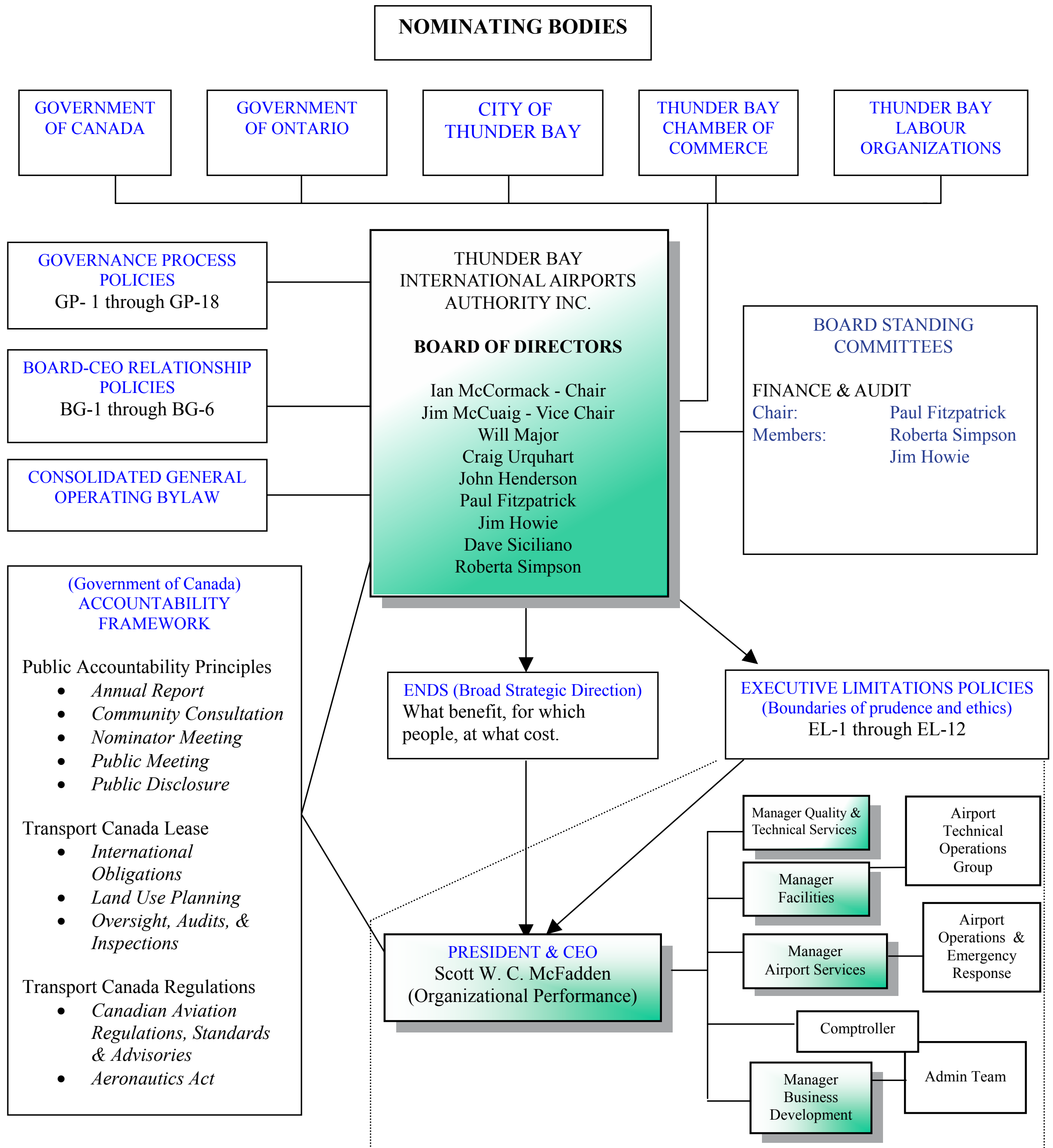
ANNUAL REPORT 2013

THUNDER BAY Airport

CORPORATE GOVERNANCE AND ACCOUNTABILITY FRAMEWORK



MESSAGE FROM THE CHAIR

On behalf of the Board of Directors of the Thunder Bay International Airports Authority, I am very pleased to present the Authority's Annual Report for the year 2013.

The Thunder Bay International Airports Authority exists so there will be air related transportation for Thunder Bay and the region of Northwestern Ontario and to be a major contributor to the economic health and growth of the region. The focus of our Board and the staff of TBIAA is the safe, secure and efficient operation of the airport, at the same time leveraging the Airport and Authority's expertise and energy to create economic development opportunities in the region. Our airport is a key economic catalyst for Thunder Bay and Northwestern Ontario and we take a long-term view in the management and development of this critical asset to our region.

In 2013 we continued to experience growth at the airport, the number of passengers, daily flights, and the expansion of aviation related businesses.
As reported last year we updated our economic contribution report in 2012 and once again we are pleased to share with you that the Airport and related activities continues to generate approximately 5000 full time jobs, half a billion dollars in GDP for the City of Thunder Bay, and $356 million in annual tax revenues. As important as these positive results are, we continue to provide safe, efficient, and cost effective aviation operations and facilities to the travelling public, aviation businesses, and all those connected to and using this infrastructure. We will continue to be leaders in the airport industry in Canada by focusing on our core business and at the same time challenge the pressures from many corners to add to the cost of air travel, which is a key economic enabler in our region.

At the time of this annual report, it is disappointing to acknowledge the coming departure of United Airlines service from our community. Participating and competing in the global economy is very dependent on being able to move people, products, and information in and out of our region in a timely and cost effective manner…..and with that in mind, the TBIAA will strive to regain and retain links to the US, and will be reaching out to the broader community for help in doing so.

