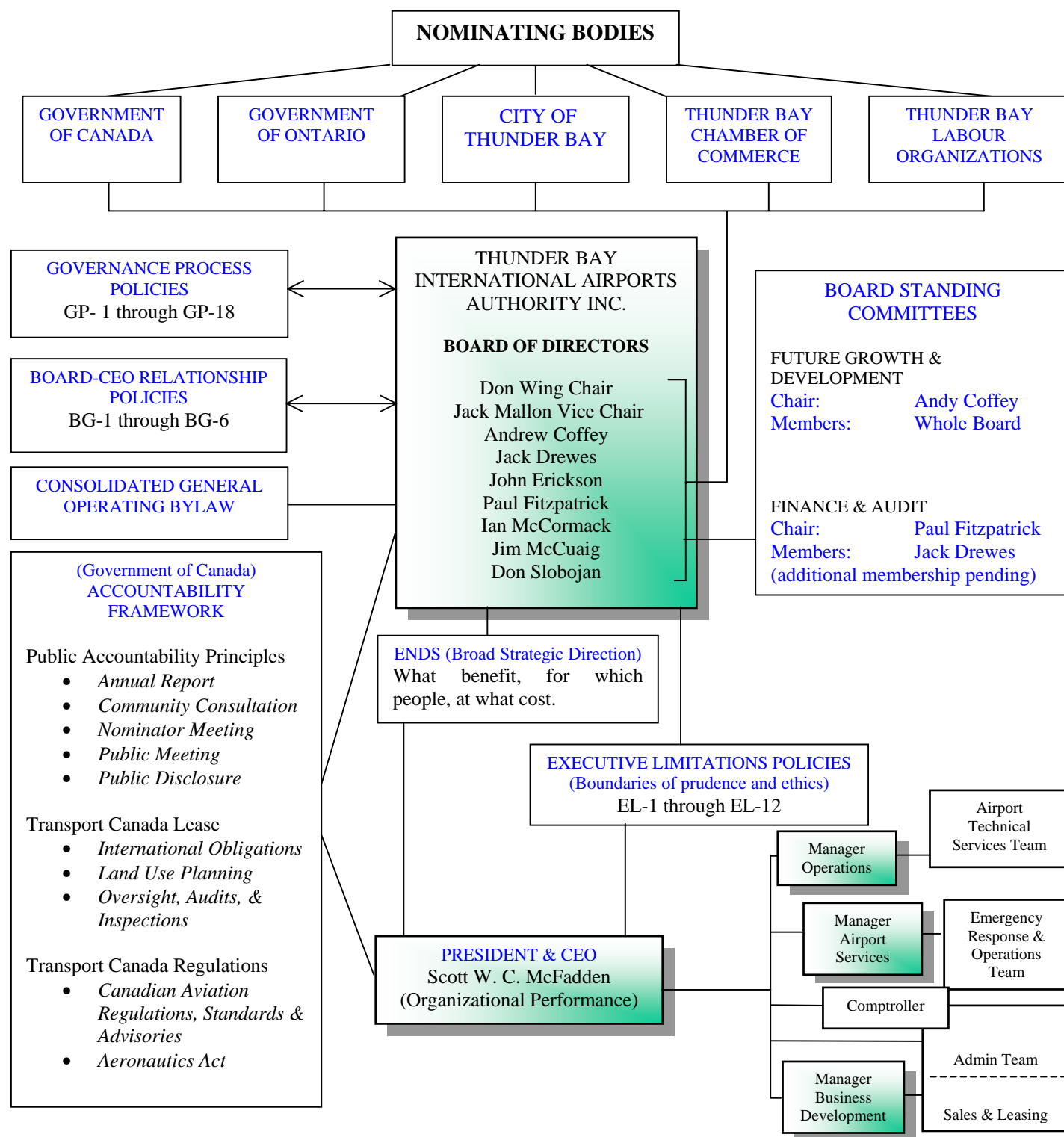




# CORPORATE GOVERNANCE AND ACCOUNTABILITY FRAMEWORK



## “QUICK PARK” PARKING SYSTEM

(Automated “No Waiting” Parking System)

Thunder Bay Airport is pleased to offer a fully automated parking system to our parking customers.

The **Quick Card** is a debit card allowing entry and exit of the lot bypassing the Pay Stations located in the Terminal Building.

**Quick Cards** can be purchased for as little as \$20.00.

### Advantages

**Arriving** – enter the lot by using your **Quick Card**. No ticket required.

**Exiting** – go directly to your car and insert your **Quick Card** at the exit gate. The gate opens and your Card balance is displayed. No payment in the Terminal required.

**Receipts** – a receipt is issued upon initial purchase of your **Quick Card**. A record of Card use for audit purposes is available upon request.

**Card Running Low?** – let us worry about that by taking advantage of our automatic top-up feature.

### Quick Card Application

**Payment accepted by cash, cheque or credit card. If purchasing by credit card, simply complete the application and fax it to us. Upon receipt of payment we will deliver your Quick Card.**

Date \_\_\_\_\_ Name \_\_\_\_\_ Business \_\_\_\_\_

Address \_\_\_\_\_ City/Prov/PC \_\_\_\_\_ Contact # \_\_\_\_\_

Method of Payment: VISA      Master Card      Cheque (T.B.I.A.A.I.)

Card # \_\_\_\_\_ Expiry Date \_\_\_\_\_ Cardholder Name \_\_\_\_\_

Amount of Purchase \$ \_\_\_\_\_

Signature \_\_\_\_\_

Or

**Submit payment to:**                      **Thunder Bay International Airports Authority Inc.**  
**340 – 100 Princess Street**  
**Thunder Bay, Ontario P7E 6S2 Phone: (807) 473-2604**  
**Fax: (807) 475-9627**

For the utmost convenience, your **Quick Card** can be automatically topped up when it reaches a pre-determined minimum. To enjoy this service, sign below and indicate:

(i) the minimum balance and    (ii) the amount to top up your Card by.

To avoid the risk of my **Quick Card** balance reducing below my parking charges, I pre-authorize a debit of \$ \_\_\_\_\_ on my credit card. Please top up my **Quick Card** when it reaches a minimum of \$ \_\_\_\_\_.

\_\_\_\_\_  
Signature

## **Message from the Chair**

*2006 was an outstanding year for the Thunder Bay Airport – one that saw both passenger volumes and the financial fortunes of the Authority rebound to impressive levels.*



One of the cornerstones of the Thunder Bay International Airports Authority's long-term success rests on our commitment to a strong set of Governance principles and a method of clearly articulating these principles to management. The Board's Policy Governance framework has evolved under the strategic oversight of experienced Board members, committed to the Airport's success and passionate about Thunder Bay and this truly amazing part of the world that is Northwestern Ontario.

