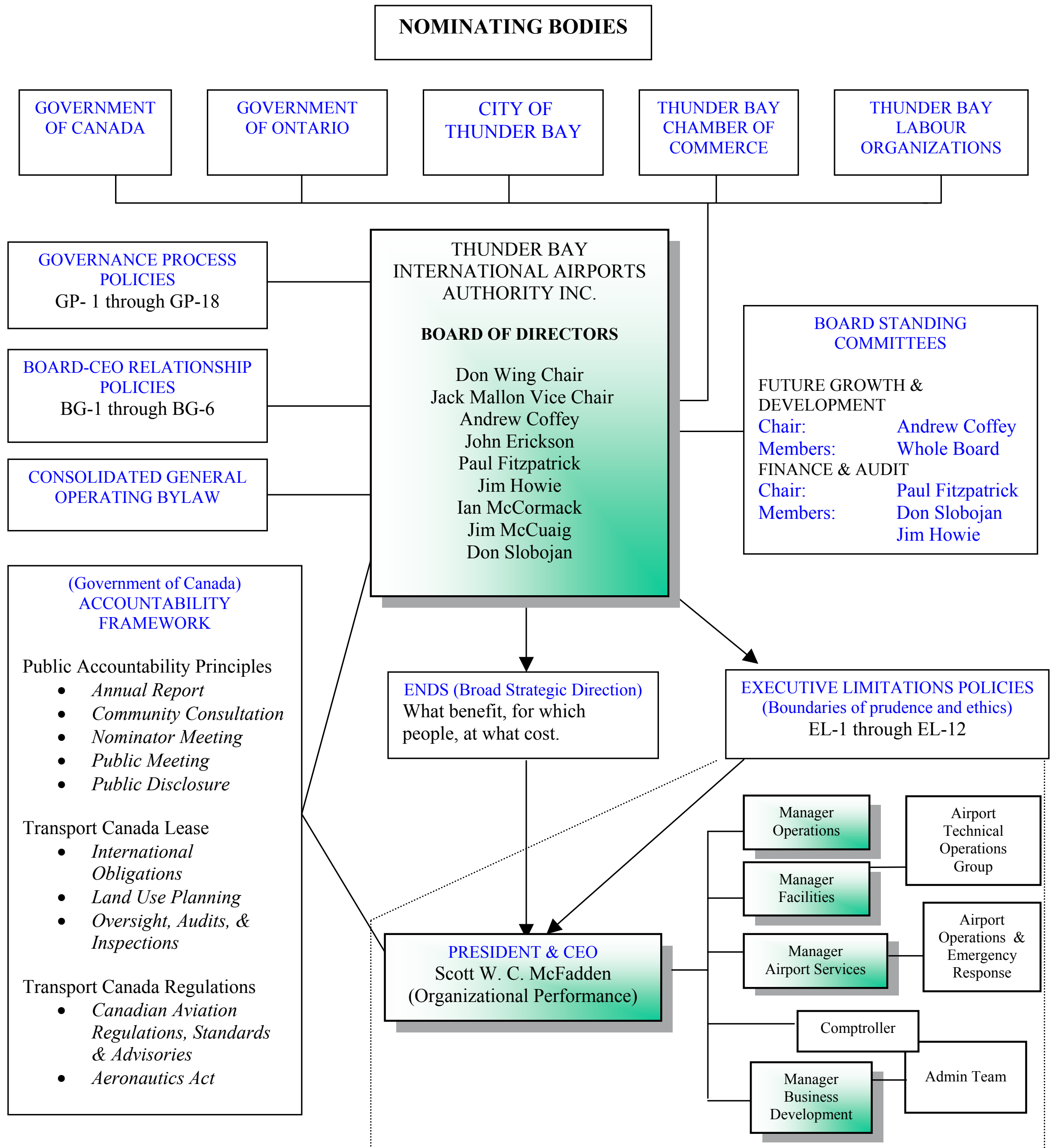
THUNDER BAY
International Airports Authority Inc.

2008 Annual Report

2009 TBIAA TEAM PHOTO

CORPORATE GOVERNANCE AND ACCOUNTABILITY FRAMEWORK



FROM THE TEAM

Thanks to our Customers

The Authority extends its thanks to all customers including passengers/meeters & greeters, air operators, subsidiary company clients, and all other patrons. The Board remains committed to providing a safe and efficient Airport for the Community, and pursuing every possible opportunity to promote economic development for the region.

Message from the Chair

On behalf of the Board I am pleased to present the Authority's annual report for the year 2008. At a time when there is much concern and speculation about crises in world economies, the Board remains optimistic in its view of the Airport, its ongoing success and the Authority's ability to assist in Northwestern Ontario's economic development.

Our Board believes that a long term view is paramount, especially in times of uncertainty. The Airport is a key catalyst for Thunder Bay and the region's economy. It is a critical part of a regional transportation infrastructure that impacts every other public and private sector organization either directly or indirectly.

A recent report by R.P. Erickson and Associates that was commissioned by the Board revealed that Thunder Bay International Airport Authority is responsible for over 2000 direct jobs and $190 million added GDP; the total impact is 4,864 jobs and total value added GDP of $540 million. We believe that Northwestern Ontario's future will include significant growth in the mining, health sciences and education sectors and it is essential that the region's air transportation infrastructure is responsive to the transportation needs.