The Board would like to acknowledge the passing of our colleague and former Chair Don Wing this past July. Don is missed, and served the community and the TBIAA with distinction, integrity and energy.

And in closing, the Board of TBIAA would like to say thank you to our airport team, our CEO and staff, our customers, contractors, suppliers, and businesses that keep the Airport operating safely and efficiently day in and day out.

Ian McCormack, Chair
April 18, 2014

Table of Contents

TBIAA Board of Directors 2013

The Thunder Bay International Airports Authority Inc. (TBIAA) is a non share capital corporation incorporated under the Canada Corporation Act. Members of the Board of Directors are community leaders nominated by government and non-government organizations.

The Board has overall responsibility for the management of the affairs of the TBIAA, and the Corporation is fortunate to have attracted Board members who offer a wealth of knowledge and experience. The Board has established an administrative procedure outlined in the TBIAA General Operating by-Law and Letters Patent.

The Board takes pride in the TBIAA's achievements in 2013 which included another record year in which approximately 780,000 passengers passed through the Thunder Bay International Airport. This represents an increase of 2.5% passengers compared to 2012.

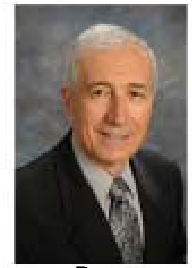
The Board recognizes the importance of the Thunder Bay International Airport as the Region's critical transportation infrastructure hub and will continue to develop and leverage the Airport for the benefit of the local and regional economies.

Board Membership

The Board would like to take this opportunity to acknowledge the sudden passing of Mr. Don Wing on Monday, July 8, 2013. Don served three terms on the Board through 2011, for a total of nine years, six years as Chair. Under Don's leadership the Board and TBIAA experienced great success.

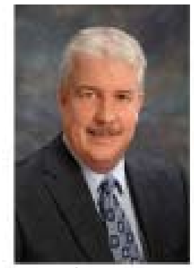
Don was a genuine leader in our community, volunteering for the Heart and Stroke Foundation, Thunder Bay Regional Health Sciences Centre (as the Chair of the Care Beyond Compare Campaign), Chair of the NWO Innovation Centre, and coached AAA hockey. Don will be missed.


Paul Fitzpatrick


Dave Siciliano


Jim Howie


Will Major


Craig Urquhart


John Henderson


Ian McCormack (Chair)


Roberta Simpson


Jim McCuaig (Vice Chair)

Board membership as of December 31st, 2013

Director	Nominated by	Term Expiry
Will Major	Federal Government (Transport Canada)	October 1, 2015
John Henderson	Federal Government (Transport Canada)	October 1, 2015
Paul Fitzpatrick (Audit Chair)	Province of Ontario (Ministry of Transportation)	October 1, 2014
Jim Howie	Thunder Bay Labour	October 1, 2016
Roberta Simpson	Thunder Bay Chamber of Commerce	October 1, 2016
Craig Urquhart	Thunder Bay Chamber of Commerce	October 1, 2015
Jim McCuaig (Vice Chair)	City of Thunder Bay	November 30, 2015
Dave Siciliano	City of Thunder Bay	November 30, 2016
Ian McCormack (Chair)	Thunder Bay International Airports Authority Inc.	October 1, 2015

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

Pursuant to Article 17 of the By-law 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, 2013.

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, 2013 to Dec 31, 2013 was as follows:

Paul Fitzpatrick	$	19,016.71
John Henderson	$	18,066.71
Jim Howie	$	16,466.71
Will Major	$	16,116.71
Ian McCormack	$	25,766.71
Jim McCuaig	$	19,316.71
Dave Siciliano	$	13,616.70
Roberta Simpson	$	18,866.71
Craig Urquhart	$	18,016.71

During 2013, 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 2013 salary for the Chief Executive Officer of the corporation was $188,496.

The TBIAA did not enter into any contracts during the fiscal year ended December 31, 2013, 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 Board has established the strategic direction for the TBIAA in the form of high level Ends policies. Management's business plans, budgets, strategic objectives, measures and milestones are designed to achieve the Ends. The Board approves the plans and budgets and monitors the performance of management against the strategic objectives, measures and milestones.

The TBIAA's Financial Statements and the Auditor's Report for the period January 01, 2013 through to December 31, 2013 are included in the annual statements section of this report.

DATED this 25th Day of March 2014

Ian McCormack,
Chair

Paul Fitzpatrick,
Chair, Finance & Audit Committee

TBIAA High Level Strategic Direction

Ends Policy E-1

Thunder Bay International Airports Authority Inc. exists so there will be air related transportation for Thunder Bay and the surrounding region. Secondary to this, the Airport also exists as a major contributor to regional economic growth.

Specifically, this includes:

1. Sustainable air services for Thunder Bay ensuring essential transportation needs are met.

2. Superior standards of safety and customer service at airports operated by the Authority.

3. Retention, development, and expansion of air services.

4. Economic development of the region.

   4.1 Thunder Bay becomes a centre for aerospace related activities including aviation manufacturing, maintenance, and training facilities.

   4.2 The Airport Authority becomes a stimulus for the development of small to medium size businesses reasonably using TBIAA assets to support this economic development.

At What Cost

"As the governance body, the Board recognizes that through this Ends Policy it is committing the use of resources to achieve the desired Ends (outcomes).

In support of achieving the desired Ends in a cost effective manner, the Board will identify the relative priorities within the Ends Policies, at a Board meeting by the end of June each year. These priorities will become assumptions in building the annual budget for the next year. The Ends of TBIAA shall be achieved on an annual and long term basis as planned for in the CEO Ends Interpretation and related business plan, and annual operating and capital budgets.

