# Independent Auditor's Report

To the Directors of
Aéroport de Québec inc.

We have audited the accompanying financial statements of Aéroport de Québec inc., which comprise the statement of financial position as at December 31, 2014 and the statements of revenues and expense, 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 financial statements in accordance with International Financial Reporting Standards (IFRS) 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 overall 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 Aéroport de Québec inc. as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Raymond Chabot Grant Thornton LLP [1]

Québec City
February 24, 2015

[1] CPA auditor, CA public accountancy permit no. A119912

# Revenues and expenses
## Year ended Decembrer 31, 2014

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Revenues** | | |
| Landing and terminal | **12,825,066** | 12,795,926 |
| Airport improvement fees | **19,198,149** | 17,015,382 |
| Concessions | **3,167,237** | 2,880,722 |
| Rentals | **1,644,286** | 1,500,604 |
| Parking | **5,069,928** | 4,511,428 |
| Services and recoveries | **5,607,323** | 5,245,487 |
| Safety and security | **3,333,435** | 3,089,400 |
| Other income | **1,018** | 17,102 |
| | **50,846,442** | 47,056,051 |
| **Expenses** | | |
| Employee benefit expenses (Note 14) | **12,007,433** | 11,086,141 |
| Rent | **2,984,701** | 2,659,041 |
| Goods and services | **13,240,351** | 11,095,586 |
| In lieu of taxes | **3,388,355** | 2,799,915 |
| Other expenses | | 313,041 |
| Amortization of property, plant and equipment | **9,463,237** | 8,377,428 |
| Amortisation of deferred expenses | **177,210** | 117,182 |
| Amortization of deferred revenues relating to property, plant and equipment | **(1,761,446)** | (1,733,728) |
| | **39,499,841** | 34,714,606 |
| **Operating results** | **11,346,601** | 12,341,445 |
| Finance income (Note 16) | **1,462,322** | 1,182,361 |
| Finance costs (Note 16) | **(2,723,979)** | (2,200,761) |
| **NET REVENUES AND EXPENSES** | **10,084,944** | 11,323,045 |

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

# Changes in Net Assets

## Year ended Decembrer 31, 2014

| | Accumulated revenues<br>$ | Accumulated other comprehensive income<br>$ | Total net assets<br>$ |
|---|---|---|---|
| **Balances as at January 1, 2014** | **92,434,911** | **(2,723,800)** | **89,711,111** |
| **Net revenues and expenses** | **10,084,944** | | **10,084,944** |
| **Revaluation of net defined benefit pension plan liability** | | **351,900** | **351,900** |
| **Comprehensive income** | | | **10,436,844** |
| **Balances as at December 31, 2014** | **102,519,855** | **(2,371,900)** | **100,147,955** |
| | | | |
| Balances as at January 1, 2013 | 81,111,866 | (2,572,900) | 78,538,966 |
| Net revenues and expenses | 11,323,045 | | 11,323,045 |
| Revaluation of net defined benefit pension plan liability | | (150,900) | (150,900) |
| Comprehensive income | | | 11,172,145 |
| Balances as at December 31, 2013 | 92,434,911 | (2,723,800) | 89,711,111 |