Extension of the main runway is urgently needed in order to meet future regional needs and to address changes in regulations and the way airlines operate. The Authority has completed the design for a proposed 1,150 ft extension that would bring the total length of the main runway to 7,350 ft. Normally a community would hope to see a 12-25 year payback for this type of project. In this case Thunder Bay and region could expect payback in economic terms in 219 days! In addition, the project itself would generate 187 construction jobs. The Authority believes that the runway extension is an ideal stimulus project and is, truly, ready to go. This will require collaboration at multiple levels of government with the Airport.

Finally, we would like to extend our collective thanks to our Airport team --the employees, contractors, and businesses that keep the Thunder Bay International Airport operating smoothly and efficiently 365 days per year. We would also like to thank all our customers and clients. Thank you to Farrow Aviation, Wisk-Air Helicopters, and ActLabs for demonstrating confidence in Thunder Bay and the Airport by building and expanding in 2008.

Don Wing, Chair
April 29th 2009

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TBIAA Board of Directors 2008

The Thunder Bay International Airports Authority Inc. (Authority) is a not-for-profit corporation incorporated under the Canada Corporation Act. Members of the Board of Directors are community leaders nominated by government and non-government organizations. Each members brings to the Authority a wealth of knowledge and experience.

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.

The Board's corporate activities in 2008 included extending linkages within the Community with the goal of furthering economic development for the Airport and the region.

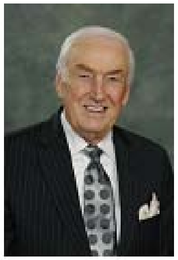
The Board recognizes the importance of the Thunder Bay International Airport to the region and will continue to work with Community groups in pursuit of the TBIAA's business development objectives and economic development in the region.

Board Membership

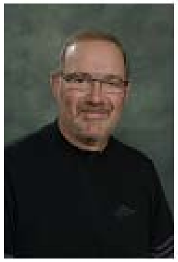
There were no changes to Board membership in 2008. Mr.. Don Wing and Mr. Jack Mallon continued as Chair and Vice Chair respectively.

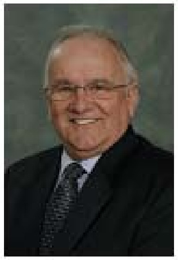
Board membership as of Jan 31st, 2008:

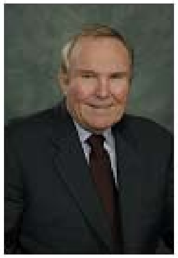
Director	Nominated by	Term Expiry
Ian McCormack	City of Thunder Bay	November 30, 2010
Andrew Coffey	Federal Government (Transport Canada)	October 1, 2009
Paul Fitzpatrick	Province of Ontario (Ministry of Transportation)	October 1, 2010
Jim Howie	Thunder Bay Labour (IBEW)	October 1, 2010
John Erickson	Federal Government (Transport Canada)	November 28, 2009
Jack Mallon (Vice Chair)	Thunder Bay Chamber of Commerce	October 1, 2009
Jim McCuaig	City of Thunder Bay	November 30, 2009
Don Slobojan	Thunder Bay Chamber of Commerce	October 1, 2010
Don Wing (Chair)	Thunder Bay International Airports Authority Inc.	October 1, 2009


Andy Coffey

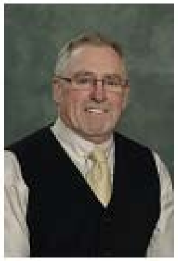

Don Wing (Chair)


Paul Fitzpatrick


Jack Mallon (Vice Chair)


John Erickson


Don Slobojan


Jim Howie


Ian McCormack


Jim McCuaig

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, 2008.

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 provided to each director for the period Jan 1, 2008 to Dec 31, 2008 was as follows:

Remuneration Paid to Directors 2008	
Andrew Coffey	$ 16,133.29
Paul Fitzpatrick	$ 15,933.29
Don Slobojan	$ 15,083.29
Jack Mallon	$ 16,933.29
Don Wing	$ 18,133.29
John Erickson	$ 13,683.29
Jim McCuaig	$ 13,683.29
Ian McCormack	$ 13,233.29
Jim Howie	$ 13,934.29

During 2008, 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 2008 salary for the senior officer of the corporation was $170,000.

The TBIAA did not enter into any contracts during the fiscal year ended December 31, 2008, 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, 2008 through to December 31, 2008 are included.

DATED this 7th Day of April 2009

Don Wing,
Chair

Paul Fitzpatrick,
Chair, Finance & Audit Committee

Mission Statement

(Ends Policy E-1)

Thunder Bay International Airports Authority exists so that 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 North-western Ontario.

Strategic Priorities

(Ends Policy E-2)

The Ends of the TBIAA 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.

2. Air service retention and development.

3. Retention and expansion of airport related businesses, and aerospace-related development.

Thunder Bay International Airport remains the only major airport in Canada that does not charge a departure fee. This results in direct savings to passengers of $20-$25 per flight.

The Authority

As a not-for-profit, non-government corporation, the Authority is focused on the safe and secure operation of the Airport and economic development for the region. The Authority has created unique revenue opportunities, innovative operating solutions and cost saving measures while maintaining excellent customer service and facilities at the third largest airport in Ontario.

The Authority has managed to do all of this effectively for the last 11 years while terminal user numbers have increased to over 1.8 million annually including approximately 650,000 passengers in 2008.