All Ends should be achieved at a reasonable cost and a reasonable fee for customers. The Board will review on an annual basis the overall envelope of resources to ensure sufficient resources exist to reasonably achieve the desired prioritized Ends.

Fees to customers should, in a defined and reasonable time frame, be set to:

1. *Provide a sustainable balanced budget, which meets net profit goals.*

2. *Provide an allocated reserve equal to or slightly greater than the amount designated in Board Policy.*

3. *Not cause undue hardship to customers resulting from sudden and major fee increases.*

Note: The above represents a summary of the TBIAA's Business Plan.

TBIAA Annual Report

FIRST OF ALL, KUDOS TO THE TBIAA TEAM. ANOTHER RECORD YEAR FOR THE THUNDER BAY INTERNATIONAL AIRPORT!

The Thunder Bay International Airport remains the lowest priced of Canada's National airports, and the only one with no airport improvement/passenger departure fees.

The Canadian air transportation industry creates jobs, both internal and external to the sector. These "externalities' mean the Thunder Bay International Airport is responsible for over $.57 Billion of GDP for the community, 5000 direct and indirect jobs and $356Million in taxes paid to three levels of government (based on 2011 data).

TBIAA paid the City of Thunder Bay $370,322 in (payments in lieu of) taxes in 2013 not including building permits and water/utility charges.

The annual benefit of a single daily 19-seat aircraft is 33 full time jobs, $1.5Million in Labour Income and $3.73Million of GDP.

The difference in transportation policy between Canada (take cash from airports) and the US and almost every other country (fund airports and infrastructure) remains a competitive disadvantage for Canada and Thunder Bay. Some headway, in the form of dialogue with the Federal Government, was achieved in 2013 however the competitive disadvantages for Canada remain unchanged. The only hand-out this industry is looking for is for government to get its hand out of the pockets of air travellers.

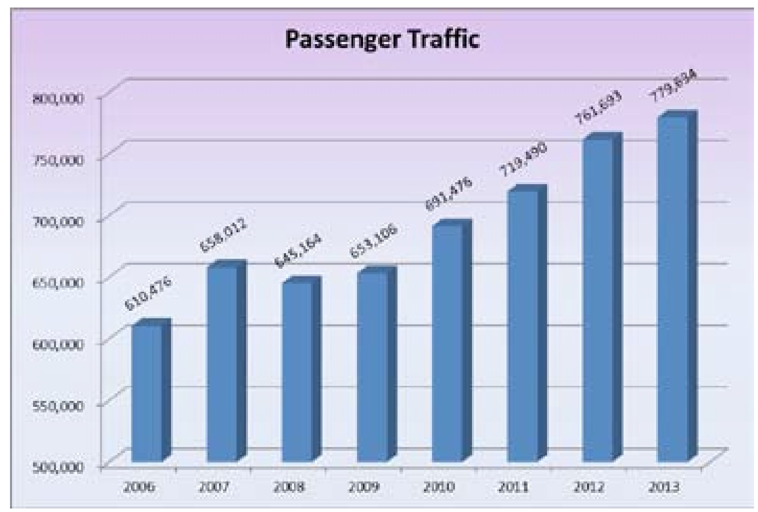
Scott McFadden,
President and Chief Executive Officer

Management Discussion

As a non-share capital, private corporation, the Thunder Bay International Airports Authority Inc. is focused on the safe and efficient operation of the Thunder Bay International Airport. The Board recognizes the Airport as a key contributor and catalyst for economic growth for the region. The Board has set the long term direction for the Corporation that seeks to leverage the success of the Airport to the benefit of the local and regional economy.

2013 was another record year in terms of passenger volumes, revenues, and earnings. Several important projects were also completed including the creation of the new General Aviation area, extension of Taxiway 'H,' extension of Derek Burney Drive (creating new serviced airside accessible lots), the completion of the groundside expansion, and a bottom to top review of Airport signage and way-finding.

Just shy of 780,000 passengers and roughly 2.3 million meeters & greeters frequented the Airport in 2013, an increase of 2.5%. This is significant growth because it came despite a slight increase in average airfare costs.



The TBIAA has successfully operated with annual surpluses since 1997, generating consolidated net assets of close to $35 MM. The Airport's capital program is funded by a combination of operating cash and debt, TBIAA charges no passenger add-on fees and remains the lowest cost airport in the National Airport System.

Consolidated revenue grew by 5.4% while direct expenses increased by 2.4% largely due to Federal Rent and payroll. Indirect expenses decreased by 0.4%. Operating Earnings increased 11% to $1.9MM. Total excess of revenues over expenses was $4.1MM or 38.6% of revenues.

The TBIAA generated approximately $4.4 MM in cash which was used to fund, in part, the TBIAA's capital program. In 2013 this included the completion of both Phase II of the ground transportation and parking expansion project, addition of a fifth crosswalk in front of the Terminal Building, and other road refinements and appearance improvements. The north side commercial and General Aviation area expansion was also completed. The Authority was successful in securing up to $2.5Million from FedNor and NOHFC in support of the north side expansion which includes extensions to Derek Burney Drive, the "Hotel" taxiway, and the construction of a new light aircraft parking/storage area. We appreciate the support of our valued funding partners.

Cash was also reinvested to build the Airport capital reserve and consolidated total net assets grew to just under $35 MM, and increase of 13.4% over 2012. For further details please refer to the financial statements and notes included in this report.