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

# Cash Flows
## Year ended Decembrer 31, 2014

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Excess of revenues over expenses | **10,084,944** | 11,323,045 |
| Non-cash items | | |
| Gain on disposal of property, plant and equipment | **(1,018)** | (17,102) |
| Write-off of property, plant and equipement | | 290,098 |
| Amortization of property, plant and equipment | **9,463,237** | 8,377,428 |
| Amortization of deferred expenses | **177,210** | 117,182 |
| Amortization of deferred revenues relating to property, plant and equipment | **(1,761,446)** | (1,733,728) |
| Defined benefit pension plan liability | **(180,489)** | (145,100) |
| Net change in working capital items (Note 19) | **1,816,728** | (2,078,607) |
| **Cash flows from operating activities** | **19,599,166** | 16,133,216 |
| **INVESTING ACTIVITIES** | | |
| Term deposits | **(2,838,477)** | (15,354,986) |
| Receipt of note receivable | **116,667** | 116,667 |
| Acquisition of property, plant et equipment | **(58,860,377)** | (43,596,892) |
| Disposal of property, plant et equipment | **7,800** | 17,102 |
| Deferred expenses | **41,403** | (222,224) |
| **Cash flows from investing activities** | **(61,532,984)** | (59,040,333) |
| **FINANCING ACTIVITIES** | | |
| Receipt of grants receivable | **4,637,899** | 7,215,870 |
| Loans | **44,000,000** | 38,500,000 |
| Repayment of loans | **(3,881,200)** | (3,881,200) |
| **Cash flows from financing activities** | **44,756,699** | 41,834,670 |
| **Net increase (decrease) in cash** | **2,822,881** | (1,072,447) |
| Cash, beginning of year | **2,347,991** | 3,420,438 |
| Cash, end of year | **5,170,872** | 2,347,991 |

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

# Financial Position
## December 31, 2014

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **5,170,872** | 2,347,991 |
| Term deposits (Note 17) | **26,278,497** | 13,799,768 |
| Accounts receivable (Note 7) | **5,461,468** | 7,365,587 |
| Grants receivable (Note 8) | **12,268,941** | 5,663,415 |
| Note receivable (Note 17) | **116,667** | 116,667 |
| Supplies in inventory | **651,349** | 783,701 |
| Prepaid expenses | **475,558** | 764,014 |
| | **50,423,352** | 30,841,143 |
| **Non-current** | | |
| Term deposits (Note 17) | **26,690,001** | 36,330,253 |
| Note receivable (Note 17) | **2,208,333** | 2,325,000 |
| Grants receivable (Note 8) | **6,500,000** | 7,500,000 |
| Property, plant and equipment (Note 9) | **228,980,403** | 187,592,249 |
| Deferred expenses | **148,757** | 367,370 |
| | **264,527,494** | 234,114,872 |
| | **314,950,846** | 264,956,015 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable (Note 10) | **18,176,428** | 26,463,099 |
| Provisions (Note 11) | **850,000** | 1,070,866 |
| Deferred revenues | **227,296** | 205,162 |
| Customer deposits | **580,008** | 605,008 |
| Loans (Note 12) | **5,091,000** | 5,722,200 |
| | **24,924,732** | 34,066,335 |
| **Non-current** | | |
| Loans (Note 12) | **141,875,000** | 101,125,000 |
| Deferred revenues relating to property, plant and equipment (Note 13) | **47,330,548** | 38,848,569 |
| Defined benefit pension plan liability (Note 14) | **672,611** | 1,205,000 |
| | **189,878,159** | 141,178,569 |
| | **214,802,891** | 175,244,904 |
| **NET ASSETS** | | |
| Accumulated revenues and accumulated other comprehensive income | **100,147,955** | 89,711,111 |
| | **314,950,846** | 264,956,015 |

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

On behalf of the Board,

Signed:

**André Fortin**, CPA, CA, ASC, lawyer
Chair of the Board

Signed:

**Lise Lapierre**, CPA, CA, ASC
Chair of Audit Committee

# Notes to Financial Statements
## December 31, 2014

### 1. GOVERNING STATUTES AND NATURE OF OPERATIONS

Aéroport de Québec inc. (AQi) is a not-for-profit corporation without share capital, governed by the *Canada Not-for-profit Corporations Act.* AQi is exempted under the *Income Tax Act*. The corporation is in charge of managing, maintaining and developing the Aéroport international Jean-Lesage de Québec ("YQB") in accordance with a 60-year ground lease signed on October 27, 2000 with the Canadian government, with an option to renew for another 20 years.

AQi's head office is located at 505 Principale Street, Québec City, Quebec G2G 0J4.

### 2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

AQi's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are prepared in Canadian dollars, AQi's functional currency.

