Thunder Bay Port Authority
Financial Statements
For the year ended December 31, 2013

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Independent Auditor's Report

To the Board Members of Thunder Bay Port Authority

We have audited the accompanying financial statements of Thunder Bay Port Authority, which comprise the statement of financial position as at December 31, 2013, and the statements of comprehensive income, changes in equity 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Thunder Bay Port Authority as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Thunder Bay, Ontario
March 18, 2014

Thunder Bay Port Authority
Statement of Financial Position

As at December 31 (expressed in CAD $)	2013	2012
Assets		
Current		
Cash	$ 438,655	$ 404,470
Accounts receivable (Note 3)	506,915	536,910
Prepaid expenses	52,362	86,517
	997,932	1,027,897
Non-current		
Long term investments (Note 4)	17,593,136	18,022,496
Property, plant and equipment (Note 5)	21,794,685	20,845,523
	$ 40,385,753	$ 39,895,916
Liabilities and Equity		
Current		
Accounts payable and accrued liabilities	$ 779,910	$ 741,269
Provisions	30,083	29,332
Deferred rental income	79,148	57,544
	889,141	828,145
Equity		
Contributed surplus	27,711,964	27,711,964
Retained earnings	11,352,340	10,452,825
Accumulated other comprehensive income	432,308	902,982
	39,496,612	39,067,771
	$ 40,385,753	$ 39,895,916

On behalf of the Board:

P.S. Lamba, Director

D. D. O'Brien, Director

The accompanying notes are an integral part of these financial statements.

Thunder Bay Port Authority
Statement of Comprehensive Income

For the year ended December 31 (expressed in CAD $)	2013	2012
Operating revenues		
Terminal	$ 1,843,411	$ 1,998,229
Harbour	555,700	658,224
Harbour park	148,889	153,010
Intercity	51,012	60,477
	2,599,012	2,869,940
Expenses (Schedule)		
Terminal	680,661	734,558
Harbour and Harbour Park	104,116	150,891
Administrative	1,041,541	1,040,279
Intercity	45,480	48,558
	1,871,798	1,974,286
Earnings from operations before the following	727,214	895,654
Gain on sale of property	214,744	118,633
Payments in lieu of municipal taxes (Note 6)	(222,167)	(273,866)
Gross revenue charge (Note 7)	(65,470)	(72,198)
	654,321	668,223
Depreciation	(440,660)	(439,305)
Earnings from operations	213,661	228,918
Investment income	685,854	762,201
Earnings for the year	899,515	991,119
Other comprehensive income		
Items that may be reclassified subsequently to comprehensive income:		
Unrealized losses on available-for-sale financial assets arising during the year	(470,674)	(143,971)
Comprehensive income for the year	$ 428,841	$ 847,148

The accompanying notes are an integral part of these financial statements.

Thunder Bay Port Authority
Statement of Changes in Equity

For the year ended December 31, 2013 (expressed in CAD $)

	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	**Total**
Equity, January 1, 2012	$ 27,711,964	$ 9,461,706	$ 1,046,953	**$ 38,220,623**
Earnings for the year	-	991,119	-	**991,119**
Other comprehensive income	-	-	(143,971)	**(143,971)**
	-	991,119	(143,971)	**847,148**
Equity, December 31, 2012	27,711,964	10,452,825	902,982	**39,067,771**
Earnings for the year	-	899,515	-	**899,515**
Other comprehensive (loss)	-	-	(470,674)	**(470,674)**
	-	899,515	(470,674)	**428,841**
Equity, December 31, 2013	$ 27,711,964	$ 11,352,340	$ 432,308	**$ 39,496,612**

Thunder Bay Port Authority
Statement of Cash Flows

For the year ended December 31 (expressed in CAD $)	**2013**	2012
Cash flows from operating activities		
Earnings for the year	**$ 899,515**	$ 991,119
Items not involving cash		
Depreciation	**440,660**	439,305
Gain on sale of property	**(214,744)**	(118,633)
	1,125,431	1,311,791
Change in non-cash working capital balances (Note 9)	**125,146**	751,582
	1,250,577	2,063,373
Cash flows from investing activities		
Net increase in long term investments	**(41,314)**	(1,179,748)
Proceeds on sale of property	**241,395**	137,045
Purchase of property, plant and equipment	**(1,416,473)**	(1,478,364)
	(1,216,392)	(2,521,067)
Increase (decrease) in cash during the year	**34,185**	(457,694)
Cash, beginning of year	**404,470**	862,164
Cash, end of year	**$ 438,655**	$ 404,470

The accompanying notes are an integral part of these financial statements.

