risk and allied perils" up to April 28, 2008, which is renewable for further periods of 120 days at the option of the Minister of Transport, until December 31, 2008.

FINANCIAL OUTLOOK FOR 2008

Increased consumer demand for air travel is expected to continue through 2008 in the Winnipeg marketplace. The forecast for 2008 is based on an increase in passenger traffic of 3.4%. This expected traffic increase indicates that revenues from aeronautical fees are also expected to increase. Concession and parking revenues are linked to the increase in passenger traffic. The 2008 plan projects total revenues to be \$75.1 million or an increase of 13%.

Based on projected revenue, and continued efforts to control operating expenses, the planned EBITDA is \$36.0 million, an increase over 2007 of \$3.9 million or 12.2%.

The ASR expenditures for 2008 are estimated to be \$225.0 million while other capital expenditures are expected to be an additional \$8.6 million.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") contains certain statements about WAA and its future expectations. By their nature, forward-looking statements require WAA to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions and projections will not prove to be accurate, that WAA's assumptions may be not correct and that actual results may differ materially from such predictions, forecasts, conclusions and projections. WAA cautions readers of this MD&A not to place undue reliance on the forward-looking statements as a number of factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

Words such as "believe," "expect," "plan," "intend," "estimate," "anticipate" and similar expressions, as well as future or conditional verbs such as "will," "should," "would" and "could" often identify forward-looking statements. Specific forward-looking statements in this MD&A include, among others, statements regarding: future demand for air travel, budgets and expenditures relating to capital programs; insurance; liquidity; and annual debt requirements.

These forward-looking statements are based on a variety of factors and assumptions including but, not limited to: long-term growth in population; employment and personal income as the basis for increased aviation demand; the Canadian and U.S. economies growth expectation in the near term; the growth and sustainability of low fare and other air carriers contribution to aviation demand; continued transborder and international travel growth; the cost of enhancing aviation security will not overly burden air carriers or WAA; the commercial aviation industry will not be directly affected by terrorism; and no significant event will occur which impacts the ordinary course of business such as a natural disaster or other calamity. These assumptions are based on information currently available to WAA, including information obtained by WAA from third party experts and analysts.

Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things; levels of aviation activity; air carrier instability; aviation liability insurance; construction risk; geographical unrest; terrorist attacks; war; health epidemics; labour disruptions; capital market and economic conditions; changes in laws; adverse regulatory developments or proceedings; lawsuits; and other risks from time to time.

The forward-looking statements contained in this MD&A represent WAA's expectations as of the date of this report and are subject to change. Except as required by applicable law, the WAA disclaims any intention or obligation to update or revise any forward-looking statements included in this MD&A whether as a results of new information, future events or for any other reason.

FINANCIAL AND OPERATING HIGHLIGHTS

(In thousands of dollars)

	2003	2004	2005	2006	2007
Revenue	\$46,083	\$49,014	\$56,707	\$60,364	\$66,136
Operating expenses (other than ground lease)	24,434	24,450	26,586	27,908	29,786
Ground lease	3,755	2,905	3,911	3,941	3,999
Earnings before interest and depreciation	17,894	21,658	26,210	28,515	32,351
Capital expenditures	16,371	18,098	32,753	98,436	95,989
AIF revenue	12,672	14,272	19,635	20,677	22,429
Total passengers	2,812	3,031	3,227	3,387	3,571
Total aircraft movements	152	140	138	145	152
Major revenue movements ¹	-	38	42	43	45
Cargo handled (tonnes)	113	141	147	150	156

Note 1: Major revenue movements were not tracked prior to 2004.

SUMMARY OF FIVE-YEAR FORECAST

(In thousands of dollars)

	2008	2009	2010	2011	2012
Revenue	\$75,051	\$78,168	\$81,719	\$84,513	\$86,742
Lease rent	4,088	4,264	5,038	5,561	5,739
Other operating expenses	31,926	34,202	36,661	37,580	38,522
Income before the undernoted	39,037	39,702	40,020	41,372	42,481
Amortization	7,882	8,832	19,944	19,995	20,562
Interest	0	0	27,298	28,322	28,381
Net income (loss)	31,155	30,870	(7,222)	(6,945)	(6,462)

AUDITORS' REPORT

TO THE DIRECTORS OF WINNIPEG AIRPORTS AUTHORITY INC.