The financial statements for the year ended December 31, 2014 were approved on February 24, 2015 by the Board of Directors, which also approved their issuance.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### General

AQi's financial statements have been prepared in accordance with IFRS in effect as at December 31, 2014. Significant accounting policies used in the preparation of the financial statements are summarized below.

Note 5 presents a summary of the IFRS standards, amendments and interpretations issued but not yet effective and that have not yet been adopted by AQi.

#### Financial statements presentation

These financial statements are presented in accordance with IAS 1, *Presentation of Financial Statements*.

The financial statements are prepared using the historical cost method, except for the revaluation of certain financial instruments.

#### Supplies in inventory

Supplies in inventory are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

#### Deferred expenses

Deferred expenses include required expenses under the terms of the lease and technical studies. They are amortized on a straight-line basis over three and five years.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments

Financial assets and liabilities are recognized when AQi becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial assets and all the significant risks and rewards of ownership are transferred. A financial liability is derecognized when it is settled, terminated, cancelled or expired.

Financial assets and liabilities are measured initially at fair value plus transaction costs, except for financial assets and liabilities measured at fair value through profit or loss that are initially measured at fair value.

Financial assets and liabilities are subsequently measured as indicated below.

Financial assets

For the purpose of subsequent measurement, financial assets, other than those designated as efficient hedges, are classified as follows upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Available-for-sale financial assets.

The class determines the subsequent measurement method and recognition of the resulting revenues and expenses either in revenues and expenses or as other comprehensive income.

All financial assets, other than those at fair value through profit or loss, are tested for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets is impaired. For each class of financial asset, the various criteria indicated below are used to determine whether there is impairment.

All revenues and expenses relating to financial assets recognized in revenues and expenses are presented in finance income or finance costs, except for impairment losses on accounts receivable presented in goods and services.

• Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest method, less an allowance for any impairment. Discounting is omitted if it does not have a significant impact. Cash, term deposits, accounts receivable, other receivables, grants receivable and the note receivable are included in this class of financial instruments.

Individually significant receivables are tested for impairment when they are past due or there is objective evidence that a specific counterparty will fail to discharge its obligations. Receivables that are not considered to be individually impaired are tested as a group that is determined on the basis of an industry or other known credit risk characteristics. The estimated impairment loss is then based on recent history of the counterparty's delinquency rates for each identified group.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

• Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss include financial assets that are classified as held-for-trading or that satisfy certain conditions and are designated at fair value through profit or loss upon initial recognition. A financial asset or liability is classified in this category if it has been acquired or subscribed to be sold or redeemed in the short term.

Assets in this class are measured at fair value and gains or losses are recognized in revenues and expenses.

• Held-to-maturity investments:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables. The investments are classified as held-to-maturity if AQi has the intention and ability to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, as determined by external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any change in the carrying amount of investments, including impairment losses, is recognized in revenues and expenses.

• Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets designated in that class or that do not qualify for classification in any other financial asset class.

All available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and presented in net assets.

When the asset is disposed of or it is determined that it is impaired, the accrued gain (loss) recognized in other comprehensive income (net assets) is reclassified in revenues and expenses and presented as a reclassification in other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in revenues and expenses under finance income.

Financial liabilities

AQi's financial liabilities include trade payables, other payables, customer deposits and loans. Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, which are subsequently measured at fair value and which gains and losses are recognized in revenues and expenses.

Interest expenses, and, where applicable, changes in the fair value of an instrument recognized in revenues and expenses are presented in finance costs or income.

### Leases

Under IAS 17, *Leases*, the economic ownership of a leased property is transferred to the lessee when the lessee assumes substantially all risks and rewards incidental to ownership of the leased property. The asset is then recognized at the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and any incidental payments. A corresponding amount is recognized as a financing lease liability, regardless of whether the payments are paid in full at the commencement of the lease period.

The amortization method and useful lives of assets under finance leases are the same as those for similar assets for which AQi has legal title. The corresponding financing lease liability is reduced by lease payments less interest expenses, which are recognized in expenses under finance costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The interest portion of lease payments is a constant proportion of the remaining capital and is recognized in revenues and expenses over the lease term.