TBIAA worked hard to return transborder air service to Thunder Bay and we were excited to welcome United Airlines on Valentine's Day 2013 with service to Chicago. Unfortunately profitability has not been sustainable, drive and fly traffic out of Minnesota continues and the suspension of transborder service will again leave Thunder Bay at a competitive disadvantage until the market can support such a service.

Upwards of 40,000 passengers per year drive to Duluth and Minneapolis (joining 5 million other Canadian passengers) to avoid paying the plethora of excise & regular taxes, surcharges, navigation fees, security fees and Federal Airport Rent added to or included in the price of air travel in Canada. Thunder Bay is unlikely to be able to support transborder service in the near term unless changes occur.

Business Planning

The TBIAA's Business Plan 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.

The 2013 Business Plan continued to pursue the Board's Ends. Key plan targets were substantially met in 2013. The 2014 Business Plan and updated Strategic Objectives/Milestones were drafted in the Fall, and along with the 2014 budget, approved by the Board in November.

The 2014 Business Plan contemplates an economic environment in which mining activity in the region is not as significant as in recent years. Manufacturing, health sciences, and a modest resurgence in the forestry sector will be the significant drivers of economic growth for the short to medium term. Altogether this means a flattening out of economic activity and likely commensurate moderation in the demand for air travel.

Activities

The TBIAA Team again achieved a perfect record with regard to airfield up time as there were zero runway closures in 2013 and only 2 cancellations due to airfield conditions. Congratulations to our operational teams for keeping airfield systems and surfaces serviceable in all weather and maintaining our enviable record of never closing the Airport due to winter conditions. Considering the severity of recent winters this is indeed a remarkable accomplishment.

Thunder Bay continues to be well served by Air Canada Jazz, Porter Airlines and WestJet, with Bearskin Airlines, Wasaya Airways, and Nakina Air Service continuing to network passengers within the region and the North. In addition, a good selection of sun-spot destinations available with WestJet flying weekly to Cancun, SunWing to Cuba, and Dominican Republic served by CanJet through Transat Holidays & Nolitours.

As our on-going program to keep the Terminal fresh and functional continues, we replaced most of the remaining seating and installed ceramic tile in the last remaining carpeted public areas on the second floor. Only the departure lounges now have carpet.

With several expansions to the parking lot and road system over the past few years, addition of a third bridge and several other modifications to the Terminal, it was time to review vehicle, pedestrian and passenger way-finding. This review resulted in the replacement and standardization of all signage. We recognize that English text is not necessarily the best way to communicate when our customers are travellers, potentially from other parts of the world, or from our culturally diverse region, so the use of text has been kept to a minimum.

In our older Terminal it is also vital to keep up with building systems to ensure reliability, efficiency and safety. Upgrades were made to standby electrical systems, escalators, and (outdoors) to airfield electrical installations. We also continued our program of replacing incandescent indoor and outdoor lighting with LED and other high efficiency technologies.

Economic Development

The Airport is an economic enabler. In our global economy, communities without reasonably priced scheduled air service have a competitive disadvantage and few growth opportunities. Air travel is dependent on high quality, safe and efficient airport facilities and services.

The economics of air travel continue to change. Communities that at one time could support scheduled air service are finding it difficult to maintain the demand, the “critical mass,” necessary to sustain scheduled air service. Thunder Bay is one of the most efficient airports but the threshold for sustainability, in terms of market size (population base) is getting larger and larger.

The key to long term success therefore is growth. The Airport can only grow if the regional economy and population grows. It is for this reason that the TBIAA spends a considerable amount of time and resources promoting not only the Airport, but the Community and region as well.

In addition to positioning the Airport as an efficient and low cost location for aviation business, and promoting the City’s advantages, TBIAA has actively created its own development opportunities. To a large extent these opportunities are pursued through our subsidiary companies.

TBIAA Subsidiary Companies

In addition to the jobs and modest economic activities they bring to the Community, TBIAA’s subsidiary companies diversify our business and broaden geographical opportunities. Customers include airlines and airports, hotels, municipalities and other government agencies across Canada, in the US, Caribbean and now Middle East. The activities of the subs provide new opportunities for employees and economic activity for TBIAA’s business partners, most of whom are based in Thunder Bay.

THUNDER BAY AIRPORT SERVICES

Thunder Bay Airport Services Inc.

TBAS offers airport-related consulting and management expertise in addition to financial administration services.

TBAS continues its successful relationship with the Municipality of Red Lake operating the Red Lake Airport. The Company has again been retained by the Government of the Northwest Territories to provide research, analyses and a report on airport governance/ ownership structures.

TBAS also continues to process over $6million annually in receivables for the Department of Fisheries and Oceans, Canadian Coast Guard Western Region.

iFIDS DISPLAYS • OPERATIONS • REVENUE

iFIDS.com

iFIDS.com is a 50% joint venture with Aviation Intertec Services Inc. The team created the world’s first internet-based flight information system in 1999 and the company continues a slow by self-capitalised expansion of products, capabilities and markets. iFIDS.com recently released new product upgrades and add-ons along with new technologies, and packaging of its suite of airport and airline solutions.

In 2013 the company expanded its reach, implementing its first solution outside of North America and the Caribbean, with a non-hosted FIDS solution for the Civil Airport Authority in Oman Jordan.

Also new in 2013, iFIDS.com was chosen by the Port Authority of New York to develop the bus arrival and departure information system for the New York City Bus Terminal. Its largest single project ever, iFIDS.com will handle more arrival and departure data than New York’s LaGuardia and JFK airports combined.

The company continues to be successful marketing its products and service to airlines, airports, hotels and now bus terminals.

SGE LTD.

SGE Ltd.