The operations and capital infrastructure of Thunder Bay Airport are 100% funded by the Authority and it has successfully operated with annual surpluses since 1997, generating net assets in excess of $20million, yet the Airport remains the lowest priced in Canada.

Since its inception the Authority Board has endeavored to operate a different kind of airport, an airport that in addition to providing safe air travel, offers additional value to the community it serves. The Board's

accomplishments over the past decade have been remarkable and have laid a foundation for further growth for the Airport to the benefit of Thunder Bay and Northwestern Ontario.

In an effort to keep airfares down and thereby stimulate business and tourism, the Authority embarked on an ambitious overhaul of its operations and diversification of its revenues. The Authority now operates for-profit subsidiary companies including iFIDS.com, Sleeping Giant Enterprises and Thunder Bay Airport Services, with clients across Canada, the US and the Caribbean. At last count, over 50 local businesses have benefited directly from these subsidiary activities.

Over the past decade the Authority has invested in the Airport operation to keep it safe and efficient. The Authority recently completed the implementation of a 5-year re-engineering of its air side operations. In pursuit of a new philosophy and approach to emergency response and airfield surface maintenance, these elements have been integrated and reorganized to effectively increase resource depth while improving safety proactively, enhancing customer service, and reducing costs.

Report on Operations

In 2008 the Authority continued to pursue its Ends via the strategic objectives articulated in the 2006 Business Plan Update. The 2009 Business Plan was drafted in the fall. The Business plan considers the economic downturn in terms of the region's economy and potential impact on the Airport and the Authority's financial condition.

In general the region's economy has suffered considerably over the past several years due to the forestry crisis. In recent years we have witnessed a transition toward mining and knowledge-based businesses largely associated with education and health care.

In short, the economy associated with the Airport and the Authority's business has not experienced the "boom-times" of other regions so simply put, doesn't have as far to fall. In addition the education and health care sectors are accounting for a greater percentage of air transportation related commerce and tend to be less prone to the boom and bust cycles.

The Authority's focus remains on the safe, secure and efficient operation of the Thunder Bay International Airport, and leveraging the Airport and the Authority's expertise to create economic development opportunities for the region.

Highlights for the year included the introduction of Ottawa non-stop flights, more frequent availability of the larger regional jets including business class. The Authority's air service development strategy has become a key asset to the Community's economy having successfully attracted WestJet several years ago, additional service from Air Canada Jazz in 2007 and 2008 and most recently adding Porter Airlines, Thunder Bay being Porter's only planned new market for 2009.

In 2005, over $4million was invested in primary runway rehabilitation and the Authority is currently completing the design and engineering work necessary to extend the runway from its current 6200' to 7400' as part of a plan to meet both new regulations and the growth in air traffic. Should the Authority decide to go ahead with this project, it will represent a significant investment in critical transportation infrastructure and will benefit the entire regional economy in terms of business growth potential, job creation, and air safety enhancements.

Financial Results

Revenue grew by 3.5% while total operating expenses increased by approximately 6%. During the first three quarters of 2008 inflationary pressures pushed prices for fuel, utilities, materials and supplies higher. This, combined with training and wage costs associated with the Authority's building of future organizational capability, was responsible for the increase in expenses. The Authority considers the costs associated with organizational rebuilding a necessary investment in the future. One sign that the strategy is already paying dividends is the reduction in Contracted maintenance costs.

The TBIAA earned $896,009 in 2008 and

generated over $4 million in cash which was used to pay down debt, make a lump-sum payment to the defined benefit pension plan, purchase equipment as part of the Authority's fleet renewal program, purchase a small hangar on the field, and make a contribution to the investment portfolio.

The turmoil in the stock markets resulted in a net loss on the income statement with the Authority's investments performing better that the markets and common benchmarks, but still resulting in a loss for the year. The Authority is confident however that the portfolio is well positioned for the recovery.

Revenue from Business Initiatives was down marginally, largely reflective of a significant sale in SGE Ltd. that was not completed until January 09.

Consolidated total net assets dropped slightly as a result in the market value adjustment of investments. This represents the first drop in net assets since 1997. For further details please refer to the financial statements and notes included in this report.

Activities

Trillium Response

In support of Trillium Response approximately 136 soldiers, weapons and ammunitions and the Heavy Urban Search and Rescue Team (HUSAR) arrived at the Airport on November 20th 2008 assisted by the Canadian Forces new CC-177 Globemaster III. This impressive aircraft touched down abeam the Bravo taxiway and exited the runway on the Charlie taxiway. Less than 500 metres!

Trillium Response is a multi-jurisdictional disaster response exercise developed by Emergency Management Ontario (EMO) and the Canadian Forces. In addition to the HUSAR several other teams participated in the Thunder Bay exercise including the Ontario Emergency Medical Assistance Team, Superior North Emergency Medical Services, St. John Ambulance, the Red Cross, Salvation Army, City Fire, City Police, Toronto Heavy Urban Search And Rescue Team, the Manitoba Urban Search and Rescue Team, and others.