1. Nature and Purpose of Organization

The Thunder Bay Port Authority is a body corporate without share capital created under the Canada Marine Act effective July 1, 1999. The Port Authority is charged with the management and administration of the Port of Thunder Bay and is also responsible for initiating and supporting effective efforts on behalf of the Port and in the interests of national and regional trade and local economic and social objectives. The Port Authority's head office is located at 100 Main Street, Thunder Bay, Ontario, Canada.

2. Summary of Significant Accounting Policies

Statement of Compliance

The Thunder Bay Port Authority is classified as a Government Business Enterprise ("GBE"). As a GBE, the Port Authority is required to follow International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue by the Board of Directors on March 18, 2014.

Basis of presentation

These financial statements were prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets. The functional and presentation currency is the Canadian dollar, rounded to the nearest dollar.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Cash

Cash includes cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

2. Summary of Significant Accounting Policies (cont'd)

Accounts Receivable

Trade receivables and accruals are amounts due from customers in the ordinary course of business where collection is expected in one year or less. Trade receivables and accruals are classified as current assets. The Port Authority establishes an allowance for accounts where collection is doubtful as required under the Port Authority's credit and collection policies. Allowances for doubtful receivables are recorded as a reduction to earnings in the period the allowance is identified. Accounts that have been previously allowed for and ultimate collection is considered not likely are written off.

Property, Plant and Equipment

On initial recognition, property, plant and equipment is valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Port Authority.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, breakwaters, dredging and land reclamation contributed by the Government of Canada, which is not depreciated.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The carrying amount of replaced property, plant and equipment is derecognized as replaced. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

Depreciation is recognized in comprehensive income and is provided on a straight-line basis, commencing when the asset is available for use, using rates based on the estimated useful life of the asset. Depreciation rates are as follows:

Wharf, terminal, and other buildings	-	2 to 5%
Rail trackage	-	4%
Marine equipment and storage	-	5 to 15%
Automotive equipment	-	30%
Other equipment	-	5 to 20%
Harbour park	-	5%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Government Grants

Government grants are recognized at fair value when it is reasonably assured that the grant will be received and the Port Authority will comply with all attached conditions. Government grants relating to property and equipment are deducted from the cost therein and depreciation is recorded on a net basis.

2. Summary of Significant Accounting Policies (cont'd)

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognized when the amount of revenue can be reliably measured, collection is probable and when it is likely that the economic benefits associated with the transaction will flow to the Port Authority.

Terminal revenues include throughput, storage, and leasing revenue. Harbour park revenues include leasing revenue, while intercity revenues include berthage and leasing revenue. Throughput and storage revenues are recognized monthly based on goods handled and stored at Port facilities. Leasing revenue is recognized monthly on a straight line basis according to the lease agreements. Any lease revenues that have been prepaid by tenants have been recorded as deferred rental income. Berthage revenue is based on the period of time a vessel is docked. Harbour revenue from vessels entering the Port is based upon cargo volumes and is recorded at the time the vessels leave the port.

Financial Instruments

The Port Authority recognizes and measures financial assets and financial liabilities on the balance sheet when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a settlement date basis. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "held to maturity", "available-for-sale" or "other financial liabilities".

"Loans and receivables" are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. They are subsequently valued at amortized cost, which approximates fair value. Accounts receivable have been classified as "loans and receivables".

"Fair value through profit or loss" items are measured at fair value, both initially and subsequently. The related transaction costs are expensed when incurred. Gains and losses arising from changes in fair value of these instruments are recorded in net income. Cash has been classified as "fair value through profit or loss".