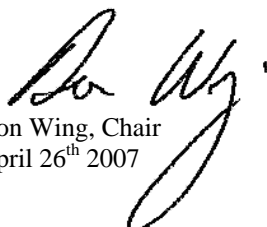
The Board is delighted to welcome Mr. John Erickson, Mr. Jim McCuaig, and Mr. Ian McCormack as directors. We were fortunate to receive a very high calibre of nominee for each of the positions and each of these individuals brings a unique and valuable perspective that I have no doubt will benefit our organization. Also on behalf of the Board I would like to thank Mr. Bert Baumann, Mr. John Fedoruk and Mr. Ed Metzler who each retired from the Board in 2006. Mr. Baumann and Mr. Fedoruk were Directors since the transfer of the Airport from the federal government and played important roles in establishing the Authority's solid governance foundation. As Chair for the past seven years Mr. Baumann in particular leaves a legacy not easily matched and I am honoured that the Board has chosen me as his successor.

As Chair I am committed to providing the Board with leadership that results in the organization attaining the highest level of performance. To this end, I believe the Board's Policy Governance framework is the key component in enabling the TBIAA to achieve its Vision. A Vision that not only sees the Airport safe, secure, and financially independent, but recognises the vital role the Airport can play in the creation of new and diversified economic activity for the region.

While the Board spent considerable energy recently on change, the introduction of new directors, monitoring of organizational performance and compliance with new standards, the Board placed additional emphasis on engaging directors in strategic economic development discussions to ensure the organization benefits from their collective skills and experience.

Over the past year, we have been confronted with ongoing unease regarding Transport Canada's new Rent formula. This Rent formula calculates Airport Rent as a percentage of gross revenues. What is of particular concern to air travellers across Canada is the fact that each year Rent will have to be paid on RENT. This translates into the Authority having to increase its prices just to pay the circular Rent costs, over and above inflationary cost increases. We know that this Rent formula is unsustainable over the long-term and TBIAA will continue to work with the air transportation industry in its efforts to lobby government to remove this questionable, hidden taxation of air travel.

On behalf of the Board I would like to thank Scott McFadden, his management team, and the employees of the Authority and its subsidiary companies. The results reported in this document do not happen without the dedication of an exceptional group of individuals who work hard every day to provide Thunder Bay with a superior quality airport and new economic opportunities.

  
Don Wing, Chair  
April 26<sup>th</sup> 2007

## President and CEO's Message

To Our Owners

*We're proud of what we have accomplished in 2006. We're proud to be one of the most innovative airport operators in the world, and we're proud to say that we think we're a different kind of Airport company.*



For us being different means being a better airport operator; a business with a culture of independence, continuous improvement and customer focus. Every day we work to make the Thunder Bay Airport better than the day before, and enjoy sharing with other airport operators the knowledge and experience gained. 2006 was a banner year for the TBIAA and its related businesses, moving the Airport and the community another incremental step closer to the success we envision.

In the 05 annual report I said that we were optimistic going into 2006. Our optimism was due in a large part to the airline flight and capacity increases that were anticipated. In 2005 the community suffered as the mainline carriers redeployed capacity out of the Thunder Bay market. Demand continued strong but there were simply too few seats available, which pushed average airfares higher than we've experienced for some time. I am very happy to report that in 2006, additional capacity led to a record year in terms of traffic with over 600,000 passengers. A 7.4% increase over 2005.

Additionally the TBIAA's business development initiatives resulted in significant new business for the Authority's subsidiary companies. iFIDS.com for example became *international*, chosen by Nassau Bahamas to provide flight information display solutions. Thunder Bay Airport Services was awarded and successfully implemented a third party billing and receivables management contract with the Canadian Coast Guard Western Region. Yes that's right... *ships!* As it happens, billing for maritime services is similar in concept to billing for airport services, and TBAS has impressed CCG with efficient, inexpensive, and customer friendly service deploying a customized version of iFIDS.com's Aileron billing software to get the job done.

As you will see from the financial results, revenue from business initiatives grew by approximately 10%. Not a stunning number but then the Authority is very conservative in its approach to these ventures. Most importantly this growth created jobs, and direct economic benefits were realized by local businesses. Anything that benefits the Thunder Bay economy benefits the Airport as our fortunes are inextricably linked. In addition the Authority reduces overall business risk through the diversification of its revenue sources.

I would like to thank all of the TBIAA's business partners, clients and customers. A special thanks goes to all those that have sponsored my fundraising efforts in the Arthritis Society ice racing events. Together we have raised over \$15,000 to help Canadians with arthritis.

I will also take this opportunity to thank the Board (both former and new members), our management team, and the employees of TBIAA and its subsidiary companies. Together we remain determined to make TBIAA and the Thunder Bay International Airport stronger, while contributing to the growth and success of Thunder Bay and the region.

Scott McFadden  
President & Chief Executive Officer

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## **TBIAA Board of Directors 2006**

The Thunder Bay International Airports Authority Inc. (TBIAA) is a not-for-profit corporation incorporated under the *Canada Corporation Act*. Members of the Board of Directors are nominated by various government and non-government organizations.

The Board has overall responsibility for the management of the affairs of the TBIAA. The Board has established an administrative procedure outlined in the Authority's General Operating By-Law and Letters Patent.

In 2006 three members concluded their terms including founding members Mr. Bert Baumann and Mr. John Fedoruk. The Board wishes to express its sincere appreciation to Mr. Baumann and Mr. Fedoruk for helping to establish the Authority's sound foundations. The Board would also like to take this opportunity to thank Mr. Ed Metzler for his three years of service to the Authority.

The Board's corporate activities in 2006 centred around the transition of membership and the Chair, ensuring compliance with new standards in auditing, monitoring of CEO performance.

Board membership as of Jan 31st 2007:

<i>Director</i>	<i>Nominated by</i>	<i>Term Expiry</i>
<b><i>Ian McCormack</i></b>	City of Thunder Bay	November 30, 2007
<b><i>Andrew Coffey</i></b>	Federal Government (Transport Canada)	*November 27, 2009
<b><i>Paul Fitzpatrick</i></b>	Province of Ontario (Ministry of Transportation)	October 1, 2007
<b><i>Jack Drewes</i></b>	Thunder Bay and District Labour	October 1, 2007
<b><i>John Erickson</i></b>	Federal Government (Transport Canada)	November 27, 2009
<b><i>Jack Mallon (Vice Chair)</i></b>	Thunder Bay Chamber of Commerce	October 1, 2009
<b><i>Jim McCuaig</i></b>	City of Thunder Bay	November 30, 2009
<b><i>Don Slobojan</i></b>	Thunder Bay Chamber of Commerce	October 1, 2007
<b><i>Don Wing (Chair)</i></b>	Thunder Bay International Airports Authority Inc.	October 1, 2009

Economic development continues to be a priority for the Board and significant progress was made in 2006 improving Thunder Bay's competitiveness from a business perspective.

The Board will continue the process of consulting with aviation and non-aviation industry representatives, community leaders and others, for the purpose of refining and/or reaffirming the Board's "Ends" of safe & secure airports, enhanced air service and economic growth for Thunder Bay.

### **Board Membership**

The Board welcomed Mr. Ian McCormack, Mr. John Erickson and Mr. Jim McCuaig in 2006. In addition Mr. Don Wing was reappointed for a second three-year term. Mr. Wing was also named Chair and Mr. Jack Mallon was named Vice Chair.

Mr. Paul Fitzpatrick replaces Mr. John Fedoruk as Treasurer and Chair of the Finance & Audit Committee. Mr. Andrew Coffey remains Chair of the Board's Future Growth & Development Committee.