SAREX 2008 Thunder Bay

Each year, the Search and Rescue community conducts an exercise called SAREX to develop rescue cooperation, test alerting and notification systems, and cross-train in rescue procedures and techniques in the event of a large-scale search and rescue operation. This year the SAREX was conducted from Thunder Bay, ON between 22 – 28 September. Civil Air Search and Rescue Association (CASARA) participated with five (5) teams in the SAREX along with the following teams:

442 Squadron
435 Squadron
424 Squadron
413 Squadron
103 Squadron
417 Squadron
439 Squadron
444 Squadron
CASARA (5 teams)
39 Rescue Squadron
304 Rescue Squadron
United States Coast Guard

CASARA was represented with teams from Yarmouth, NS; Ottawa, ON; North Bay, ON; Thunder Bay, ON; and Winnipeg, MB. All teams participated in a CASARA Search Event that included searching for up to 10 targets, doing an ELT aerial homing and ground homing. This was the first time that CASARA was judged on conducting a ground homing during the exercise. It proved to be a challenging part of the search event will continue to be part of any future National SAREX.

This is the first time SAREX has been held at a civilian airport, and the Authority is grateful to the organizers and participants and trust they enjoyed their time in our Community.

Developments

Farrow Construction was the first company to take advantage of the Authority's Community Improvement Zone and build a beautiful new hangar on one of the last remaining lots in the Apron 6 area of the Airport. The Authority joined Farrow Construction in celebrating the grand opening of Farrow Aviation on December 5th.

Also breaking ground in the fall was Wisk Air with the planned expansion of its helicopter/mining logistics operations base. The Authority moved subsurface infrastructure, in this case a 25kva electrical conduit, to facilitate the design and construction of the hangar expansion.

The Authority also began design work for a multi-client aviation complex expected to accommodate the expansion of other Thunder Bay-based aviation companies in the near future.

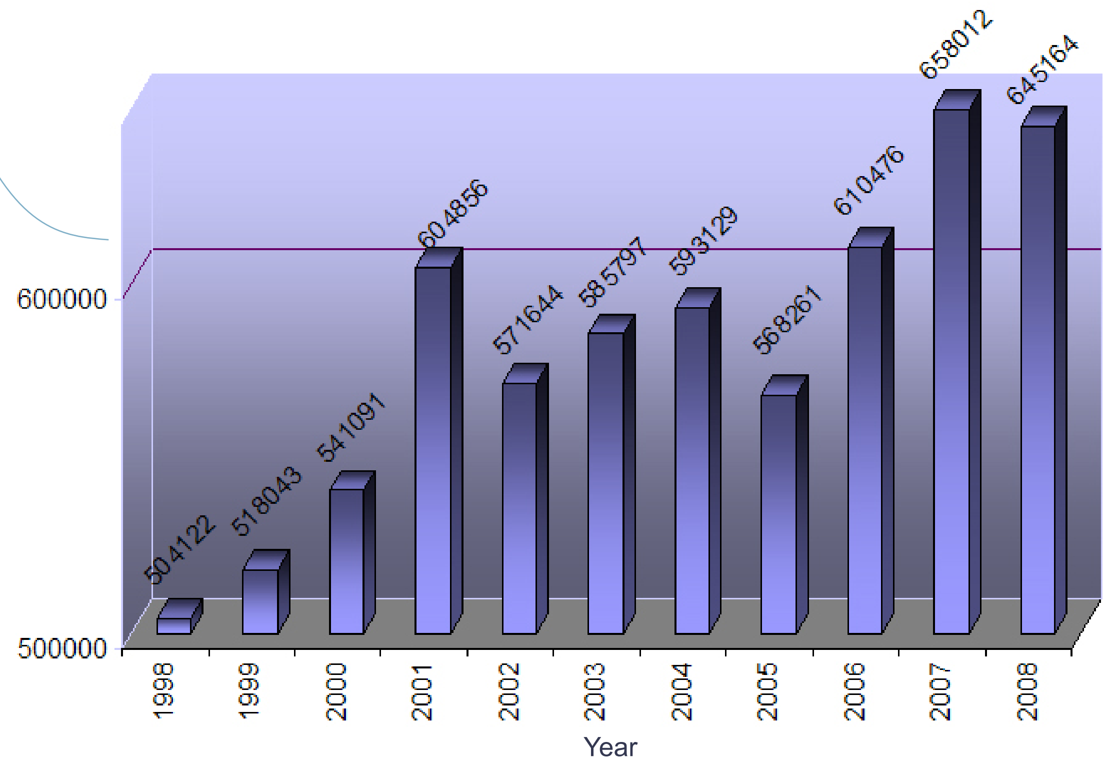
The Authority continues to pursue opportunities to expand both aviation and non-aviation business expansion at the airport and to this end was successful in securing a zoning amendment that removed some of the development restrictions on Airport lands identified for commercial development.