The Greater Moncton International Airport Authority took delivery of the second of three JetBrooms. JetBroom is the most advanced airport surface maintenance vehicle in existence, manufactured by Boschung AG and distributed and supported in Canada exclusively by SGE Ltd.

SGE clients include the Greater Moncton International Airport Authority, Fort McMurray Airport Authority, Greater Toronto Airport Authority, St. John's International Airports Authority, Red Lake Airport, Victoria Airport Authority and of course Thunder Bay International Airports Authority.

Safety Management

The TBIAA is a leader in the implementation of proactive safety methodologies at airports. Our computerized hazard identification, assessment, tracking and follow-up system has helped us better monitor and respond to identified hazards to prevent accidents.

While regulated safety management applies only to aircraft operations, the fundamentals of proactive safety management are being used to mitigate risks across all operations. Our continuous improvement practices mean we are always looking for ways to improve aviation safety, public safety and occupational safety, while reducing business risk.

TBIAA views risk from the perspective of its entire operation, recognizing that managing risk in one area, can have the unintended consequence of increasing risk in another area.

Similarly, compliance with outdated regulations (designed for the old world reactive methodology) without occasionally reviewing the potential for unintended consequences can leave the enterprise vulnerable to unnecessary risk. Transport Canada has mandated safety management, it is somewhat ironic therefore that onerous, conflicting and over prescriptive regulations have been identified as a risk.

Community Participation

TBIAA was proud sponsor in cash or in kind of the following key Community events in 2013:

- Northwestern Ontario Innovations Centre (Sponsorship $20,000)
- 2013 Canadian Masters Curling Championship Sponsorship
- City of Thunder Bay Mining Readiness Strategy
- St. Joseph's Mini Golf
- Bearskin Classic Hole Sponsorship
- Do or Dive Presenting Sponsor
- Lakehead Thunderwolves Yearbook
- "Be The Game" 21 Day Challenge to End Bullying
- Red Lake Turkey Run (Wasaya Airlines)
- Norseman Festival Red Lake
- Host & supply manpower for "Rock the Runway" – Norseman event
- Thunder Bay Bordercats baseball
- Fort City Kinsmen Comic Idol
- Thunder Bay Bluesfest
- MS Society 2013 Passion for Fashion event
- TBRHSI Ride for Dad fundraiser (top fundraiser)
- United Way Campaign - TBIAA & staff raise >$12,000 for the 2013 campaign
- Thunder Bay Miles with the Giant Marathon

In addition, TBIAA employees gave of their time and expertise in support of:

- Northwestern Ontario Aviation Heritage Centre
- Chamber of Commerce
- Canadian Airports Procurement Assoc.
- Confederation College Office Administrative Program Advisory Council
- Airport Managers' Congress of Ontario.
- Tbaytel
- Queen of Hearts Northern Cardiac Golf Tournament Organizing Committee
- Northwestern Ontario Visionary Awards Organizing Committee
- Thunder Bay Harbour Youth Services Car Rally
- Canadian Airport Council & CAC Operations Safety and Technical Affairs
- United Way

Thanks to our Partners and Customers

The Thunder Bay International Airports Authority extends thanks and appreciation to all of our business partners, and to our customers including passengers/meeters & greeters, air operators, airports, municipalities, and governments.

Each new year seems to bring with it a new and higher set of benchmarks for the Airport and 2013 was another record year. Many thanks to each and every member of the TBIAA Team and our service provider partners for your innovation, continuous improvement, and dedication to our customers.

Thunder Bay International Airport has never closed due to winter conditions!

Scott McFadden,
President and Chief Executive Officer

Grant Thornton

Independent Auditor's Report

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Thunder Bay, ON
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To the Directors of
Thunder Bay International Airports Authority Inc.

We have audited the accompanying consolidated financial statements of Thunder Bay International Airports Authority Inc., which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Thunder Bay International Airports Authority Inc. as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Thunder Bay, Canada
March 25, 2014

Chartered Accountants
Licensed Public Accountants

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Operations

Year ended December 31	2013	2012
	$	$
REVENUE *[schedule]*	**10,717,055**	10,383,679
EXPENSES		
Direct		
Advertising and promotion	**127,187**	127,396
Benefits	**555,139**	565,464
Contracted maintenance	**349,943**	360,375
Contracted services	**633,963**	620,385
Equipment rentals	**8,006**	16,079
Federal rent	**95,661**	54,932
Materials and supplies	**557,842**	520,474
Office and administration	**83,308**	54,752
Professional and consulting fees	**265,748**	366,673
Purchased repairs	**221,998**	269,352
Salaries	**2,684,648**	2,561,438
Telephone	**39,601**	38,362
Training and meetings	**71,389**	44,721
Travel	**67,932**	58,313
Utilities	**469,785**	424,706
	6,232,150	6,083,422
Indirect		
Amortization	**1,672,670**	1,652,641
Bad debts	**58**	44,240
Directors' fees	**153,367**	149,284
Payment in lieu of property taxes	**370,322**	352,688
Insurance	**145,634**	146,810
Interest and bank charges	**54,277**	47,758
Interest on long-term debt	**113,214**	125,526
	2,509,542	2,518,947
Total expenses	**8,741,692**	8,602,369
Earnings before the following	**1,975,363**	1,781,310
Realized earnings on investments	**1,104,064**	659,994
Fair market value adjustment	**1,015,024**	535,539
Gain on sale of property and equipment	**12,300**	-
Earnings of IFIDS.COM INC. *[note 5[b]]*	**25,295**	2,863
Excess of revenue over expenses	**4,132,046**	2,979,706