\*Note: Mr. Coffey will complete 9 years of total service to the Board in January 2008. The Corporation's Bylaw provides for one member to serve a total of 12 years. No decision has been made by the Board regarding the 12-year member at the time of writing.

# Annual Report

## Thunder Bay International Airports Authority Inc. (Incorporated under the laws of Canada)

Pursuant to Article 17 of the By-laws of the Thunder Bay International Airports Authority Inc. (TBIAA), the following is the Annual Report with respect to the activities of the TBIAA for the year ended December 31, 2006.

On September 1, 1997 the TBIAA signed an agreement with Transport Canada, to transfer the Thunder Bay International Airport under a long-term lease. Since then, the TBIAA has been responsible for the management, operations, and funding of the Thunder Bay International Airport.

The remuneration due to each director for the period Jan 1, 2006 to Dec 31, 2006 was as follows:

<b>BOARD MEMBER</b>	<b>2006</b>
Baumann, B	\$ 11,943.97
Coffey, A.	\$ 11,869.30
Drewes, J	\$ 12,552.34
Erickson, J.	\$ 941.67
Fedoruk, J.	\$ 11,018.97
Fitzpatrick, P	\$ 11,519.00
Mallon, J.	\$ 11,752.34
Metzler, E.	\$ 7,928.00
Slobojan, D	\$ 11,352.34
Wing, D	\$ 11,769.00
<b>Total</b>	<b>\$ 102,646.93</b>

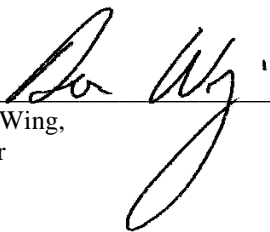
During 2006, the Directors complied with the Conflict of Interest Principles and Code of Conduct requirements as contained in Section 6.12 of the TBIAA's By-law.


The 2006 salary range for the management of the corporation was \$62,100 to \$145,000.

The TBIAA did not enter into any contracts during the fiscal year ended December 31, 2006, which were for goods, services, or consideration, that were not awarded pursuant to the public tender process as described in Section 17.3 of the By-law, and did not enter into any non-arm's length contracts.

The TBIAA's Financial Statements and the Auditor's Report for the period January 01, 2006 through to December 31, 2006 are included.

DATED this 26th Day of April 2007

  
\_\_\_\_\_  
Don Wing,  
Chair

  
\_\_\_\_\_  
Paul Fitzpatrick,  
Chair, Finance & Audit Committee

# Excellence in Governance

The TBIAA Board of Directors has established broad policies that articulate the corporation's Vision, governance process, Board-CEO relationship, and executive limitations. These functional policies are divided into three groups to create an explicit formulation of delegated authority to the CEO with strict accountability.

In practice this means that the Board establishes long-term results to be realised by the corporation. The Board then ensures that the President & CEO makes progress toward achieving the results, while remaining within prescribed limitation (Executive Limitations). Organizational performance is President & CEO performance.

## **ENDS (Long-Term results)**

Central to the direction taken by the company are the Board's "Ends" policies. The Board continuously re-evaluates these Ends, considering input from management, airport tenants, users, community representatives (termed "moral ownership") and broader economic and environmental inputs. The Board's stated "Ends" are as follows:

### **Vision:**

*Thunder Bay International Airports Authority Inc. exists so there will be:*

*Air-related transportation and business as a major contributor to regional economic growth.*

*This is interpreted to include, but not limited to:*

- 1) *Superior standards of safety and customer service at airports operated by the Authority.*
- 2) *Retention and expansion of airport related services and businesses.*
  - 2.1. *Air service retention and development.*
- 3) *Thunder Bay becomes a centre for aerospace-related activities.*
  - 3.1 *Additional activities to complement existing businesses/services*
  - 3.2 *Expanded aviation manufacturing, maintenance, and training facilities.*
- 4) *Sustainable air services for Northwestern Ontario.*

### **Resource Allocation:**

*The Ends of the TBIAAI shall be achieved on an annual and/or long-term basis as planned for in the Business Plan and budgeted for in the annual operating and capital budgets.*

*Resources shall be allocated to Ends in those plans according to the following priority:*

1. *Superior standards of safety and customer service (airport operations)*
2. *Air Service retention and development*
3. *Economic development i.e.: Retention and expansion of Airport related Businesses and "Aerospace Centre" related development.*

### **Governance Process**

Governance Process policies go beyond the corporation's By-law to clearly define the Board's responsibilities and those of its members.

### **Executive Limitations**

The Board of Directors establishes corporate "boundaries" within which the CEO (and therefore the organization) must operate. These 12 policies are called Executive Limitations and clearly articulate to the CEO the expectations of the Board. Executive Limitations are expressed in terms of what is not acceptable, which allows the CEO autonomy to effectively manage, within certain organizational situations and actions that must be avoided, i.e. "Boundaries of Prudence and Ethics."

### **Board - CEO Relationship**

These 5 policies formalize the connection of the Board to the organization through the CEO, and recognize the CEO's accountability for the organization and responsibility to achieve the Board prescribed Ends. Included in this group are policies that articulate:

- Delegation to the President & CEO
- Accountability of the President & CEO, and
- Monitoring Executive Performance, i.e. "Systematic and rigorous monitoring of the President & CEO..." to ensure "...organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in board policies on Executive Limitations."

## Management Discussion & Analysis

One of the key monitoring aspects of the CEO's performance, is the degree of success in achieving the Board's Ends. Management has developed business plans and operational goals designed to achieve or make progress towards the Board's stated Ends.

In January of 2005 the TBIAA adopted a five-year business plan for the years 2005-2009. Consistent with the TBIAA's Continuous Improvement philosophy and changing industry realities, in January 2006 a Business Plan Update was implemented. The two main objectives articulated in the 2006 business plan update are as follows:

- *Continue to reduce the cost of operating and maintaining the Airport and fund an increasing percentage of those costs through Aeronautical revenues derived through growth in air traffic or increases in aeronautical fees, and*
- *Reinvest more subsidiary revenues in the business development of the subsidiaries.*

The TBIAA will continue its low cost strategy. We achieved a reduction in direct operating expenses in 2006 despite increases in security costs, pension costs, utility costs, and other cost increases associated with activities and issues beyond the Authority's control. For the Thunder Bay Airport the direct operating cost **decrease** amounted to approximately 3%. Increases in indirect expenses were largely due to the amortization and interest expenses associated with the rehabilitation of the main Runway in 05.

The TBIAA earned over \$1.2 million on its investments in 2006, the market value of investments increasing by a similar amount, supporting the strategy of borrowing to fund capital projects and investing surpluses to generate additional income and balance sheet strength. The TBIAA Board is directly responsible for the Investment Policy Statement, which articulates, among other things, investment criteria, risk tolerance, and asset mix.

Thunder Bay Airport remains the only airport with no airport improvement fee and this will keep all-in aeronautical prices among the lowest in Canada, and of course eliminate the high cost of collecting passenger fees.

Consolidated net assets increased by \$2.5 million in 2006 to \$15.6 million. All surpluses are reinvested in the Airport.