"Available for sale" assets are non-derivative financial assets that are designated as available for sale or are not categorized into any of the other categories described above. They are initially recognized at fair value plus transactions costs that are directly attributable to the acquisition. They are subsequently held at fair value with gains and losses arising from changes in fair value, except changes arising from interest calculated using the effective interest rate, being recognized in "other comprehensive income" when they have a quoted market price in an active market. Where there is a significant or prolonged decline in the fair value of an equity instrument, the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in earnings for the year. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable, in which case they are carried at cost. All of the long term investments have been classified as "available for sale".

2. Summary of Significant Accounting Policies (cont'd)

"Other financial liabilities" are non-derivative financial liabilities and include accounts payable and accrued liabilities. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently measured at amortized cost using the effective interest method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices, as appropriate, in the most advantageous active market for that instrument to which the Port Authority has immediate access.

Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Leases

A lease is an agreement whereby the Port Authority, the lessor, conveys to the tenant, the lessee, in return for a payment, or a series of payments, the right to use an asset, generally land and buildings, for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are retained by the Port Authority are classified as operating leases. Operating lease rentals are recognized on a straight-line basis over the period of the lease. Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. As at December 31, 2013, the Port Authority did not have any finance lease agreements.

2. Summary of Significant Accounting Policies (cont'd)

Asset Impairment Testing

The Port Authority performs impairment testing when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows, or cash generating units ("CGU's"). Where the asset does not generate cash flows that are independent from other assets, the Port Authority estimates the recoverable amount of the CGU to which the asset belongs. When the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount an impairment loss is recognized. Impairment losses are recognized as an expense immediately in profit or loss. An impairment charge is reversed if the asset's (or CGU's) recoverable amount exceeds it carrying value.

Provisions

Provisions are recognized when the Port Authority has a present obligation, legal or constructive, as a result of a past event, and it is probable that the Port Authority will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation for a period ending beyond one year, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect the Port Authority's best estimate at the reporting date.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities include the determination of the estimated useful life and potential impairment of property, plant and equipment and their components (Note 5), the determination of the allowance for doubtful accounts (Note 3 and 14), and the calculation of payments in lieu of taxes (Note 6). Actual results could differ from management's best estimates as additional information becomes available in the future.

Thunder Bay Port Authority
Notes to Financial Statements

December 31, 2013 (expressed in CAD $)

3. Accounts Receivable

	2013	2012
Trade receivables	$ **542,315**	$ 560,924
Allowance for doubtful accounts	**(35,400)**	(24,014)
	$ **506,915**	$ 536,910

4. Long Term Investments

	2013	2012
Cash balances in investment accounts	$ **647,405**	$ 3,998,128
Accrued interest	**239,423**	222,426
Bonds and debentures		
- maturing within one year	**5,083,984**	2,640,388
- maturing between 1 and 5 years	**6,332,649**	8,587,471
- maturing in more than 5 years	**5,289,675**	2,574,083
	$ 17,593,136	$ 18,022,496

The cost of investments held at December 31, 2013 is $16,844,668 (December 31, 2012 - $16,820,351).

The bonds and debentures, which are held in provincial and federal crown and corporate issues, have effective yields ranging from approximately 2.08% to 8.60%. Of the total long term investments of $17,593,136, the largest concentrations relate to Province of Ontario (20.0%), Bank of Montreal (13.4%) and Wells Fargo (10.9%).

December 31, 2013 (expressed in CAD $)

5. Property, Plant and Equipment

	Wharf, terminal and other buildings	Rail trackage	Marine equipment and storage	Automotive equipment	Other equipment	Harbour park	Breakwaters, dredging and land reclamation	Land	Total
Year Ended December 31, 2013									
Cost, beginning balance	$18,639,607	$ 1,311,594	$ 213,055	$ 291,999	$ 3,539,402	$ 539,063	$11,259,545	$ 739,525	$36,533,790
Additions, net of grants	1,274,746	132,004	-	-	9,723	-	-	-	1,416,473
Disposals	-	-	-	-	(8,526)	(33,413)	-	(23,406)	(65,345)
Cost, ending balance	19,914,353	1,443,598	213,055	291,999	3,540,599	505,650	11,259,545	716,119	37,884,918
Accumulated depreciation, beginning balance	13,051,036	960,294	213,055	289,810	687,364	486,708	-	-	15,688,267
Depreciation	261,385	19,399	-	2,189	149,306	8,381	-	-	440,660
Disposals	-	-	-	-	(8,526)	(30,168)	-	-	(38,694)
Accumulated depreciation, ending balance	13,312,421	979,693	213,055	291,999	828,144	464,921	-	-	16,090,233
Net Book Value	$ 6,601,932	$ 463,905	$ -	$ -	$ 2,712,455	$ 40,729	$11,259,545	$ 716,119	$21,794,685