We have audited the consolidated balance sheet of Winnipeg Airports Authority Inc. as at December 31, 2007 and the consolidated statements of operations, comprehensive income, retained earnings 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, 2007 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, except for the changes in accounting policies as explained in note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

Winnipeg, Canada
February 15, 2008

CONSOLIDATED BALANCE SHEET

(In thousands of dollars)

	Year ended December 31, 2007	Year ended December 31, 2006
ASSETS		
Current assets:		
Cash	\$ 6,724	\$ 5,267
Accounts receivable	6,401	4,078
Income taxes recoverable	–	11
Prepaid expenses	669	400
Inventory	393	394
	<u>14,187</u>	<u>10,150</u>
Property, plant and equipment (note 3)	273,978	183,129
Investments (note 4)	125,768	195,318
Future income taxes	1	1
Accrued pension asset (note 12)	7,087	5,072
Deferred financing costs (note 2)	–	10,444
Other assets	437	–
	<u>\$421,458</u>	<u>\$404,114</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Bank indebtedness (note 6)	\$ –	\$ 26
Accounts payable and accrued liabilities	20,860	19,602
Income taxes payable	94	–
Deferred revenue	666	264
Current portion of long-term debt	342	76
	<u>21,962</u>	<u>19,968</u>
Long-term liabilities:		
Long-term employee benefits	3,550	3,156
Cash flow hedges (note 7)	10,852	1,173
Long-term debt (note 8)	248,727	250,610
	<u>263,129</u>	<u>254,939</u>
EQUITY:		
Retained earnings	153,449	129,207
Accumulated other comprehensive income (loss) (note 9)	(17,082)	–
	<u>136,367</u>	<u>129,207</u>
Commitments (note 10)		
Contingent liability (note 11)		
	<u>\$421,458</u>	<u>\$404,114</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:


Director


Director

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands of dollars)

	Year ended December 31, 2007	Year ended December 31, 2006
Revenue:		
Airport improvement fees (note 5)	\$ 22,429	\$ 20,677
Aircraft landing fees	12,275	11,207
General terminal fees	6,217	5,890
Concessions	5,813	5,464
Parking	6,811	5,806
Real estate leases	4,840	4,589
Passenger security fees	3,996	4,189
Other revenue	3,755	2,542
	<u>66,136</u>	<u>60,364</u>
Operating expenses:		
Salaries and benefits	16,194	14,999
Materials, supplies and services	11,886	11,217
Property taxes	1,706	1,692
Ground lease rent [note 10(a)]	3,999	3,941
	<u>33,785</u>	<u>31,849</u>
Income before the undernoted	32,351	28,515
Amortization	6,651	6,026
Gain on cash flow hedges	(331)	-
Interest expense [note 8(f)]	1,314	2,989
Income before income taxes	<u>24,717</u>	<u>19,500</u>
Income taxes of subsidiaries:		
Current (recovery)	197	(3)
Future recovery	-	(9)
	<u>197</u>	<u>(12)</u>
Net income	<u>\$ 24,520</u>	<u>\$ 19,512</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of dollars)

	Year ended December 31, 2007	Year ended December 31, 2006
Net income	\$ 24,520	\$ 19,512
Other comprehensive income (loss):		
Unrealized loss on cash flow hedges	(11)	–
Unrealized loss on available-for-sale investments	(99)	–
Comprehensive income	\$ 24,410	\$ 19,512

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(In thousands of dollars)