In consultation with our airline customers, the TBIAA is continuing the process of recovering a greater portion of the cost of aeronautical facilities and services through aeronautical charges. We have committed to passing the benefit of any reductions in Federal Rent or any increases in security funding directly on to the airlines.

We will continue to invest subsidiary profits in subsidiary business development as a direct way for the TBIAA to promote economic development for Thunder Bay and create value for the corporation and community. The TBIAA continues to work with several community groups including Ambassadors Northwest and the Thunder Bay Economic Development Commission as we endeavour to achieve broader economic development goals.



### New at the Airport in 2006

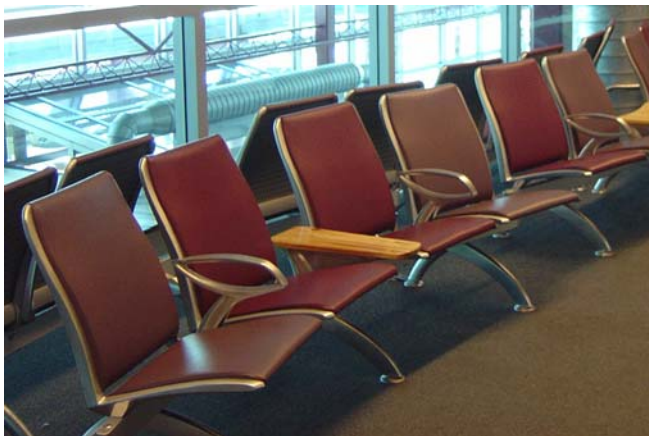
Bearskin Airlines introduce its ninth 19 passenger Fairchild Metroliner into its fleet. This new aircraft was sporting a new paint scheme and is the airline's first livery change since 1988. The empennage features three bear paw prints, representing the tracks the airline has made throughout Northern Ontario and Manitoba since it's birth in Bearskin Lake in 1963. The paw prints climb toward the sky, indicating a bright future lies ahead. *"This design retains the tradition and 43-year history of Bearskin Airlines while capturing the new spirit of the airline in today's marketplace."*

In July, NACair completed its new hangar project, the second addition to the Airport's North-side aerospace



commercial development area. The new hangar and office complex includes NAC's head office, maintenance operations centre (over 15,000 feet of hangar floor space), and another 10,000 square feet of operational and administrative offices.

Both major and minor capital expenditures were made to the Air Terminal Building in 2006. The minor improvements included the replacement of the (rather tired looking) sectional seating. Arconas of Mississauga Ontario supplied the new seating and the tables were manufactured in-house from locally sourced fine woods generously provided by Superior Thermowood of Thunder Bay. The wood is treated using the company's patented, chemical-free heat-treating process.



The parking lot was also expanded to accommodate demand for both short term and long term parking. An additional expansion is scheduled for 2007.

The major project at the Airport was the completion of the new baggage system. A long time in the works, this project (largely invisible to passengers) included the complete reconfiguration of the ground floor (air

side) of the terminal building including partial reconstruction of airline office

space, and the conversion of the entire baggage make-up area into shared (or "common use") space.

This Baggage project was initiated to accommodate the new baggage security requirements implemented in December 2005 and funded in part

by the Government of Canada ostensibly through the Air Transportation Security Fee. Not all the moneys from this tax make it to aviation security however and the TBIAA had to fund health and safety requirements in order to properly complete the project.



The new baggage system will be maintained by the TBIAA, however thanks to the perseverance of our technical team and airline participation, TBIAA has achieved system reliability performance such that no full-time on-site supervision of the system by the TBIAA is required.

### Subsidiaries

TBIAA has three operating subsidiary businesses, Thunder Bay Airport Services Inc., Sleeping Giant Enterprises Inc. are wholly owned. The third, iFIDS.com Inc., is a 50% partnership with Aviation Intertech Inc., a Thunder Bay Based software development firm.

Note: These companies are part of the TBIAA's unique and innovative business model. Transport Canada

seeks to implement legislation that will limit this type of innovative approach to airport management.

No clear rationale has been given. Also Transport Canada's new Rent formula fails to adequately consider TBIAA's operating realities and the potential exists for double or even triple taxation of subsidiary revenues.

In 2006 TBIAA's subsidiary companies achieved some significant successes. Continued expansion of subsidiary business is a key success factor for the TBIAA, and is real economic development for the local economy with jobs created and more anticipated.



Founded in 2000, iFIDS.com is responsible for the development of the world's first Application Service Provider (ASP) flight information management system and provides information management and display solutions to airports and airlines.

Returning customers is a measure of the quality of a company's products and in 2006 the first two iFIDS.com customers, the Greater London Airport Authority, and the Prince George Airport Authority, returned for expanded and new flight information systems respectively.

Both Kelowna and Abbotsford Airports became "Aileron" (iFIDS' airport billing and lease management solution) customers. Kelowna's flight information display system is also provided by iFIDS.com. The Company was also selected by Deer Lake Regional Airport (NL) to provide flight information display solution for its new terminal building.

iFIDS.com also officially became an international company in the fall when it was selected by the Nassau (Bahamas) International Airport to provide the flight information display system for the two terminal buildings at Nassau International Airport.



Thunder Bay Airport Services Inc. (TBAS) continues to successfully manage the Red Lake Airport under an agreement with the Municipality

### **A Word about Airport Rent**

*Transport Canada Rent is tax paid by Canadian airport authorities to the Government of Canada. In 2006 \$290million was paid and Canada's airports received nothing in return. Thunder Bay is now one of Canada's Rent paying airports yet there are several larger (and soon to be larger) airports in Canada that pay no Rent and will pay no Rent at all.*

*The new Rent formula (for all intents and purposes imposed on the TBIAA by Transport Canada) is incredibly complex and perhaps the worst possible example of the hidden taxation of Canadians. Rent taxes the GROSS revenues of airport authorities. As not-for-profit corporations airports must raise fees in order to pay Rent, and a portion of the Authority's recent price increase is a direct result of Rent. With similar activity levels, this price increase will of course increase gross revenues in 2007 so Rent in 08 will increase as a direct result of 07 Rent. This spiralling or "circular taxation" grows at an astonishing pace and is an uncontrollable cost escalation that no other airports in the world are faced with.*

*The Rent formula is bad enough in and of itself but now that Transport Canada shed itself of all cost accountability of operating Canada's airports there is a disconnect between regulation/legislation and financial restraint, i.e. it is easy for the Transport Canada bureaucracy to impose new regulations when no expenditure approvals are required (a rational argument can even be made that some of the recent regulations will have a net negative impact on transportation safety). The difference today is that the government will now profit from new regulations (or anything that increases airports' costs) because any revenue increase necessary to fund new regulations will be taxed by "airport Rent."*

*But wait there's more....when the government fails to adequately fund, for example, new security requirements (for which it collects the Air travel security tax on every airfare sold) airports are forced to raise prices, which in turn increases the Rent tax...the government not only saves money, it profits from short changing air travellers. The government of Canada has collected approximately \$450million more than it has spent on air transportation security. Add this to the windfall potential of RENT and it is no wonder the Canadian air transportation industry continues to struggle.*

*This is the reality for Thunder Bay Airport. The Government of Canada continues to refuse to pay the full cost of various security measures mandated by Transport Canada. The TBIAA was forced to implement a significant increase in prices to pay for these costs. Passengers will eventually pay for this shortfall in the form of increases in airfares, on top of the Federal government's Air Transportation Security Tax charged on each ticket. Lastly the government will reap the secondary windfall of the incremental increase in Rent as a result of the gross revenue increase. This type of taxation behaviour by any government is questionable at best.*

of Red Lake. TBAS achieved the 6<sup>th</sup> consecutive surplus at the Airport, a significant achievement for an airport of this size.