Thunder Bay Port Authority
Notes to Financial Statements

December 31, 2013 (expressed in CAD $)

5. Property, Plant and Equipment (cont'd)

	Wharf, terminal and other buildings	Rail trackage	equipment and storage	Marine Automotive equipment	Other equipment	Harbour park	Breakwaters, dredging and land reclamation	Land	Total
Year Ended December 31, 2012									
Cost, beginning balance	$18,193,628	$ 1,285,838	$ 213,055	$ 291,999	$ 2,548,309	$ 561,338	$11,259,545	$ 740,314	$35,094,026
Additions, net of grants	445,979	25,756	-	-	991,814	-	-	14,815	1,478,364
Disposals	-	-	-	-	(721)	(22,275)	-	(15,604)	(38,600)
Cost, ending balance	18,639,607	1,311,594	213,055	291,999	3,539,402	539,063	11,259,545	739,525	36,533,790
Accumulated depreciation, beginning balance	12,699,448	941,335	213,055	281,978	635,489	497,845	-	-	15,269,150
Depreciation	351,588	18,959	-	7,832	51,875	9,051	-	-	439,305
Other adjustments	-	-	-	-	-	(20,188)	-	-	(20,188)
Accumulated depreciation, ending balance	13,051,036	960,294	213,055	289,810	687,364	486,708	-	-	15,688,267
Net Book Value	$ 5,588,571	$ 351,300	$ -	$ 2,189	$ 2,852,038	$ 52,355	$11,259,545	$ 739,525	$20,845,523

Thunder Bay Port Authority
Notes to Financial Statements

December 31, 2013 (expressed in CAD $)

6. Payments in Lieu of Municipal Taxes

Under the Constitution Act, 1867, the federal government is exempt from local taxation. Thunder Bay Port Authority is an agent of the federal government for the purposes of Section 28 (2)(a) of the Canada Marine Act. To recognize the services it receives from the Municipality, the Port Authority pays its fair share of the cost of local government. Payments are estimated in accordance with the provisions of the Payments in Lieu of Taxes Act. Accruals are re-evaluated each year and charges, if any, are made in the current period's financial statements based upon the best available information relating to valuation of property.

7. Gross Revenue Charge

The Port Authority is required to pay a gross revenue charge to the Minister of Transport equal to 2% of the calculated gross revenue, including investment income, for the fiscal year.

8. Pension Plan Expense

The Port Authority maintains a defined contribution pension plan for its full-time employees with more than six months of continuous service and part-time employees with more than two years of continuous service. Pension benefits are vested after two years of continuous membership in the plan. Pension expense is equal to the Port Authority's contribution for the year.

Pension expense of $51,181 for the year ($52,691 for the year ending December 31, 2012) is included in wages and benefits.

9. Statement of Cash Flows

Change in non-cash operating working capital balances is represented by the following:

	2013	2012
Accounts receivable	$ **29,995**	$ 818,528
Prepaid expenses	**34,155**	(45,385)
Accounts payable and accrued liabilities	**38,641**	24,329
Deferred rental income	**21,604**	(44,178)
Provisions	**751**	(1,712)
	$ **125,146**	$ 751,582

10. New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Port Authority, are as follows:

IAS 36 Impairment of Assets:

The IASB has amended disclosures required in relation to the recoverable amount for non-financial assets. The amendments:

- Require the disclosure of the recoverable amount of an asset (or CGU) only in periods in which impairment has been recorded or reversed in respect of that asset (or CGU)
- Expand and clarify the disclosure requirements when an asset's (CGU's) recoverable amount has been determined on the basis of fair value less disposal.
- Specifically requires the disclosure of the discount rate when an asset (or CGU) has been impaired (or impairment reversed) where the recoverable amount has been determined based on fair value less costs of disposal using a present value technique.