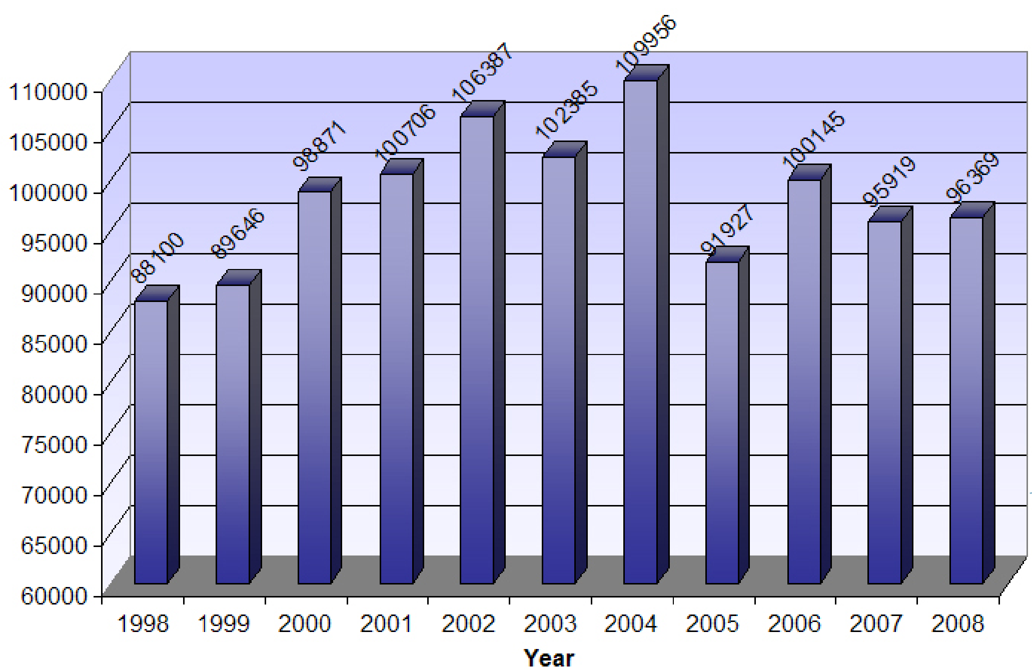
Passenger Volumes

Despite the beginning of a national economic downturn in 2008, Thunder Bay's passenger volumes remained stable.

Passenger volumes reached their second highest level in airport history in 2008, reaching 645,164.

Passenger volume shrank by a negligible 0.02% in 2008 compared with 2007 volumes, a difference that can be attributed to exceptional May 2007 volumes associated with convocation for the "double cohort" undergraduate class in universities and colleges across Ontario.





Aircraft Movements

Similarly, aircraft movements also avoided the effects of the economic malaise in 2008. Traffic rose by 0.05% comprised of stable air carrier schedules and growth in military activity associated with the SAREX exercise in October.

Grant Thornton

Consolidated Financial Statements

Thunder Bay International Airports Authority Inc.

December 31, 2008

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Auditors' Report

Grant Thornton LLP
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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, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Thunder Bay, Canada
March 3, 2009

Chartered Accountants
Licensed Public Accountants

GrantThornton

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Earnings

Year ended December 31	**2008**	2007
	$	$
REVENUE *[schedule]*	**8,117,941**	7,845,352
EXPENSES		
Direct		
Advertising and promotion	**82,506**	67,636
Benefits	**377,896**	345,643
Contracted maintenance	**291,645**	396,891
Contracted services	**426,942**	394,347
Equipment rentals	**3,958**	2,399
Federal rent	**6,824**	61,608
Interest on long-term debt	**106,738**	139,368
Materials and supplies	**658,082**	501,653
Office and administration	**59,168**	62,244
Professional and consulting fees	**236,208**	200,806
Purchased repairs	**183,878**	138,218
Salaries	**2,027,411**	1,898,574
Telephone	**34,263**	31,173
Training and meetings	**50,786**	24,017
Travel	**69,079**	40,820
Utilities	**404,725**	342,342
	5,020,109	4,647,739
Indirect		
Amortization	**1,491,442**	1,277,932
Bad debts	**3,945**	22,826
Directors' fees	**129,251**	130,283
Payment in lieu of property taxes	**321,948**	306,616
Insurance	**169,131**	184,049
Interest and bank charges	**27,159**	25,768
Interest on long-term debt	**58,947**	194,393
	2,201,823	2,141,867
Total expenses	**7,221,932**	6,789,606
Earnings before the following	**896,009**	1,055,746
Realized earnings (loss) on investments	**(105,028)**	862,663
Fair market value adjustment	**(1,699,569)**	(555,774)
Amortization of deferred capital contributions *[note 10]*	**703,973**	539,970
Restructuring of Transport Canada debt *[note 11]*	**-**	1,744,352
Income of IFIDS.COM INC.	**(35,233)**	22,030
Excess (shortfall) of revenue over expenses	**(239,848)**	3,668,987

See accompanying notes to the consolidated financial statements.

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Thunder Bay International Airports Authority Inc.
Consolidated Balance Sheet

As at December 31	**2008**	2007
	$	$
ASSETS		
Current		
Cash and cash equivalents	**1,573,378**	920,133
Accounts receivable	**714,196**	1,773,210
Inventory, at cost	**85,387**	87,763
Prepaid expenses	**124,402**	121,411
Current portion of net investment in direct financing leases *[note 3]*	**1,351,000**	193,000
Total current assets	**3,848,363**	3,095,517
Property and equipment, net *[note 4]*	**13,808,663**	13,660,803
Other		
Investments	**12,902,560**	14,227,727
Net investment in direct financing leases *[note 3]*	**-**	1,351,000
Deferred charges *[note 5]*	**-**	10,336
Accrued benefit asset *[note 16]*	**411,000**	61,000
Investment in IFIDS.COM INC. *[note 6]*	**(13,203)**	22,030
Total other assets	**13,300,357**	15,672,093
	30,957,383	32,428,413
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	**654,623**	798,436
Due to the Municipality of Red Lake *[note 7]*	**112,149**	79,549
Current portion of long-term debt *[note 9[a]]*	**1,931,000**	1,719,500
Deferred revenues and customer deposits	**1,205,400**	64,853
Total current liabilities	**3,903,172**	2,662,338
Non-current		
Security deposits	**24,130**	23,230
Long-term debt *[note 9[a]]*	**2,201,180**	4,001,673
Deferred capital contributions *[note 10]*	**4,067,620**	4,771,593
Retirement allowance liability *[note 12]*	**431,570**	400,020
Total non-current liabilities	**6,724,500**	9,196,516
Net assets		
Investment in property and equipment *[note 13[a]]*	**7,087,863**	5,795,037
Unrestricted	**13,241,848**	14,774,522
Total net assets	**20,329,711**	20,569,559
	30,957,383	32,428,413