TBAS was also successful in winning the contract to provide billing and receivables services to the Canadian Coast Guard (Western Region). This has turned out to be a successful endeavour for both TBAS and CCG. The contract created one direct part time job in Thunder Bay, and TBAS has exceeded CCG expectations on all fronts.

TBAS also provides Airport Operations Specialist and Firefighter training and recurrent testing for several airports across Canada.



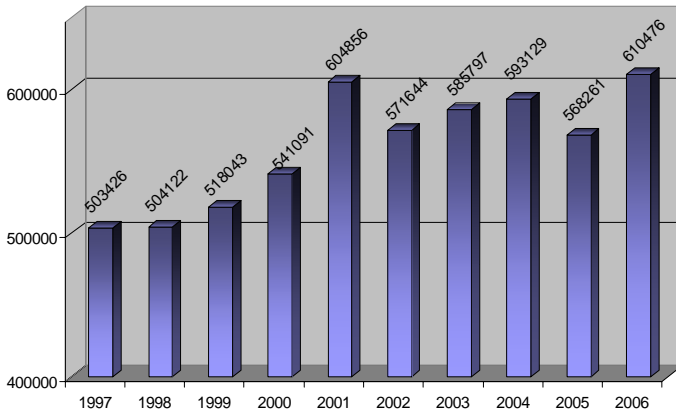
Sleeping Giant Enterprises is the TBIAA's equipment sales and leasing subsidiary. SGE sells and supports a line of advanced technology surface maintenance equipment (snow blowers, runway sweepers, automated anti-icing systems, etc.) manufactured by Boschung AG of Switzerland.

SGE concluded the sale of a SnowBooster, advanced technology snow blower, to Red Lake Airport, and a chemical spreader to the Victoria Airport Authority.

The Company's JetBrooms toured the western half of the country visiting Edmonton, Kelowna, Vancouver (for an extended rubber removal demonstration), Saskatoon, Regina, and Grand Prairie, introducing each airport to the "next generation" four-season integrated chassis airfield surface maintenance solution.

### Thunder Bay Airport Activity

10-Year Passenger Volumes



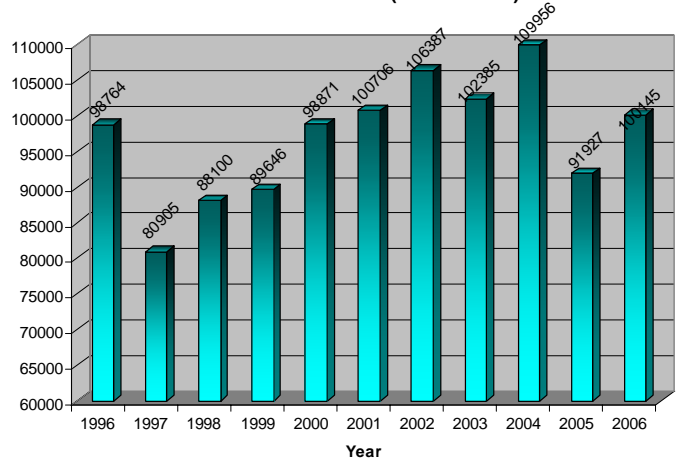
### Passenger Volumes

The Thunder Bay Airport experienced a 7.4% increase in passenger traffic in 2006 to 610,476 passengers. This is only a 2.8% increase over 2004 however, highlighting the negative impact of the seat shortage in 2005. As discussed earlier, at least some of this passenger traffic growth was due to people commuting outside of the region to find work. Direct examples of this were the weekly 737 charter to the oil patch region of Alberta and Air Creebec service to Attawapiskat Ontario.

There are other examples of people coming from outside the region to work, in the healthcare and mining sectors for example. What is unclear at these time is the net impact of this activity.

### Aircraft Movements

Total Aircraft Movments (1996 to 2006)



Total aircraft movements increase by approximately 9% in 2006. This included an 8% increase in itinerant aircraft movements, which were also 5.5% higher than 2004 levels. However total activity was still substantially off 2004 levels due to reduced local activity

### From the TBIAA Team

The TBIAA Management Team,

- President & CEO – Scott McFadden,
- Manager Business Development – Ed Schmidtke,
- Manager Airport Operations – Bill Britt,
- Manager Airport Services – Steve Faulkner,
- Comptroller – Sharon Kelly, and

employees of the TBIAA and it subsidiaries, extend our thanks to our customers, clients, and business partners. Together we continue to fine new business opportunities and new ways of improving old business.

We understand that the success of our community is paramount, that air transportation is critical to the economic development and diversification of the region, and our investments in economic development activities will accrue back to the Thunder Bay Airport in the form of increased activity and opportunities.



# Thunder Bay International Airports Authority Inc.

## Consolidated Financial Statements December 31, 2006

### *Auditor's Report*

To the Directors of  
**Thunder Bay International Airports Authority Inc.**

We have audited the consolidated balance sheet of **Thunder Bay International Airports Authority Inc.** as at December 31, 2006 and the consolidated statements of earnings, 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Thunder Bay, Canada  
February 9, 2007

Chartered Accountants  
Licensed Public Accountants

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# Thunder Bay International Airports Authority Inc.

## Consolidated Statement of Earnings

Year ended December 31	2006	2005
	\$	\$
<b>REVENUE [schedule]</b>	<b>7,024,696</b>	<b>5,901,834</b>
<b>EXPENSES</b>		
<b>Direct</b>		
Advertising and promotion	36,646	42,789
Benefits	444,208	363,268
Contracted maintenance	242,380	283,613
Contracted services	388,914	374,452
Equipment rentals	9,820	5,562
Interest on long-term debt	131,502	112,451
Materials and supplies	393,696	449,836
Office and administration	53,432	56,556
Professional and consulting fees	140,777	157,372
Purchased repairs	84,604	120,855
Salaries	1,800,930	1,843,729
Telephone	29,835	26,726
Training and meetings	18,388	20,311
Travel	66,041	49,570
Utilities	378,838	361,742
	<b>4,220,011</b>	<b>4,268,832</b>
<b>Indirect</b>		
Amortization	770,265	577,689
Bad debts (recovered)	(9,375)	37,650
Directors' fees	102,647	119,528
Payment in lieu of taxes	325,156	315,055
Insurance	187,341	199,703
Interest and bank charges	25,721	22,423
Interest on long-term debt	245,168	87,903
	<b>1,646,923</b>	<b>1,359,951</b>
<b>Total expenses</b>	<b>5,866,934</b>	<b>5,628,783</b>
<b>Earnings before the following</b>	<b>1,157,762</b>	<b>273,051</b>
Earnings on investments	1,277,037	815,287
Amortization of deferred capital contributions	82,063	85,762
<b>Excess of revenue over expenses</b>	<b>2,516,862</b>	<b>1,174,100</b>

See accompanying notes to the consolidated financial statements.