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Financial Position

As at December 31	2013	2012
	$	$
ASSETS		
Current		
Cash and cash equivalents	**253,193**	580,610
Accounts receivable *[note 2]*	**2,795,151**	1,283,218
Inventory, at cost	**88,637**	150,503
Prepaid expenses and deposits	**143,523**	360,894
Investment in IFIDS.COM INC. *[note 5[a]]*	**32,207**	6,912
Due from Marcel Boschung AG	**11,033**	-
Deposit	**20,000**	-
Total current assets	**3,343,744**	2,382,137
Property and equipment, net *[note 3]*	**22,976,027**	20,174,467
Other		
Investments *[note 4]*	**18,767,147**	16,662,365
Accrued benefit asset *[note 15]*	**1,425,000**	1,090,000
Total other assets	**20,192,147**	17,752,365
	46,511,918	40,308,969
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[note 7]*	**1,702,200**	1,721,218
Due to the Municipality of Red Lake	**120,306**	95,117
Due to Marcel Boschung AG	**-**	115,427
Interim construction demand facility *[note 8]*	**-**	1,117,000
Current portion of long-term debt *[note 9[a]]*	**544,699**	594,784
Deferred revenue	**133,065**	132,260
Total current liabilities	**2,500,270**	3,775,806
Non-current		
Security deposits	**34,080**	34,080
Long-term debt *[note 9[a]]*	**4,788,195**	3,308,771
Deferred capital contributions *[note 11]*	**3,845,757**	1,997,583
Retirement allowance liability *[note 10]*	**422,420**	403,579
Total non-current liabilities	**9,090,452**	5,744,013
Net assets		
Investment in property and equipment *[note 12[a]]*	**13,797,376**	13,156,329
Unrestricted	**21,123,820**	17,632,821
Net assets	**34,921,196**	30,789,150
	46,511,918	40,308,969

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Ian McCormack *Paul Fitzpatrick*

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

Year ended December 31			2013	2012
	Investment in property and equipment $ *[note 12]*	**Unrestricted** $	**Total** $	Total $
Net assets, beginning of year	**13,156,329**	**17,632,821**	**30,789,150**	27,809,444
Excess (shortfall) of revenue over expenses	**(1,586,626)**	**5,718,672**	**4,132,046**	2,979,706
Net change in investment in property and equipment	**2,227,673**	**(2,227,673)**	**-**	-
Net assets, end of year	**13,797,376**	**21,123,820**	**34,921,196**	30,789,150

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Cash Flows

Year ended December 31	2013	2012
	$	$
OPERATING ACTIVITIES		
Excess of revenue over expenses	**4,132,046**	2,979,706
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization	**1,672,670**	1,652,641
Amortization of deferred capital contributions	**(81,033)**	(222,101)
Increase in accrued benefit asset	**(335,000)**	(288,000)
Increase (decrease) in retirement allowance liability	**18,841**	(20,721)
Interest added to long-term debt	**7,289**	11,117
Fair market value adjustment	**(1,015,024)**	(535,539)
Gain on sale of property and equipment	**(12,300)**	-
Earnings of IFIDS.COM INC.	**(25,295)**	(2,863)
	4,362,194	3,574,240
Net change in non-cash working capital balances related to operations *[note 13[a]]*	**(1,372,180)**	(950,946)
Cash provided by operating activities	**2,990,014**	2,623,294
INVESTMENT ACTIVITIES		
Purchase of property and equipment *[note 13[b]]*	**(1,650,073)**	(1,291,484)
Purchase of investments, net	**(1,089,758)**	(646,595)
Proceeds on disposal of property and equipment	**17,350**	-
Cash used in investment activities	**(2,722,481)**	(1,938,079)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(594,950)**	(1,147,784)
Repayment of direct financing lease	**-**	380,000
Cash used in financing activities	**(594,950)**	(767,784)
Decrease in cash and cash equivalents during year	**(327,417)**	(82,569)
Cash and cash equivalents, beginning of year	**580,610**	663,179
Cash and cash equivalents, end of year	**253,193**	580,610

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.
Notes to the Consolidated Financial Statements
December 31, 2013

GENERAL

The Thunder Bay International Airports Authority Inc. (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 accounting standards for not-for-profit organizations. 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, 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 earnings 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.

Inventory

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, 2013

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 transfer costs	1/60 straight-line
Land development costs	1/30 straight-line
Leasehold improvements	1/5 straight-line
Office furniture and equipment	1/5 straight-line
Runway upgrades	1/15 straight-line and 1/30 straight-line
Security upgrades	1/5 straight-line
Vehicles and equipment	1/5 straight-line - salvage value 10%

Property and equipment acquired during the year, but not placed into use, are not amortized in the year of acquisition.

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 licence fees and product support are recognized over the period of service. Lease revenue is recognized in the period in which it was earned.

Financial instruments

Financial instruments

The Authority considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Authority accounts for the following as financial instruments:

- cash and cash equivalents
- accounts receivables
- investments
- bank indebtedness
- line of credit
- accounts payable and accrued liabilities
- long-term debt

A financial asset or liability is recognized when the Authority becomes party to contractual provisions of the instrument.

Measurement

Financial assets or liabilities obtained in arm's-length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the Authority is in the capacity of management in which case they are accounted for in accordance with financial instruments.

Financial assets and financial liabilities are subsequently measured according to the following methods:

Financial instrument	Subsequent measurement
Cash and cash equivalents	Amortized cost (which approximates fair value)
Accounts receivable	Amortized cost
Investments in publicly traded companies	Fair value (determined using closing prices)
Bank indebtedness	Amortized cost (which approximates fair value)
Line of credit	Amortized cost (which approximates fair value)
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

Derecognition

The Authority removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the consolidated statement of operations.