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director   Director

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Net Assets

Year ended December 31			**2008**	2007
	Investment in property and equipment	**Unrestricted**	**Total**	Total
	$ *[note 13]*	$	$	$
Net assets, beginning of year	**5,795,037**	**14,774,522**	**20,569,559**	15,686,342
Excess (shortfall) of revenue over expenses	**(789,140)**	**549,292**	**(239,848)**	3,668,987
Net change in investment in property and equipment	**2,081,966**	**(2,081,966)**	**-**	-
Fair market value adjustment for adoption of financial instruments	**-**	**-**	**-**	1,214,230
Net assets, end of year	**7,087,863**	**13,241,848**	**20,329,711**	20,569,559

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	**2008**	2007
	$	$
OPERATING ACTIVITIES		
Excess (shortfall) of revenue over expenses	**(239,848)**	3,668,987
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Restructing of Transport Canada debt	**-**	(1,744,352)
Amortization	**1,491,442**	1,277,932
Amortization of deferred capital contributions	**(703,973)**	(539,970)
Increase in accrued benefit asset	**(350,000)**	(61,000)
Increase in retirement allowance liability	**31,550**	27,784
Interest added to long-term debt	**12,007**	11,514
Fair market value adjustment	**1,699,569**	555,774
Income of IFIDS.COM INC. *[note 6]*	**35,233**	(22,030)
	1,975,980	3,174,639
Net change in non-cash working capital balances related to operations *[note 14[a]]*	**2,088,633**	(158,184)
Cash provided by operating activities	**4,064,613**	3,016,455
INVESTMENT ACTIVITIES		
Purchase of property and equipment *[note 14[b]]*	**(1,628,966)**	(216,028)
Purchase of investments, net	**(374,402)**	(835,874)
Cash used in investment activities	**(2,003,368)**	(1,051,902)
FINANCING ACTIVITY		
Repayment of long-term debt	**(1,408,000)**	(2,079,622)
Cash used in financing activity	**(1,408,000)**	(2,079,622)
Increase (decrease) in cash and cash equivalents during year	**653,245**	(115,069)
Cash and cash equivalents, beginning of year	**920,133**	1,035,202
Cash and cash equivalents, end of year	**1,573,378**	920,133

See accompanying notes to the consolidated financial statements.

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, and Thunder Bay Airport Services Inc., Sleeping Giant Enterprises Ltd. and Superior Aerospace Services Ltd. which are wholly-owned. IFIDS.COM INC. which is 50% owned has been accounted for using the equity basis.

Investments in which the Authority has the ability to exercise significant influence but does not have control are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to reflect the Authority's share of income or loss. When there is a loss in the value that is other than a temporary decline, the investment is written-down to recognize the loss.

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 classified as held-for-trading and recorded at fair market 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.

Thunder Bay International Airports Authority Inc.
Notes to the Consolidated Financial Statements
December 31, 2008

Property and equipment

Property and equipment 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 property and equipment 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
Land transfer tax	1/60 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 and collectability is reasonably assured. Annual license fees and product support are recognized over the period of service. Lease revenue is recognized in the period in which it was earned.

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 consolidated 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 $1.2246. Monetary assets and liabilities denominated in Swiss Francs are translated using the exchange rate of $1 Swiss Franc = Canadian $0.8717. Monetary assets and liabilities denominated in Euros are translated using the exchange rate of €1 = Cdn. $1.7046.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported value of assets and liabilities and the disclosure of contingent assets and liabilities. The reported amounts and note disclosure are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. However, actual results may differ from the estimates used in the financial statements.

Financial instruments

The Authority has classified cash as held-for-trading, receivables as loans and receivables, investments as held-for-trading, and accounts payable, deferred revenues and customer deposits, security deposits, and long-term debt as other financial liabilities.

2. FUTURE ACCOUNTING CHANGES

Capital disclosures

In December, 2006, the CICA issued Section 1535, "Capital Disclosures". The new Section specifies the disclosure whether the entity has complied with any capital requirements and if it has not complied, the conseqences of such non-compliance. The new standard is effective for fiscal years beginning on or after August 1, 2008 and will impact the company's reporting periods beginning on or after October 1, 2008. The company does not expect the new standard will have a material impact on the financial statements.

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3. NET INVESTMENT IN DIRECT FINANCING LEASES

Net investment in direct financing leases consists of the following:

	2008 $	2007 $
Total minimum lease payments	**1,364,300**	1,728,476
Unearned lease revenue	**(13,300)**	(184,476)
	1,351,000	1,544,000
Less current portion	**(1,351,000)**	(193,000)
Non-current portion	**-**	1,351,000

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, and is currently in its final renewal term. The rent was set at 5% of the base price repayable over twelve months. In 2007, the lease was renegotiated to include rent equal to the base price times the interest rate of the Airport's banker's acceptance rate and stamping fee plus 2.5% adjusted monthly. The agreements were also amended to include a renewal principal repayment equal to 10% of the base price due payable on the anniversary of the commencement date in order to extend the lease term. The lessee may purchase the equipment at the end of any lease term for the base price less all renewal principal payments paid.