# Thunder Bay International Airports Authority Inc.

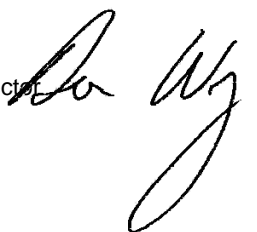
## Consolidated Balance Sheet

As at December 31	2006	2005
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	1,035,202	-
Accounts receivable	718,642	623,642
Inventory and equipment held for sale	965,713	53,792
Prepaid expenses	147,031	148,962
Current portion of net investment in direct financing leases <i>[note 2]</i>	-	193,000
Note receivable	-	900,000
<b>Total current assets</b>	<b>2,866,588</b>	<b>1,919,396</b>
<b>Capital assets, net <i>[note 3]</i></b>	<b>14,198,099</b>	<b>12,240,631</b>
<b>Other</b>		
Investments, at cost [market value - \$13,947,627; 2005 - \$12,739,499]	12,674,670	11,412,635
Net investment in direct financing leases <i>[note 2]</i>	1,737,000	1,544,000
Deferred charges <i>[note 4]</i>	326,671	312,000
<b>Total other assets</b>	<b>14,738,341</b>	<b>13,268,635</b>
	<b>31,803,028</b>	<b>27,428,662</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Bank indebtedness <i>[note 5]</i>	-	59,653
Accounts payable	821,175	2,608,294
Due to Municipality of Red Lake <i>[note 6]</i>	44,934	34,266
Current portion of long-term debt <i>[note 7[a]]</i>	2,854,499	2,159,456
<b>Total current liabilities</b>	<b>3,720,608</b>	<b>4,861,669</b>
<b>Non-current</b>		
Deferred revenue and security deposits	107,145	79,036
Long-term debt <i>[note 7[a]]</i>	6,963,225	6,221,523
Deferred capital contributions <i>[note 8]</i>	4,953,472	2,714,283
Retirement allowance liability <i>[note 9]</i>	372,236	382,671
<b>Total non-current liabilities</b>	<b>12,396,078</b>	<b>9,397,513</b>
<b>Net assets</b>		
Investment in capital assets <i>[note 10[a]]</i>	2,606,903	4,142,369
Unrestricted	13,079,439	9,027,111
<b>Total net assets</b>	<b>15,686,342</b>	<b>13,169,480</b>
	<b>31,803,028</b>	<b>27,428,662</b>

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director



Director



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## Thunder Bay International Airports Authority Inc.

### Consolidated Statement of Net Assets

Year ended December 31	2006			2005
	Investment			
	in capital			
	assets	Unrestricted	Total	Total
	\$	\$	\$	\$
	<i>[note 10]</i>			
<b>Net assets, beginning of year</b>	<b>4,142,369</b>	<b>9,027,111</b>	<b>13,169,480</b>	11,995,380
Excess (shortfall) of revenue over expenses	<b>(671,867)</b>	<b>3,188,729</b>	<b>2,516,862</b>	1,174,100
Net change in investment in capital assets	<b>(863,599)</b>	<b>863,599</b>	-	-
<b>Net assets, end of year</b>	<b>2,606,903</b>	<b>13,079,439</b>	<b>15,686,342</b>	13,169,480

See accompanying notes to the consolidated financial statements.

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## Thunder Bay International Airports Authority Inc.

### Consolidated Statement of Cash Flows

Year ended December 31	2006	2005
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	2,516,862	1,174,100
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization	770,265	577,689
Amortization of deferred capital contributions	(82,063)	(85,762)
	<b>3,205,064</b>	1,666,027
Net change in non-cash working capital balances related to operations <i>[note 11[a]]</i>	<b>(1,863,767)</b>	1,351,749
<b>Cash provided by operating activities</b>	<b>1,341,297</b>	3,017,776
<b>INVESTMENT ACTIVITIES</b>		
Purchase of capital assets <i>[note 11[b]]</i>	(10,767)	(2,457,934)
Purchase of investments, net	(1,262,035)	(808,887)
Deferred charges	(31,006)	-
<b>Cash used in investment activities</b>	<b>(1,303,808)</b>	(3,266,821)
<b>FINANCING ACTIVITY</b>		
Long-term debt proceeds, net of repayment	1,057,366	(160,894)
<b>Cash provided by (used in) financing activity</b>	<b>1,057,366</b>	(160,894)
<b>Increase (decrease) in cash and cash equivalents during year</b>	<b>1,094,855</b>	(409,939)
Cash and cash equivalents (bank indebtedness), beginning of year	(59,653)	350,286
<b>Cash and cash equivalents (bank indebtedness), end of year</b>	<b>1,035,202</b>	(59,653)

See accompanying notes to the consolidated financial statements.

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# **Thunder Bay International Airports Authority Inc.**

## **Notes to the Consolidated Financial Statements**

December 31, 2006

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### **GENERAL**

The Authority was incorporated without share capital on August 3, 1995, under the laws of Canada.

### **1. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements of the Authority have been prepared in accordance with Canadian generally accepted accounting principles. The more significant of these accounting policies are summarized below.

#### **Basis of consolidation**

The accompanying financial statements are prepared on a consolidated basis to include the accounts of the Authority and its subsidiaries, IFIDS.COM INC. which is 50% owned, and Thunder Bay Airports Services Inc., Sleeping Giant Enterprises Ltd. and Superior Aerospace Services Ltd. which are wholly-owned.

IFIDS.COM INC. has been written-down to its net realizable value.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances with banks and cash held in money market instruments with maturity dates of less than three months from the date they are acquired. They are recorded at the lower of cost or market value.

#### **Investments**

Investments are recorded at cost. When there has been other than a temporary decline in value of the investments, they are written-down to recognize the loss. Write-downs to reflect a loss in value are not reversed if there is a subsequent increase in value.

#### **Inventory and equipment held for sale**

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

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# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

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### Capital assets

Capital assets are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred.

Amortization is provided on the basis and at the rates below. It is expected these procedures will charge earnings with the cost of the capital assets over their estimated useful lives. Gain or loss on disposal of individual assets is recognized in earnings in the year of disposal.

Airside equipment	1/15 straight-line - salvage value 10%
Computer hardware	1/3 straight-line
Computer software	1/3 straight-line
Land development costs	1/30 straight-line
Leasehold improvements	1/5 straight-line
Office furniture and equipment	1/5 straight-line
Runway rehabilitation	1/15 straight-line
Security upgrades	1/5 straight-line
Vehicles and equipment	1/5 straight-line - salvage value 10%

### Deferred charges

Deferred charges related to land transfer tax are being amortized against earnings on a straight-line basis over 60 years. Deferred charges related to start-up costs associated with the Canadian Coast Guard Contract are being amortized against earnings on a straight-line basis over 3 years.

### Net investment in direct financing leases

Assets leased under terms which transfer substantially all the benefits and risks of ownership to customers are accounted for as direct financing leases. Income is recognized over the terms of the applicable leases in a manner that produces a constant rate of return on the lease investment.