	Year ended December 31, 2007	Year ended December 31, 2006
Retained earnings, beginning of year, as previously reported	\$129,207	\$109,695
Change in accounting policies (note 2):		
Loss on ineffective portion of cash flow hedges	(331)	–
Transition amount for effective interest method	53	–
Retained earnings, beginning of year, as restated	128,929	109,695
Net income	24,520	19,512
Retained earnings, end of year	\$153,449	\$129,207

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of dollars)

	Year ended December 31, 2007	Year ended December 31, 2006
Cash provided by (used in):		
Operations:		
Net income	\$ 24,520	\$ 19,512
Adjustments for:		
Amortization	6,651	6,335
Future income taxes	–	(9)
Gain on cash flow hedges	(331)	–
Gain on sale of property, plant and equipment	(24)	(31)
Increase in long-term employee benefits	394	659
Increase in accrued pension asset	(2,015)	(2,368)
Non-cash interest expense	21	–
Change in non-cash operating working capital	(826)	13,305
	28,390	37,403
Financing:		
Decrease in bank indebtedness	(26)	(2,789)
Increase in long-term debt	250	–
Repayment of long-term debt	(76)	(76)
Reduction in capital lease obligation	(92)	–
Deferred financing costs	–	(19)
	56	(2,884)
Investing:		
Net decrease in investments	69,451	68,355
Additions to property, plant and equipment	(95,989)	(98,436)
Addition to other assets	(477)	–
Proceeds on disposal of property, plant and equipment	26	40
	(26,989)	(30,041)
Increase in cash	1,457	4,575
Cash, beginning of year	5,267	692
Cash, end of year	\$ 6,724	\$ 5,267
Supplementary cash flow information:		
Income taxes paid (received)	\$ 93	\$ (17)
Interest expense paid	13,674	13,301
Interest income received	8,393	9,285

The portion of the purchase price of property, plant and equipment satisfied by the assumption of debt in the amount of \$1.2 million has been excluded from financing and investing activities on the statement of cash flows.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2007

General:

Winnipeg Airports Authority Inc. (the Authority) is incorporated under Part II of the *Canada Corporations Act* as a corporation without share capital. The Authority operates the Winnipeg James Armstrong Richardson International Airport (the Airport) under a long-term lease with the Government of Canada for the benefit of the community. Net income is used to fund airport capital improvements.

The Authority is governed by a 15-member Board of Directors of whom 11 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, with the remaining members appointed by the Board from the community at large.

1. Significant accounting policies:

(a) Presentation and 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 subsidiaries, Winnipeg Airport Services Corporation, Avion Services Corp. and 5388946 Manitoba Ltd. All inter-company balances and transactions have been eliminated.

(b) Inventory:

Inventory is valued at the lower of cost and replacement cost.

(c) Investments:

Investments are carried at fair value, determined through independent quotations.

(d) Property, plant and equipment:

Property, plant and equipment are recorded at cost and amortized on a straight line basis as follows:

Assets	Rate
Airfield infrastructure	10 to 40 years
Buildings and other structures	5 to 40 years
Leasehold improvements	3 to 40 years
Vehicles, machinery and equipment	5 to 20 years
Vehicles under capital lease	5 to 20 years
Computer equipment	3 years

Construction in progress is transferred to the appropriate property, plant and equipment category when the capital project is completed and the asset is placed in service. Interest incurred during the construction of an asset is included in the cost of the asset.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No assets have been deemed to be impaired.

(e) Revenue recognition:

Landing fees, general terminal fees, parking revenue, passenger security fees and airport improvement 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 received in advance.

(f) Employee future benefits:

The Authority sponsors a defined benefit pension plan on behalf 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 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 cost of pensions and other post-employment benefits (which includes separation, health care and insurance 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. The cost of providing other post-employment benefits is accrued as long-term employee benefits and charged to expense based on yearly service entitlements.

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 Authority also has a defined Supplementary Executive Retirement Plan ("SERP") with one member which became effective January 1, 2007. The benefits provided under the SERP constitute a non-funded liability of the Authority. All payments made to the member of the SERP will be made from general revenues of the Authority.