The additional disclosures in IAS 36 are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

IFRS 9 Financial Instruments:

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Port Authority is in the process of evaluating the impact of the new standard on the accounting for available-for-sale investments.

Thunder Bay Port Authority
Notes to Financial Statements

December 31, 2013 (expressed in CAD $)

11. Directors and Key Management Remuneration

In accordance with disclosure required by Section 37(3) of the Canada Marine Act, the following amounts were paid to directors and key management during the year:

		2013	2012
Gregory S. Arason, Chair		$ 21,050	$ 18,575
Pritim S. Lamba, Director		15,200	8,236
Edward Metzler, Director		1,500	13,200
David D. O'Brien, Director		18,700	17,500
Emilio F. Rigato, Director		6,600	-
Frederick J. Stille, Director		9,500	22,400
Murray J. Walberg, Director		13,700	-
Mark C.P. Wright, Director		8,288	12,174
Maria E. A. Hudolin, Director		-	2,904
Nicholas Pustina, Director		-	8,300
Tim Heney, Chief Executive Officer	- salary	178,509	173,009
	- benefits	23,578	23,089
Guy Jarvis, Harbour Master	- salary	125,408	119,433
	- benefits	13,739	13,554

12. Fair Value of Financial Instruments

The Port Authority applies a three-tier hierarchy framework for disclosing fair value of financial instruments, based on whether the inputs into the various valuation techniques are observable or unobservable. Observable techniques reflect market data obtained from independent sources, while unobservable inputs reflect management's assumptions. Changes in valuation techniques of financial instruments may result in transfers of assigned levels. The hierarchy of input is as follows:

Level I - Quoted prices in active markets for identical assets or liabilities;

Level II - Inputs other than quoted prices included in Level I that are observable, either directly or indirectly; and

Level III - Inputs that are not based on observable market data.

The available for sale investments of $17,593,136 are based on quoted prices and are therefore considered to be Level I. There has been no change in hierarchy levels during the year.

13. Classification of Financial Instruments

In thousands of dollars ($ '000)	Loans and Receivables		Fair Value Through Profit or Loss		Available for Sale		Other Financial Liabilities	
	2013	2012	2013	2012	2013	2012	2013	2012
Cash	$ -	$ -	$ 439	$ 404	$ -	$ -	$ -	$ -
Accounts receivable	507	537	-	-	-	-	-	-
Long term investments	-	-	-	-	17,593	18,022	-	-
Accounts payable	-	-	-	-	-	-	(780)	(741)
Total	$ 507	$ 537	$ 439	$ 404	$ 17,593	$ 18,022	$ (780)	$ (741)

December 31, 2013 (expressed in CAD $)

14. Nature and Extent of Risks Arising from Financial Instruments

The overall objective of the Port Authority is to set policies that seek to reduce risk from its financial instruments as far as possible without unduly affecting the organization's competitiveness and flexibility. This note presents information about the Port Authority's exposure to these risks, including its objectives, policies and processes for measuring and managing risk, and the management of capital. The primary risks identified by the management of the Port Authority include credit and market risk.

There have been no substantive changes in the Port Authority's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

Credit Risk

Credit risk is the risk of financial loss to the Port Authority if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Port Authority's accounts receivable and investments in bonds. The Port Authority's exposure to credit loss equates to the carrying amount of these financial instruments.

The Port Authority mitigates its potential credit risk from accounts receivable through credit evaluation, approval and monitoring processes. Furthermore, it evaluates the collectibility of accounts receivable and records an allowance for doubtful accounts, which reduces receivables to the amount management reasonably believes will be collected.