### Revenue recognition

The Authority follows the deferral method of accounting for contributions, which includes government grants. Restricted contributions are reflected as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Sales and services revenue is recognized at point of sale or when the service has been provided.

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# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

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### Foreign currency translation

Foreign currency transactions entered into directly by the Authority are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates. Other balance sheet items are translated at historical exchange rates. Revenue and expense items are translated at average rates of exchange prevailing during the year. Any resulting exchange gains and losses are included in the statement of earnings in the current year. At year-end, monetary assets and liabilities denominated in U.S. dollars are translated using the exchange rate of U.S. \$1 = Cdn \$1.1659. Monetary assets and liabilities denominated in Swiss Francs are translated using the exchange rate of \$1 Swiss Franc = Canadian \$0.957.

### 2. NET INVESTMENT IN DIRECT FINANCING LEASES

Net investment in direct financing leases consists of the following:

	2006	2005
	\$	\$
Total minimum lease payments	<b>1,950,563</b>	1,979,512
Unearned lease revenue	<b>(213,563)</b>	(242,512)
	<b>1,737,000</b>	1,737,000
Less current portion	-	(193,000)
<b>Non-current portion</b>	<b>1,737,000</b>	1,544,000

Under the terms of each lease, the lease term is a twelve-month period from the commencement day of the lease. The lessee has the option to renew the lease for a further term of twelve months for a maximum of four renewals. The rent is set at 5% of the base price repayable over twelve months. The lessee may purchase the equipment at the end of any lease term for the base price less all renewal principal payments paid.

# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

### 3. CAPITAL ASSETS

Details of year-end capital asset balances are as follows:

	2006		2005	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Airside equipment	2,540,594	497,509	2,097,922	334,379
Computer hardware	404,336	380,495	399,476	364,746
Computer software	258,283	258,285	258,283	258,280
Land	679,367	-	679,367	-
Land development costs	3,721,014	246,870	3,721,621	123,435
Leasehold improvements	2,292,108	1,049,930	2,921,061	852,638
Office furniture and equipment	132,307	89,606	82,052	80,795
Runway rehabilitation	3,785,566	326,986	3,028,837	102,160
Security upgrades	2,941,330	-	412,474	-
Vehicles and equipment	2,088,663	1,795,788	2,531,077	1,775,106
	<b>18,843,568</b>	<b>4,645,469</b>	16,132,170	3,891,539
<b>Capital assets, net</b>		<b>14,198,099</b>		12,240,631

Amortization for the year is \$753,930 [2005 - \$571,689].

### 4. DEFERRED CHARGES

Deferred charges are represented by Land Transfer Tax payable as a result of the lease signed with Transport Canada [see note 7[a]] and deferred start-up costs related to the Canadian Coast Guard Contract.

	2006 \$	2005 \$
Cost	391,006	360,000
Less accumulated amortization	64,335	48,000
<b>Deferred charges, net</b>	<b>326,671</b>	312,000

Amortization for the year is \$16,355 [2005 - \$6,000].

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# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

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### 5. BANK INDEBTEDNESS

#### TD Canada Trust

The Authority has available a demand operating loan of \$550,000 bearing interest at the bank's prime lending rate plus 0.25% per annum. As collateral, the Authority has provided a general security agreement representing a first floating charge subject to the Ministry of Transport's first position on all assets except accounts receivable, chattel paper, document of title, instrument and money.

### 6. DUE TO THE MUNICIPALITY OF RED LAKE

The balance due to the Municipality of Red Lake is comprised of the following:

	2006	2005
	\$	\$
Red Lake Airport Revenue Trust Account	175,905	91,880
Red Lake Airport accounts receivable	78,062	80,025
Advances due to the Municipality of Red Lake	(298,901)	(206,171)
	<b>(44,934)</b>	<b>(34,266)</b>

# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

### 7. LONG-TERM DEBT

[a]	2006 \$	2005 \$
<b>Transport Canada</b>		
Under the terms of the Ground Lease, payable in three equal annual instalments of \$581,451, interest-free, beginning January 1, 2006 [see note 7[b]].	1,744,352	1,744,352
<b>Ontario Ministry of Finance</b>		
Payable in five equal annual instalments, interest-free, beginning January 1, 2011.	360,000	360,000
<b>TD Canada Trust</b>		
Term loan, repayable monthly in instalments of \$10,000 plus interest and stamping fee at 0.60% per annum [4.9% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 5 and a fixed charge on the airside equipment and assignment of insurance.	600,000	720,000
Term loan, repayable in monthly instalments of \$2,925 plus interest and stamping fee at 0.60% per annum [4.9% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 5.	178,125	213,225
Demand loan, repayable monthly in instalments of \$27,000 plus interest and a stamping fee of 0.60% per annum [4.9% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 5 and a fixed charge on specific equipment and assignment of insurance.	2,943,000	2,700,000
<b>Carried forward</b>	<b>5,825,477</b>	<b>5,737,577</b>

# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

	2006 \$	2005 \$
<b>Brought forward</b>	<b>5,825,477</b>	5,737,577
<b>TD Canada Trust</b>		
Term loan, committed reducing term facility (multiple draw for a maximum of \$3,600,000), interest only repayable monthly at the applicable bankers' acceptance rate plus a stamping fee of 0.60% [4.93% at the year-end]. As collateral, the Authority has provided a general security agreement as described in note 5, a fixed charge on specific equipment and assignment of insurance, assignment of leases between the Authority and Marcel Boschung AG and an assignment of all equipment security agreements between the Authority and Marcel Boschung AG on specific equipment, maturing May 1, 2009.		
- Draw #1	855,000	855,000
- Draw #2	882,000	882,000
- Draw #3 [note 7(c)]	1,083,000	900,000
Demand loan repayable monthly in instalments of \$10,750 plus interest and a stamping fee of 0.60% per annum [4.9% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 5 and a fixed charge on specific equipment and assignment of insurance.	1,171,750	-
<b>Suzuki Canada Credit</b>		
Payable in 60 monthly payments of \$498 including interest at 1.90%, maturing February, 2007. A 2002 Suzuki Vitara has been pledged as security.	497	6,402
	<b>9,817,724</b>	8,380,979
Less amounts included in current liabilities	<b>2,854,499</b>	2,159,456
<b>Long-term portion</b>	<b>6,963,225</b>	6,221,523

# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

Principal repayments required over the next five years are as follows:

	\$
2007	2,854,499
2008	1,189,550
2009	608,100
2010	608,100
2011	680,100
Thereafter	3,877,375
	<u>9,817,724</u>

[b] The Authority is currently negotiating an amendment to Article 4 of the Ground Lease with Transport Canada. It is anticipated that debt repayable to Transport Canada will be forgiven.

[c] TD Canada Trust Draw #3 is secured specifically by equipment held for sale (2005 - Note receivable) and is included in the current portion of long-term debt.