(g) Income taxes:

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

(h) Other assets:

Other assets consist of franchise fees and start-up costs related to retail operations as well as revenue contracts purchased and are stated at cost less accumulated amortization. Amortization of retail operations assets began upon commencement of operations and is provided on a straight line basis over ten years for franchise fees and over four years for start-up costs. Amortization of revenue contracts purchased is provided on a straight line basis over the term of the contracts.

(i) 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. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of property, plant and equipment, useful lives for amortization, provision for contingencies and actuarial assumptions. Actual results could differ from those estimates.

(j) Future changes in accounting policies:

In December 2006, the CICA issued three new accounting standards: Handbook Section 1535, *Capital Disclosures*, Handbook Section 3862, *Financial Instruments — Disclosures*, and Handbook Section 3863, *Financial Instruments —*

Presentation. The following summarizes the future accounting changes that will be relevant to the Authority's financial statements commencing January 1, 2008.

Handbook Section 1535 requires the following disclosures: (i) qualitative information about the Authority's objectives, policies and processes for managing capital; (ii) quantitative data about what the Authority manages as capital; (iii) whether the Authority has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments — Disclosure and Presentation*, revising and enhancing its disclosure requirements but not changing the existing presentation requirements for financial instruments. These new standards place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Authority manages those risks. Handbook Section 3862 requires qualitative and quantitative disclosure of: (i) exposures to risks arising from financial instruments, how they arose and the potential impact on the amount, timing and certainty of future cash flows; (ii) information about the risk management function and the reporting and measurement systems used; (iii) the Authority's policies for hedging or mitigating risk and avoiding concentrations of risk; and (iv) the sensitivity to individual market risk factors together with the methodology for performing the analysis. Handbook Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

2. Changes in accounting policies:

On January 1, 2007, the Authority adopted the Canadian Institute of Chartered Accountants Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments — Recognition and Measurement*, Section 3861, *Financial Instruments — Disclosure and Presentation* and Section 3865, *Hedges*. The standards are retroactively applied, but are prospectively presented.

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

The Authority's cash and bank indebtedness are classified as held-for-trading and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and long-term debt are classified as other liabilities.

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

(a) Investments:

The new standards require the Authority to classify investments as available-for-sale, held-for-trading, or held-to-maturity. On January 1, 2007, the Authority classified its investments as available-for-sale and measured them at fair value. Subsequent changes in fair value are recorded in other comprehensive income (loss) until the investments are derecognized or impaired, at which time the amounts would be recorded in net income.

On January 1, 2007, no adjustment was required as the fair value equaled the previous carrying value.

(b) Effective interest method:

Financing costs are included in the related long-term debt balances and recognized as an adjustment to interest expense over the life of the related long-term debt. In addition, the effective interest method is to be used to recognize interest expense, where the amount to be recognized varies over the life of the long-term debt based on the principal outstanding. Previously, financing costs were amortized on a straight line basis, over the life of the long-term debt, in the Statement of Operations. As a result of applying the effective interest method effective January 1, 2007, retained earnings increased by \$53,000 with a corresponding decrease in long-term debt.

(c) Deferred financing costs:

On January 1, 2007, deferred financing costs were reclassified to long-term debt and to accumulated other comprehensive income. This resulted in a decrease to assets of \$10,443,636, a decrease to long-term debt of \$2,965,079 and a decrease to accumulated other comprehensive income (loss) of \$7,478,557.

(d) Cash flow hedges:

Effective January 1, 2007, the existing cash flow hedges of the Authority are recorded at fair value on the balance sheet as either a long-term liability or long-term asset. The effective portion of changes in fair value is recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. Any ineffective portion of designated hedges is recognized immediately in income.

The impact of adopting Section 3865, *Hedges*, was recorded as an adjustment to opening balances at January 1, 2007. The accumulated losses of \$331,206 resulting from the ineffective portion of deferred amounts relating to existing cash flow hedges, was recorded as a decrease to retained earnings. The unrealized loss on cash flow hedges of \$9,668,000 was recorded as a decrease to accumulated other comprehensive income. The fair value of the designated hedges is recorded as a liability on the balance sheet with an offsetting amount to accumulated other comprehensive income (loss).