4. PROPERTY AND EQUIPMENT

Details of year-end property and equipment balances are as follows:

	2008		2007	
	Cost $	**Accumulated amortization** $	Cost $	Accumulated amortization $
Airside equipment	**3,299,115**	**805,666**	2,540,596	570,377
Computer hardware	**399,316**	**357,646**	371,064	337,488
Computer software	**263,389**	**259,134**	263,389	258,709
Land and land transfer tax	**1,002,291**	**33,686**	1,077,242	30,624
Land development costs	**3,741,297**	**494,153**	3,721,014	370,615
Leasehold improvements	**3,027,930**	**1,486,348**	2,357,551	1,240,278
Office furniture and equipment	**149,448**	**111,816**	134,281	100,622
Runway rehabilitation	**3,787,036**	**836,972**	3,785,566	582,300
Security upgrades	**3,183,786**	**1,114,300**	3,183,595	477,539
Vehicles and equipment	**2,314,288**	**1,859,512**	2,104,632	1,909,575
	21,167,896	**7,359,233**	19,538,930	5,878,127
Property and equipment, net	**13,808,663**		13,660,803	

Amortization for the year is $1,481,106 [2007 - $1,267,597].

5. DEFERRED CHARGES

Deferred charges are represented by deferred start-up costs related to the Canadian Coast Guard Contract.

	2008 $	2007 $
Cost	**31,006**	31,006
Less accumulated amortization	**31,006**	20,670
Deferred charges, net	**-**	10,336

Amortization for the year is $10,336 [2007 - $10,335].

6. INVESTMENT IN IFIDS.COM INC.

[a] The Authority's 50% interest in IFIDS.COM INC. is accounted for using the equity method.

	2008 $	2007 $
Balance, beginning of year	**22,030**	-
Advances	**-**	306,675
Net income for the year	**(35,233)**	22,030
Prior years deficit	**-**	(51,188)
	(13,203)	277,517
Valuation allowance	**-**	(255,487)
Balance, end of year	**(13,203)**	22,030

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[b] Financial information of IFIDS.COM INC. is as follows:

	2008 $	2007 $
Balance Sheet		
Total assets	**240,813**	357,922
Total liabilities	**369,594**	416,237
Net assets	**(128,781)**	(58,315)
Authority's share of deficit	**(64,391)**	(29,158)
Income Statement		
Sales	**276,309**	354,468
Cost of sales	**78,290**	130,148
	198,019	224,320
Expenses	**275,554**	185,923
Interest and other income	**7,069**	5,662
Earnings for the year	**(70,466)**	44,059
Authority's share of net income	**(35,233)**	22,030

7. DUE TO THE MUNICIPALITY OF RED LAKE

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

	2008 $	2007 $
Red Lake Airport Revenue Trust Account	**168,760**	161,632
Red Lake Airport accounts receivable	**75,482**	93,343
Advances due to the Municipality of Red Lake	**(356,391)**	(334,524)
	(112,149)	(79,549)

8. 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 [3.75% at year-end]. 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.

9. LONG-TERM DEBT

[a]

	2008 $	2007 $
Ontario Ministry of Finance		
$360,000 interest-free loan, payable in five equal instalments commencing 2011, discounted using a 4.2% effective interest rate.	**292,430**	280,423
TD Canada Trust		
Term loan, repayable monthly in instalments of $27,000 plus interest and a stamping fee of 0.60% per annum [2.10% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 8 and a fixed charge on specific equipment and assignment of insurance.	**1,447,000**	1,771,000
Term loan, repayable monthly in instalments of $10,750 plus interest and a stamping fee of 0.60% per annum [2.10% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 8 and a fixed charge on specific equipment and assignment of insurance.	**913,750**	1,042,750
Term loan, committed reducing term facility (multiple draw for a maximum of $3,600,000), interest only payments monthly at the applicable bankers' acceptance rate plus a stamping fee of 0.60% [2.10% at the year-end]. Annual principal repayments of $98,000 and $85,500 for Draw #1 and Draw #2 respectively. Draw #3 repaid by a lump-sum payment of $67,000 and monthly payments of $5,000. As collateral, the Authority has provided a general security agreement as described in note 8, 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	**665,000**	760,000
- Draw #2	**686,000**	784,000
- Draw #3	**128,000**	1,083,000
	4,132,180	5,721,173
Less amounts included in current liabilities	**1,931,000**	1,719,500
Long-term portion	**2,201,180**	4,001,673

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[b] Principal repayments, based on the undiscounted cash flows required over the next five years, are as follows:

	$
2009	1,931,000
2010	1,908,750
2011	72,000
2012	72,000
2013	72,000
Thereafter	144,000
	4,199,750

[c] TD Canada Trust Draw #3 is secured specifically by equipment which was sold in 2007 and is included in the current portion of long-term debt. It is also secured by the investment portfolio held by the Authority. Draw #2 is secured by equipment which was sold subsequent to year-end and is included in the current portion of long-term debt. Both draws are also secured by a general security agreement.