### 8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of earnings.

	2006 \$	2005 \$
<b>Balance, beginning of year</b>	<b>2,714,283</b>	2,511,836
Contributions received during year	<b>2,321,252</b>	288,209
Amortization	<b>(82,063)</b>	(85,762)
<b>Balance, end of year</b>	<b>4,953,472</b>	<u>2,714,283</u>

# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

### 9. RETIREMENT ALLOWANCE LIABILITY

Under the terms of the transfer agreement with Transport Canada, the Authority assumed the Government of Canada's obligation to pay its former employees compensation upon retirement or termination in accordance with the collective agreements. The Authority has continued to record the liability in accordance with the agreements.

Information about the Authority's retirement allowance liability is as follows:

	2006 \$	2005 \$
<b>Balance, beginning of year</b>	<b>382,671</b>	386,308
Expense for the year	<b>42,049</b>	21,054
Benefits paid during the year	<b>(52,484)</b>	(24,691)
<b>Balance, end of year</b>	<b>372,236</b>	382,671

### 10. INVESTMENT IN CAPITAL ASSETS

[a] Investment in capital assets is calculated as follows:

	2006 \$	2005 \$
Capital assets at net book value	<b>14,198,099</b>	12,240,631
Amounts financed by:		
Deferred capital contributions	<b>(4,953,472)</b>	(2,714,283)
Long-term debt	<b>(6,637,724)</b>	(5,383,979)
	<b>2,606,903</b>	4,142,369

[b] Change in net assets invested in capital assets is calculated as follows:

	2006 \$	2005 \$
<b>Excess (shortfall) of revenue over expenses</b>		
Amortization of deferred capital contributions	<b>82,063</b>	85,762
Amortization of capital assets	<b>(753,930)</b>	(571,689)
	<b>(671,867)</b>	(485,927)

# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

[c] Net change in investment in capital assets:

	2006 \$	2005 \$
Purchase of capital assets	2,711,398	5,446,143
Amounts funded by:		
Capital contributions	(2,321,252)	(288,209)
Loan proceeds	(1,830,000)	(2,700,000)
Repayment of long-term debt	576,255	160,894
	<b>(863,599)</b>	2,618,828

### 11. STATEMENT OF CASH FLOWS

[a] The net change in non-cash working capital accounts related to operations is represented by the following:

	2006 \$	2005 \$
<b>Decrease (increase) in current assets</b>		
Accounts receivable	(95,000)	(79,663)
Inventory and equipment held for sale	(11,921)	25,384
Prepaid expenses	1,931	(14,325)
	<b>(104,990)</b>	(68,604)
<b>Increase (decrease) in current liabilities</b>		
Accounts payable	(1,787,119)	1,516,759
Due to the Municipality of Red Lake	10,668	(49,903)
Deferred revenue and security deposits	28,109	(42,866)
Retirement allowance liability	(10,435)	(3,637)
	<b>(1,758,777)</b>	1,420,353
	<b>(1,863,767)</b>	1,351,749

[b] During the year, capital assets were acquired at an aggregate cost of \$2,711,398 [2005 - \$5,446,143] of which \$2,321,252 [2005 - \$288,209] were funded by restricted contributions and \$379,379 [2005 - \$2,700,000] were funded by means of long-term debt. Cash payments of \$10,767 [2005 - \$2,457,934] were made to purchase capital assets.

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# Thunder Bay International Airports Authority Inc.

## Notes to the Consolidated Financial Statements

December 31, 2006

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### 12. LEASE COMMITMENTS

On September 1, 1997, the Authority entered into a sixty-year lease for the Thunder Bay Airport facilities with Transport Canada, with an option to renew for an additional twenty years.

Under Article 4 of the Ground Lease with Transport Canada, the Authority was to begin paying rent commencing January 1, 2006. Rent payments of \$581,451 as required under the current agreement were not made during 2006. The Authority is currently negotiating an amendment to Article 4 of the Ground Lease agreement. Under the proposed amendment, there is a change in the required lease calculation. Negotiations finalizing the amendment are still in progress.

### 13. PENSION PLANS

The Authority sponsors a pension plan on behalf of its employees which has defined benefit and defined contribution components.

The defined contribution component of the pension plan has only eight employees currently participating in it. Pension expense for the defined contribution plan is \$38,708.

The defined benefit component is for employees who were employees of the Authority on the date of transfer including former Transport Canada employees who may elect to transfer their entitlements under the Public Service Superannuation Plan to the Authority Plan. The Authority will inherit no unfunded pension plan liability from Transport Canada in respect of transferring employees who elect to transfer their entitlements to the defined benefit component of the plan. As of December 31, 2006, no assets have been transferred from Transport Canada.

Employer contributions amounted to \$181,805 and employee contributions amounted to \$48,482. Benefits paid to members of the plan in 2006 were \$20,000. The Authority has no accrued liability established at December 31, 2006. The Authority has an accrued benefit asset of \$44,000 at December 31, 2006.

Based on the actuarial valuation, the fair value of the entire plan assets and the accrued benefit obligation as of the most recent actuarial extrapolation at December 31, 2006 were \$3,280,000 and \$3,349,000, respectively leaving a deficit of \$69,000.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2006 are as follows:

Discount rate	5.25%
Expected long-term rate of return on plan assets	6.75%
Rate of compensation increase	4.00%

## 14. FINANCIAL INSTRUMENTS AND CREDIT RISK

### [a] Financial instruments

Management estimates that the fair values of all financial assets and liabilities are not materially different from their carrying value.

### [b] Credit risk

Credit risk is the risk that a counter party will fail to discharge its obligation to the Authority reducing the expected cash inflow from the company assets recorded at the balance sheet date. Credit risk can be concentrated in debtors that are similarly affected by economic or other conditions. A significant portion of the Authority's revenues and resulting receivable balances are derived from airlines. The Authority performs ongoing credit valuations of receivable balances and maintains provisions for potential credit losses. A significant asset, net investment in direct financing leases, is concentrated with one customer. The Authority has the ability to sell leased assets in the open market and recover the balance owing. Further, any loss on the disposition of the assets has been guaranteed by the lessee.

## 15. SUBSEQUENT EVENTS

### [a] Credit Facility Agreement

Subsequent to year-end, a new Credit Facility Agreement for Sleeping Giant Enterprises Ltd. was signed which contained changes to the debt repayment requirements. Under the new agreement, net principal repayments equal to 10% of original draw amounts for the Committed Revolving Loan are required as follows:

	\$
2007	206,300
2008	291,800
2009	291,800
2010	291,800
2011	291,800
Thereafter	1,446,500
	<u>2,820,000</u>

### [b] Direct Financing Leases

Subsequent to year-end, the Authority was re-negotiating the terms of the direct financing lease agreements to include an annual principal repayment requirement.

[c] Subsequent to year-end, the TD Canada Trust term loan of \$600,000 was repaid in full.

## 16. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

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## Thunder Bay International Airports Authority Inc.

### Consolidated Schedule of Revenue

Year ended December 31	2006	2005
	\$	\$
Airside	2,032,904	1,627,189
Industrial land leases	452,772	448,180
Miscellaneous	76,807	52,325
Parking and ground transportation	839,372	662,655
Terminal	2,820,154	2,378,964
	<b>6,222,009</b>	5,169,313
Revenue from business initiatives	802,687	732,521
	<b>7,024,696</b>	5,901,834