(e) Comprehensive income:

Section 1530, *Comprehensive Income*, establishes standards for reporting and presentation of comprehensive income, which is defined as the change in equity from transaction and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

3. Property, plant and equipment:

(In thousands of dollars)	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Airfield infrastructure	\$ 42,446	\$ 7,340	\$ 35,106	\$ 34,380
Buildings and other structures	43,244	2,197	41,047	42,157
Leasehold improvements	25,207	13,893	11,314	12,879
Vehicles, machinery and equipment	8,993	3,601	5,392	5,549
Vehicles under capital lease	1,208	18	1,190	–
Computer equipment	3,204	2,664	540	662
Construction in progress	179,389	–	179,389	87,502
	\$303,691	\$ 29,713	\$273,978	\$183,129

Interest of \$4.1 million has been capitalized with respect to construction in progress in 2007 (2006 – \$1.0 million).

4. Investments:

(In thousands of dollars)	2007	2006
Revenue bond proceeds	\$119,183	\$188,812
Debt service reserve, held in trust [note 8(a)]	6,585	6,506
	<u>\$125,768</u>	<u>\$195,318</u>

Investments are held in short-term notes and other debt instruments with a maturity of less than one year, with interest rates ranging from 4.1% to 5.4% (2006 – 3.9% to 4.4%).

5. Airport improvement fees:

The Authority charges Airport Improvement Fees (AIF) on the basis of \$15 per local boarded passenger through an agreement with the Air Transport Association of Canada and major air carriers serving the Airport. 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 as jointly agreed with air carriers operating at the airport. Effective January 1, 2008, the AIF increased to \$20 per local boarded passenger.

6. 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 \$20.5 million plus a revolving term credit facility in the amount of \$200.0 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 8(a)] and will be reduced with any new debt issuance. They are available by way of overdraft, prime rate loans, or bankers' acceptances. At December 31, 2007, the Authority has not drawn on any of these facilities.

7. Cash flow hedges:

The Authority entered into forward swap derivative contracts in the notional amount of \$200.0 million, with expiry dates in January 2040, to fix the benchmark interest rate on 2009 planned bond issues.

The loss incurred, to the date of application of hedge accounting on August 10, 2005, on these contracts was \$1,173,378 and was recorded as a liability in prior years.

As of January 1, 2007, the fair value of the forward swap derivative contracts is recorded at fair value on the balance sheet either as a long-term liability or a long-term asset.

8. Long-term debt:

(In thousands of dollars)	2007	2006
Revenue bonds series A, 5.205%, face value \$250,000, net of financing costs of \$2,899 (2006 – nil), due September 28, 2040, interest payable semi annually on March 28 and September 28 of each year until maturity, semi-annual blended principal and interest payments of \$8,221 commence September 28, 2010	\$247,101	\$250,000
Capital lease obligation	1,108	–
Deferred lease payments	610	686
Note payable	250	–
	<u>249,069</u>	<u>250,686</u>
Current portion	342	76
	<u>\$248,727</u>	<u>\$250,610</u>

(a) Revenue bonds:

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

Pursuant to the terms of the MTI, the Authority is required to establish and maintain with a trustee a debt service reserve with a balance at least equal to 50% of annual debt service costs. At December 31, 2007, the debt service reserve included \$6.5 million (2006 – \$6.5 million) in interest bearing deposits held in trust (note 4). These trust funds are held for the benefit of the bond holders for use and application in accordance with the terms of the MTI. In addition, the Authority is required to maintain an operating and maintenance reserve of approximately \$5.8 million. The operating and maintenance reserve may be satisfied by cash, letter of credit or the availability under a committed credit facility.

(b) Capital lease obligation:

The Authority leases certain operating equipment with an effective interest rate of 6.2% over a five-year term ending in 2012.

(c) 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. These deferred lease payments are repayable without interest on a straight line basis over a ten-year period ending January 1, 2015.