10. DEFERRED CAPITAL CONTRIBUTIONS

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

	2008 $	2007 $
Balance, beginning of year	**4,771,593**	4,953,472
Contributions received during year	**-**	358,091
Amortization	**(703,973)**	(539,970)
Balance, end of year	**4,067,620**	4,771,593

11. RESTRUCTURING OF TRANSPORT CANADA DEBT

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.

During 2007, the Government of Canada amended the Authority's Ground Lease effective January 1, 2006 and included the restructuring of the debt. The amended Ground Lease requires that the Airport calculate base rent and participation rent based on annual Airport revenues. The debt has therefore been brought into income in 2007.

12. 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:

	2008 $	2007 $
Balance, beginning of year	**400,020**	372,236
Expense for the year	**31,550**	27,784
Benefits paid during the year	**-**	-
Balance, end of year	**431,570**	400,020

13. INVESTMENT IN PROPERTY AND EQUIPMENT

[a] Investment in property and equipment is calculated as follows:

	2008 $	2007 $
Property and equipment at net book value	**13,808,663**	13,660,803
Amounts financed by:		
Deferred capital contributions	**(4,067,620)**	(4,771,593)
Long-term debt	**(2,653,180)**	(3,094,173)
	7,087,863	5,795,037

[b] Change in net assets investment in property and equipment is calculated as follows:

	2008 $	2007 $
Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	**703,973**	539,970
Amortization of property and equipment	**(1,481,106)**	(1,267,597)
Interest added to long-term debt	**(12,007)**	(11,514)
	(789,140)	(739,141)

Thunder Bay International Airports Authority Inc.
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[c] Net change in investment in property and equipment:

	2008 $	2007 $
Purchase of property and equipment	**1,628,966**	574,119
Amounts funded by:		
Capital contributions	**-**	(358,091)
Repayment of long-term debt	**453,000**	2,079,622
Restructuring of long-term debt	**-**	1,744,352
	2,081,966	4,040,002

14. STATEMENT OF CASH FLOWS

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

	2008 $	2007 $
Decrease (increase) in current assets		
Accounts receivable	**1,059,014**	(1,054,568)
Inventory, at cost	**2,376**	877,950
Prepaid expenses	**(2,991)**	25,620
	1,058,399	(150,998)
Increase (decrease) in current liabilities		
Accounts payable	**(143,813)**	(22,739)
Due to the Municipality of Red Lake	**32,600**	34,615
Deferred revenues and customer deposits	**1,140,547**	(19,162)
Security deposits	**900**	100
	1,030,234	(7,186)
	2,088,633	(158,184)

[b] During the year, property and equipment were acquired at an aggregate cost of $1,628,966 [2007 - $574,119] of which $nil [2007 - $358,091] were funded by restricted contributions and $nil [2007 - $nil] were funded by means of long-term debt. Cash payments of $1,628,966 [2007 - $216,028] were made to purchase property and equipment.

15. COMMITMENTS

During 2007, the Airport executed the amended Transport Canada Ground Lease which replaces the previous calculation that was largely based on passenger traffic with one that is based on revenue. Ground rent will be calculated as a percentage or revenue using an escalating percentage of Airport Revenue which has the following ranges; 0% for revenue below $5 million, 1% for revenue between $5 and $10 million, 5% for revenue between $10 and $25 million, 8% for revenue between $25 and $100 million, 10% for revenue between $100 and $250 million, and 12% for revenue in excess of $250 million.

16. 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 $28,579.

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, 2008, no assets have been transferred from Transport Canada.

Employer contributions amounted to $448,000 and employee contributions amounted to $68,000. Benefits paid to members of the plan in 2008 were $35,000. The Authority has an accrued benefit asset of $411,000 at December 31, 2008.

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, 2008 were $3,121,000 and $2,917,000 respectively, leaving a surplus of $204,000.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2008 are as follows:

Discount rate	5.50%
Expected long-term rate of return on plan assets	6.50%
Rate of compensation increase	4.00%

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17. FINANCIAL INSTRUMENTS

[a] Financial instruments

The fair values of cash and cash equivalents, accounts receivables, and accounts payable are not materially different from their carrying values due to the short-term nature of these financial instruments. The fair value of investments and long-term debt are reflected in the consolidated balance sheet.

[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 Authority assets recorded at the balance sheet date. Credit risk can be concentrated 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 provision for potential credit losses.

[c] Interest rate risk

The Authority is exposed to interest rate risk for certain of its financial assets and liabilities. Under the revolving terms of credit, the Authority may have short-term borrowings for working capital purposes, which would expose the Authority to fluctuations in short-term interest rates (borrowings in the form of prime rate loans in Canadian dollars).

[d] Foreign exchange risk

The Authority's foreign currency translation policy is described in note 1. The Authority does not enter into foreign currency futures and forward contracts to manage its exposure to foreign currency fluctuations.

18. COMPARATIVE FIGURES

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

Thunder Bay International Airports Authority Inc.
Consolidated Schedule of Revenue

Year ended December 31	2008	2007
	$	$
Airside	**2,272,931**	2,146,623
Industrial land leases	**569,061**	476,054
Miscellaneous	**173,637**	137,125
Parking and ground transportation	**1,028,482**	942,795
Terminal	**3,118,935**	3,187,785
Federal rent recovery	**41,791**	17,581
	7,204,837	6,907,963
Revenue from business initiatives	**913,104**	937,389
	8,117,941	7,845,352

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