The following summarizes the industry concentration of accounts receivable credit risk:

	2013		2012	
Project Cargo	**$ 8,767**	**1.73%**	$ 15,184	2.83%
Shipping and transportation	**143,015**	**28.21%**	212,517	39.58%
Warehousing	**252,287**	**49.77%**	157,894	29.41%
Other	**102,846**	**20.29%**	151,315	28.18%
	$506,915	**100.0%**	$536,910	100.0%

The Port Authority mitigates its credit risk in respect of investments in bonds by adhering to investment policies that comply with the requirements of the Canada Marine Act and the Port Authorities Management Regulations. These requirements restrict bond investments to those that have a AA rating or better according to either Moody's Investors Service or Standard & Poor's. The Port Authority's investment brokers monitor the bond ratings to ensure the bonds held meet the minimum rating requirement on the date of purchase. It is the intention of the Port Authority to hold all bond investments until maturity, or until a date just prior to maturity, and as a result it does not involve itself in active trading of bonds or any other investments.

December 31, 2013 (expressed in CAD $)

14. Nature and Extent of Risks Arising from Financial Instruments (cont'd)

The following table provides information regarding the aging of financial assets that are past due as at December 31, 2013:

Accounts Receivable:

Current	$	301,386
31 to 60 days		190,689
61-90 days		4,494
Over 90 days		10,349

Market Risk

Market risk arises from the Port Authority's use of interest bearing, tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (other price risk). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Port Authority's investments are comprised of government and corporate bonds and notes and as a result it is exposed to interest rate price risk on monetary financial assets that have a fixed interest rate. Sensitivity to a plus or minus 0.5% and 1.0% change in yields in the total bond portfolio would have increased or decreased comprehensive income for the year by approximately $280,800 and $561,500 respectively.

The Port Authority does not have direct exposure to changes in equity prices; however, since the Port Authority invests in publicly traded corporate bonds, it exposes itself to the fluctuations in price that are inherent in such a market. Sensitivity to a plus or minus 1.0% change in the market value of the long term investments held at the year end would have resulted in an increase or decrease in comprehensive income of $167,063.

Liquidity Risk

Liquidity risk is the risk that the Port Authority will not be able to meet financial obligations as they become due. The Port Authority's policy is to ensure that it will always have sufficient cash to meet its liabilities when they become due. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Port Authority strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due. The Port Authority monitors cash balances regularly and has access to long-term investments, which can be readily converted into cash should it be required. The Port Authority's accounts payable and accrued liabilities are contractually due within the next twelve months.

15. Capital Management

The Port Authority's objective when managing capital is to maintain adequate levels of funding to support its operations and to maintain corporate and administrative functions. The Port Authority manages its capital structure and makes adjustments to it in light of economic conditions. As the Port Authority is a government business enterprise, its original source of capital is from the contribution of capital assets from the Canadian Government. The Port Authority is not exposed to any externally imposed capital requirements.

Thunder Bay Port Authority
Schedule of Expenses

For the year ended December 31 (expressed in CAD $)	2013	2012
Terminal		
Bad debts (recovery)	$ 4,500	$ (3,503)
Insurance	62,825	53,214
Miscellaneous	2,266	3,077
Mobile equipment repairs and maintenance	41,000	25,799
Professional fees	14,435	12,158
Property repairs and maintenance	199,803	251,581
Security	112,756	103,560
Utilities	151,242	122,321
Salaries, wages and benefits	91,834	166,351
	$ 680,661	$ 734,558
Harbour and Harbour Park		
Bad debts	$ 6,885	$ 12,440
Harbour services	12,339	13,030
Insurance	25,098	27,405
Miscellaneous	2,302	10,852
Professional fees	8,004	10,101
Vessel	3,399	3,049
Salaries, wages and benefits	46,089	74,014
	$ 104,116	$ 150,891
Administrative		
Automotive	$ 12,692	$ 12,054
Board travel, meetings and other	43,142	36,870
Honoraria	98,410	105,838
Insurance	21,554	21,963
Maintenance	7,059	6,931
Management travel, meetings and other	33,956	43,596
Office	111,372	93,583
Promotion	92,302	95,756
Professional fees	44,228	70,765
Salaries, wages and benefits	565,456	539,140
Seminars and training	11,370	13,783
	$ 1,041,541	$ 1,040,279
Intercity		
Insurance	$ 2,347	$ 2,081
Maintenance and repairs	11,149	16,583
Professional fees	-	2,605
Security	12,825	15,124
Utilities	19,159	12,165
	$ 45,480	$ 48,558