(d) Note payable:

Note payable is unsecured, bears interest at 7% and is repayable in equal instalments over five years commencing November 2008.

(e) The future annual principal payments are as follows:

(In thousands of dollars)

2008	\$	342
2009		356
2010		2,087
2011		3,951
2012		4,039
Total thereafter		241,193

(f) Interest expense (income):

(In thousands of dollars)

	2007	2006
Revenue bond interest	\$ 13,013	\$ 13,013
Other interest and financing costs	661	288
Interest income	(8,304)	(9,285)
	5,370	4,016
Less capitalized interest (note 3)	4,056	1,027
	\$ 1,314	\$ 2,989

9. Accumulated other comprehensive income (loss):

(In thousands of dollars)	Cash flow hedges	Available-for-sale investments	Total 2007
Opening balance	\$ -	\$ -	\$ -
Loss on settlement of cash flow hedges	7,479	-	7,479
Unrealized loss on cash flow hedges	9,668	-	9,668
Adjusted opening balance	17,147	-	17,147
Amortization of loss on settlement of cash flow hedges	(175)	-	(175)
Unrealized loss on cash flow hedges	11	-	11
Unrealized loss on available-for-sale investments	-	99	99
Ending balance	\$16,983	\$ 99	\$17,082

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 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)

2008	\$ 4,088
2009	4,264
2010	5,337
2011	5,561
2012	5,739

(b) Development:

At December 31, 2007, the Authority had outstanding contractual construction commitments amounting to approximately \$277.6 million (2006 – \$39.8 million). It is estimated that additional construction commitments will be contracted during 2008 of approximately \$75.0 million.

11. Contingent liability:

At December 31, 2007, a subsidiary of the Authority has a letter of credit outstanding in the amount of \$60,400 in connection with a service agreement.

12. Employee future benefits:

(a) Pension plan:

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)	2007	2006
Fair value of plan assets	\$ 31,937	\$ 28,925
Accrued benefit obligation	32,637	32,866
Funded status – plan deficit	(700)	(3,941)
Unamortized net actuarial loss	7,739	8,924
Unamortized transitional obligation	92	89
Accrued pension asset	\$ 7,131	\$ 5,072

The significant weighted average assumptions used are as follows:

	2007	2006
Accrued benefit obligation:		
Discount rate	5.5%	5.25%
Long-term average rate of compensation increase	3.5%	3.5%
Benefit costs:		
Discount rate	5.25%	5.25%
Expected long-term rate of return on plan assets	7.0%	7.0%
Long-term average rate of compensation increase	3.5%	3.5%

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

(In thousands of dollars)	2007	2006
Employer contributions	\$ 3,463	\$ 3,456
Employee contributions	294	279
Benefits paid	2,093	712
Pension expense	1,516	1,040

The plan assets consist of the following asset mix:

	2007	2006
Money market funds	0%	4%
Equity funds	61%	54%
Debt and mortgage funds	29%	32%
Real estate funds	10%	10%

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2006, and the next required valuation will be as of December 31, 2007.

(b) Post-employment benefits:

Information for the post employment benefits (health care and insurance benefits), based on the latest actuarial reports, measured as of December 31 is as follows:

(In thousands of dollars)	2007	2006
Accrued benefit obligation	\$ 4,391	\$ 4,227
Unamortized net actuarial loss	(1,129)	(1,427)
Unamortized transition asset	(436)	(524)
Accrued benefit liability	\$ 2,826	\$ 2,276

Other information about the Authority's post employment benefits (health care and insurance benefits) is as follows:

(In thousands of dollars)	2007	2006
Benefits expense	\$ 576	\$ 570
Payments made	(26)	(24)

The significant weighted average assumptions used are as follows:

	2007	2006
Accrued benefit obligation:		
Discount rate	5.5%	5.25%
Long-term average rate of benefit cost increases:		
Initial trend rate	15.0%	16.0%
Annual decrease	1.0%	1.0%
Ultimate trend rate	3.0%	3.0%
Year of ultimate trend rate	2018	2018
Benefit costs:		
Discount rate	5.25%	5.25%