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 the statement of financial position exchange rates. Other statement of financial position 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 operations 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 $1.0636.

Management estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revisions. Many items in the preparation of these financial statements require management’s best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to earnings as appropriate in the year they become known.

Significant items subject to management estimates include:

Financial statement element	Management estimate
Accounts receivable	Allowance for doubtful accounts
Inventory	Obsolete inventory provision
Property and equipment	Asset useful lives

2. ACCOUNTS RECEIVABLE

	2013 $	2012 $
Trade	**1,370,101**	1,028,682
Allowance for doubtful accounts	**(47,426)**	(49,992)
Harmonized sales taxes receivable	**56,977**	79,808
Grants receivable	**1,415,499**	224,720
	2,795,151	1,283,218

3. PROPERTY AND EQUIPMENT

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

	Cost $	Accumulated amortization $	2013 Net book value $	2012 Net book value $
Airside equipment	**3,905,800**	**1,263,361**	**2,642,439**	2,723,372
Computer hardware	**236,405**	**207,952**	**28,453**	-
Computer software	**522,793**	**496,172**	**26,621**	46,588
Land and land transfer costs	**1,031,411**	**48,996**	**982,415**	985,477
Land development costs	**6,692,813**	**1,114,549**	**5,578,264**	3,193,818
Leasehold improvements	**10,162,789**	**3,545,002**	**6,617,787**	5,618,635
Office furniture and equipment	**251,147**	**149,518**	**101,629**	85,643
Runway upgrades	**9,804,051**	**3,174,553**	**6,629,498**	7,077,706
Security upgrades	**3,183,786**	**3,183,786**	**-**	-
Vehicles and equipment	**2,305,615**	**1,936,694**	**368,921**	443,228
	38,096,610	**15,120,583**	**22,976,027**	20,174,467

Amortization for the year is $1,672,670 [2012 - $1,652,641]. Included in property and equipment balances are $2,638,959 assets not being amortized as they are not in use.

4. INVESTMENTS

	2013 Cost $	2013 Market $	2012 Cost $	2012 Market $
Cash and cash equivalents	**471,438**	**471,519**	860,146	860,574
Fixed income	**7,580,256**	**7,646,413**	6,566,484	6,823,432
Equity	**8,459,023**	**10,649,215**	7,994,332	8,978,359
Total	**16,510,717**	**18,767,147**	15,420,962	16,662,365

5. INVESTMENT IN IFIDS.COM INC.

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

	2013 $	2012 $
Balance, beginning of year	**6,912**	4,049
Earnings for year	**25,295**	2,863
Balance, end of year	**32,207**	6,912

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

	2013 $	2012 $
Balance sheet		
Total assets	**411,467**	303,255
Total liabilities	**449,431**	391,808
Net assets	**(37,964)**	(88,553)
Authority's share of deficit	**(18,982)**	(44,277)
Earnings statement		
Sales	**504,475**	297,846
Cost of sales	**193,970**	57,894
	310,505	239,952
Expenses	**263,111**	233,645
Interest and other income	**3,195**	(582)
Earnings for year	**50,589**	5,725
Authority's share of net earnings	**25,295**	2,863

6. BANK INDEBTEDNESS

TD Canada Trust

The Authority has available a demand operating loan of $950,000 [2012 - $550,000] bearing interest at the bank's prime lending rate plus 0.5% per annum [3.50% at December 31, 2013]. 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. At December 31, 2013 advances of $10,000 [2012 - $nil] were outstanding.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013 $	2012 $
Accounts payable and accrued liabilities	**1,697,607**	1,709,206
Government remittances	**4,348**	5,306
Income taxes	**245**	6,706
	1,702,200	1,721,218

8. INTERIM CONSTRUCTION DEMAND FACILITY

	2013 $	2012 $
Interim demand facility (multiple draw) up to a maximum of $2,808,370, interest only payments monthly at the applicable banker's acceptance rate plus a stamping fee of 0.95% [2.17% combined at year-end], maturing December 31, 2013 by way of a committed term loan which will be payable over 20 years.	**-**	1,117,000

9. LONG-TERM DEBT

[a]

	2013 $	2012 $
Ontario Ministry of Finance $360,000 interest-free loan, payable in five equal instalments commencing 2011, discounted using a 4.2% effective interest rate.	**133,866**	198,743
Toronto-Dominion Bank Term loan repaid in the year.	**-**	151,000
Term loan repayable in monthly instalments of $10,750 plus interest and a stamping fee of 0.95% per annum [2.17% combined at year-end] maturing December 31, 2015. As collateral, the Authority has provided a general security agreement as described in note 6 and a fixed charge on specific equipment and assignment of insurance.	**268,750**	397,750
Term loan repayable in monthly instalments of $20,232 plus interest and a stamping fee of 0.95% per annum [2.17% combined at year-end] maturing January 31, 2015. As collateral, the Authority has provided a general security agreement as described in note 6 and a fixed charge on specific equipment, compensating balance in investments, and assignment of insurance.	**2,913,278**	3,156,062

9. LONG-TERM DEBT (CONTINUED)

[a]

	2013 $	2012 $
Term loan repayable in monthly instalments of $8,405 plus interest and a stamping fee of 0.95% per annum [2.17% combined at year-end], maturing January 1, 2015. As collateral, the Authority has provided a general security agreement as described in note 6 and a fixed charge on specific equipment, compensating balance in investments, and assignment of insurance.	**2,017,000**	-
	5,332,894	3,903,555
Less amounts included in current liabilities	**544,699**	594,784
Long-term portion	**4,788,195**	3,308,771

[b] Principal repayments are based on managment's intentions to renew terms loans under similar terms. The undiscounted cash flows required over the next five years, are as follows:

	$
2014	544,699
2015	544,699
2016	354,394
2017	343,644
2018	343,644
Thereafter	3,212,058
	5,343,138

10. 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:

	2013 $	2012 $
Balance, beginning of year	**403,579**	424,300
Expense for the year	**18,841**	31,206
Benefits paid during the year	**-**	(51,927)
Balance, end of year	**422,420**	403,579

11. 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 operations.