(c) Supplementary executive retirement plan:

Information for the supplementary executive retirement plan, based on the latest actuarial reports, measured as of December 31, 2007, is as follows:

(In thousands of dollars)	
Accrued benefit obligation	\$ 150
Funded status – plan deficit	(150)
Unamortized net actuarial loss	8
Accrued pension asset (liability)	\$ (44)

The significant weighted average assumptions used are as follows:

Accrued benefit obligation:	
Discount rate	5.5%
Long-term average rate of compensation increase	3.0%
Benefit costs:	
Discount rate	5.25%
Long-term average rate of compensation increase	3.0%

13. Financial instruments:

Fair value:

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

The fair value of the revenue bonds is \$251.2 million (2006 – \$253.9 million), the capital lease obligation is \$1.1 million and the note payable is \$249,000. The fair value of revenue bonds, capital lease obligation and note payable is determined through current market rate yield calculations.

Credit risk:

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

The Authority derives a substantial portion of its revenues from air carriers through landing fees and terminal charges and through the airlines' collection of airport improvement fees on its behalf. Passenger activity at the airport is approximately 85% origin and destination traffic, and although there is concentration of service with three air carriers, the Authority believes that any change in the airline industry will not have a significant impact on revenues or operations.

Interest rate risk:

The Authority is subject to interest rate risk through its investments in short-term notes and other debt instruments.

14. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

2008 ANNUAL GENERAL MEETING

Winnipeg Airports Authority's Annual General Meeting will be held at 1:30 pm on Wednesday, May 7, 2008, 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 travelling 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.

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 are fully 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 Website at www.waa.ca.

Winnipeg Airport Authority Inc. Board of Directors 2007

Appointed by the City of Winnipeg

Arthur Mauro, Chair
Dr. Glenn Feltham, Dean, I.H. Asper School of Business
Otto Lang, Senior Counsel, Fleischman-Hilard (term ended December 31, 2007)

Appointed by The Assiniboia Chamber of Commerce

Warren Thompson, President, Prairie Edge Management

Appointed by Destination Winnipeg

Doug Harvey, Vice Chair, President and GM, Maxim Truck and Trailer

Appointed by the Government of Canada

Geoffrey Elliott, Retired Former Diplomat and Corporate Executive
Shirley Render, Executive Director, Western Canadian Aviation Museum

Appointed by the Province of Manitoba

Elaine Cowan, Sales and Leasing Executive, Commercial Real Estate, Coldwell Bankers National Preferred

Appointed by the R.M. of Rosser

Carl Havixbeck, Farmer

Appointed by the Winnipeg Chamber of Commerce

Doneta Brotchie, President, FUNdamentals Creative Ventures
Tom Bryk, FCA, President and CEO, Cambrian Credit Union

Appointed by the Winnipeg Airports Authority Board

Jim Carr, President and CEO, Business Council of Manitoba
David Friesen, Chairman, Friesens Corporation, Altona
Garth Smorang, Lawyer, Myers Weinberg
Janice Filmon, Corporate Director

2007 Board Committees (as of December 31, 2007)

Audit

Tom Bryk (Chair)
Doneta Brotchie
Glenn Feltham
Garth Smorang
Shirley Render
Warren Thompson

Governance

Geoffrey Elliott (Chair)
Jim Carr
Elaine Cowan
David Friesen
Warren Thompson

AIRplan

Doug Harvey (Chair)
Geoffrey Elliott
David Friesen
Carl Havixbeck
Otto Lang
Janice Filmon
Lloyd McGinnis (Advisor)