	2013 $	2012 $
Balance, beginning of year	**1,997,583**	1,994,963
Contributions received during year	**1,929,207**	224,721
Amortization	**(81,033)**	(222,101)
Balance, end of year	**3,845,757**	1,997,583

12. INVESTMENT IN PROPERTY AND EQUIPMENT

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

	2013 $	2012 $
Property and equipment at net book value	**22,976,027**	20,174,467
Amounts financed by:		
Deferred capital contributions	**(3,845,757)**	(1,997,583)
Interim construction demand facility	**-**	(1,117,000)
Long-term debt	**(5,332,894)**	(3,903,555)
	13,797,376	13,156,329

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

	2013 $	2012 $
Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	**81,033**	222,101
Amortization of property and equipment	**(1,672,670)**	(1,652,641)
Interest added to long-term debt	**(7,289)**	(11,117)
Gain on sale of property and equipment	**12,300**	-
	(1,586,626)	(1,441,657)

[c] Net change in investment in property and equipment:

	2013 $	2012 $
Purchase of property and equipment	**4,479,280**	2,516,205
Amounts funded by:		
Restricted contributions	**(1,929,207)**	(224,721)
Loan proceeds	**(900,000)**	(1,000,000)
Repayment of long-term debt	**594,950**	767,784
Disposal of property and equipment	**(17,350)**	-
	2,227,673	2,059,268

13. STATEMENT OF CASH FLOWS

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

	2013 $	2012 $
Decrease (increase) in current assets		
Accounts receivable	**(1,511,933)**	(307,914)
Inventory, at cost	**61,866**	666,297
Prepaid expenses and deposits	**217,371**	(222,746)
Due from Marcel Boschung AG	**(11,033)**	-
Deposit	**(20,000)**	-
	(1,263,729)	135,637
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**(19,018)**	(503,359)
Due to the Municipality of Red Lake	**25,189**	62,913
Due to the Marcel Boschung AG	**(115,427)**	(670,220)
Deferred revenue	**805**	36,583
Security deposits	**-**	(12,500)
	(108,451)	(1,086,583)
	(1,372,180)	(950,946)

[b] During the year, property and equipment were acquired at an aggregate cost of $4,479,280 [2012 - $2,516,205] of which $1,929,207 [2012 - $224,721] were funded by restricted contributions and $900,000 [2012 - $1,000,000] were funded by means of long-term debt. Cash payments and net proceeds of disposition of $1,650,073 [2012 - $1,291,484] were used to purchase property and equipment.

14. COMMITMENTS

The Authority has a Ground Lease with Transport Canada which calculates rent as a percentage of 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.

15. 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 14 employees currently participating in it.

Employer contributions amounted to $495,000 and employee contributions amounted to $37,000 in 2013. Benefit payments totalled $124,000 in 2013. The Authority has an accrued benefit asset of $1,425,000 at December 31, 2013 [2012 - $1,090,000].

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, 2013 were $6,887,000 and $6,748,000 respectively, leaving a deficit of $139,000.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2013 are as follows:

Discount rate	4.80%
Expected long-term rate of return on plan assets	6.50%
Rate of compensation increase	4.00%

The Authority pays into a defined contribution plan with Great-West Life for certain employees. During the year, the Authority made total payments of $148,396 to the plan which was recognized as an expense during the year.

16. FINANCIAL INSTRUMENTS

[a] Fair value

The fair values of cash and cash equivalents, accounts receivables, and accounts payable and accrued liabilities 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 statement of financial position.

[b] Credit risk

Credit risk is the risk that a third party will fail to discharge its obligation to the Authority reducing the expected cash inflow from the Authority assets recorded at the statement of financial position 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.

[e] Market risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Authority is exposed to other price risk through its investment quote in an active market.

The Authority mitigates price and concentration risk of these financial instruments by holding investment with three different investment management companies and managing the investment mix of Canadian, U.S. and International equities and fixed income bonds and preferred shares.

17. COMPARATIVE FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2013 consolidated financial statements.

Thunder Bay International Airports Authority Inc.
Consolidated Schedule of Revenue

Year ended December 31	**2013**	2012
	$	$
Airside	**3,052,526**	2,943,874
Industrial land leases	**667,557**	627,553
Miscellaneous	**154,211**	175,775
Parking and ground transportation	**1,548,447**	1,474,520
Terminal	**4,137,375**	3,883,674
Amortization of deferred capital contributions *[note 11]*	**81,033**	222,101
Federal rent recovery	**51,211**	32,702
	9,692,360	9,360,199
Revenue from business initiatives	**1,024,695**	1,023,480
	10,717,055	10,383,679

Included in revenue from business initiatives are net sales and commissions as follows:

	2013	2012
	$	$
Equipment sales revenue	**1,081,670**	1,861,000
Parts sales and other commissions	**39,631**	53,357
	1,121,301	1,914,357
Direct costs		
Cost of equipment	**959,693**	1,716,507
Parts	**33,839**	46,685
	993,532	1,763,192
Net sales and commissions	**127,769**	151,165

THUNDER BAY
Airport

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