Board of Directors Compensation for 2007

Otto Lang	\$ 16,599
Arthur Mauro	\$ 44,000
Doug Harvey	\$ 22,200
Jim Carr	\$ 16,600
Elaine Cowan	\$ 17,200
Carl Havixbeck	\$ 17,200
Warren Thompson	\$ 21,700
Tom Bryk	\$ 26,900
André Thibeault	\$ 833
Doneta Brotchie	\$ 19,900
Garth Smorang	\$ 19,900
Glenn Feltham	\$ 19,300
Geoffrey Elliott	\$ 24,600
David Friesen	\$ 17,567
Janice Filmon	\$ 13,967
Shirley Render	\$ 17,567
Total	\$ 316,032

Executive Officers 2007

Barry Rempel, President & Chief Executive Officer
Catherine Kloepfer Senior VP, Corporate Services & Chief Financial Officer
Michael Rodyniuk Senior VP Marketing & Operations

Executive Officers 2007 — Salaries

The salary range for the President of the Authority is \$180,000 to \$200,000.
The salary range for each of the Senior Vice Presidents is \$150,000 to \$160,000.

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 2007, Winnipeg Airports Authority Inc. entered into seven contracts as described for the reasons indicated in the following table.

Sole Source Contracts over \$90,000

Vendor name	Description	Value	Basis for Selection
Pivotal Research	Passenger Route Tracking Program	\$105,380	D
Eagle Airfield	Kodiak Blower Head	\$147,940	C
UMA	Geotechnical Service	\$250,000	D
ARINC	Lightning Detection	\$250,000	C
Enviro CDA	Weather Stats	\$ 99,658	C
Solution Design Group	IT Consulting	\$150,000	C
Stantec	West Feeder Main Consulting	\$391,917	B

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

Community Consultative Committee and their Affiliations

Joseph D. Barnsley, Acting Chair
Nominated by The Winnipeg Chamber of Commerce

Mr. Dave Boldt
Nominated by the Government of Canada – Western Economic Diversification

Ms. Ainley Bridgeman
Nominated by Winnipeg Airports Authority's Universal Design Advisory Committee

Mr. Tim Feduniw
Nominated by Destination Winnipeg

Ms. Roxanne Georgison
Nominated by the R.M. of Rosser

Mr. Vic Gerden
Nominated by the Manitoba Aerospace Association

Mr. Daniel Haughey
Nominated by Winnipeg Airports Authority's Environmental Advisory Committee

Ms. Debbie O'Bray
Representative from the travelling public

Ms. Judy Saxby
Nominated by the Manitoba Aviation Council

Mr. Peter Thomson
Representative from the travelling public

Mr. Gordon Tufts
Nominated by the Province of Manitoba – Transportation and Government Services

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

Auditors: KPMG LLP
Lead Bank: Canadian Imperial Bank of Commerce
Legal Counsel: Aikins, MacAulay & Thorvaldson and
Duboff Edwards Haight & Schachter

Winnipeg James Armstrong Richardson International Airport Services Passenger Carriers

(serving Main Terminal Building)
Aeromexico (on behalf of Sunwing Vacations)
Air Canada
Air Transat
Bearskin Airlines
Calm Air
Delta Air Lines (operated by Delta Connection carrier
SkyWest Airlines)
First Air
Air Canada Jazz
Northwest Airlines
Northwest AirlinK (operated by Pinnacle Airlines)
Skyservice Airlines
Sunwing Airlines
United (operated by United Express carrier
SkyWest Airlines)
WestJet Airlines
Zoom Airlines

Passenger Carriers (other)

Air Nunavut
Canadian North
Excaire
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 (Scheduled)

Cargojet
DHL
FedEx

Air Cargo Carriers (Scheduled) continued

Kelowna Flightcraft
Morningstar Air Express
Purolator
Transwest Air
UPS

Air Cargo Carriers (Non-scheduled)

LAN Cargo
Antonov Design Bureau
Volga-Dnepr
Polar
Polet

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

Retailers

\$15 Boutique
Aer Rianta North America (Duty Free)
Bentley
DeLaga
Front Page Sports
Inter-City Leisure
Relay (Newsstand)/Canadian Scene
Showcase Manitoba
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



WINNIPEG
AIRPORTS AUTHORITY

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