All other leases are recognized as operating leases. Operating lease payments are recognized as expenses on a straight-line basis over the lease term. Related costs, such as maintenance and insurance, are recognized in expenses as they are incurred.

### Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost, less depreciation and any subsequent impairment losses. Cost includes expenses directly attributable to the purchase or construction of the item of property, plant and equipment and costs of dismantling or removing the item.

Items of property, plant and equipment in progress are transferred to their respective classes only when they are ready for service, that is the item is in its location, the necessary conditions have been satisfied and management considers that the item is capable of operating in the manner intended.

AQi capitalizes interest on loans and ancillary costs in the cost of property, plant and equipment until management considers that the item of property, plant and equipment is ready for service.

Each part of an investment with a cost that is significant in relation to the total cost of the total investment is amortized separately when the useful life of that part differs from the useful life of the overall investment.

Tangible capital assets acquired are recorded at cost. When the Organization receives contributions of capital assets, their cost is equal to their fair value at the contribution date.

| | **Periods** |
|---|---|
| Buildings | 8, 10, 15, 25 and 40 years |
| Leasehold improvements | 5 and 15 years |
| Runways, roadways and other paved surfaces | 3, 15, 25 and 40 years |
| Machinery and equipment | |
| Airport terminal | 5, 10 and 25 years |
| Bag room | 5, 10 and 25 years |
| Other | 5, 10, 15 and 25 years |
| Computer equipment | 3, 5 and 10 years |
| Automotive equipment, furniture and fixtures | 5, 10 and 20 years |

Grants for items of property, plant and equipment are recognized when there is reasonable certainty that AQi has satisfied the requirements of the agreements and that collection is likely. Grants are recognized in liabilities and amortized on the same basis as the related property, plant and equipment.

Significant estimates regarding the residual value and estimated useful life are reviewed as required and at least once a year.

Gains (losses) on the disposal of an item of property, plant and equipment correspond to the difference between the disposal revenue and the carrying amount of the item and are recognized in revenues and expenses under other revenues.

### Impairment test of property, plant and equipment

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the property, plant and equipment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

All property, plant and equipment are subsequently remeasured to determine whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the recoverable amount of the asset exceeds its carrying amount.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualified asset are recognized in the cost of the asset during the period required to prepare the asset for use.

Other borrowing costs are recognized as expenses in the period during which they are incurred and presented in financial expenses (refer to Note 16).

### Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable for goods sold and services provided, excluding sales taxes, rebates and discounts.

Revenues from airport activities, consisting primarily of landing fees and general terminal charges, are earned primarily from air carriers and recognized according to the use of airport facilities.

Revenues from airport improvement fees are recognized when departing passengers board their aircraft and are based on the number of passengers who board.

Concession rents are recorded over the term of the leases and, in some cases, are calculated as a percentage of concession sales, subject to minimum guaranteed rents. Rents from office and land leases are recognized monthly based on the corresponding leases.

Parking revenues are recognized according to the use of the space.

Proceeds from recovery, safety and security and other services are recognized when the service is rendered.

Interest income is recognized when earned, based on the number of days the investment is held.

### Post-employment benefits and short-term employee benefits

Since it was privatized on November 1, 2000, AQi offers a defined contribution pension plan to its employees. Employees in service at the time of privatization participate in a defined benefit pension plan.

Under the terms of the defined contribution plan, AQi pays fixed contributions to an independent entity. AQi has no legal or constructive obligation to pay further contributions. Plan contributions are recognized in expenses in the period during which the corresponding service is provided by the employees.

Under the terms of the defined benefit plan sponsored by AQi, the pension benefit receivable by an employee is based on years of service and final earnings. AQi has a legal obligation to pay benefits even when the assets to be used to finance the defined benefit plan have been set aside.

AQi recognizes its defined benefit obligations and the related costs, net of plan assets, and has adopted the following methods for this purpose:

- The cost of pension and other retirement benefits earned by employees is calculated by the accrued benefit method pro-rated over years of service, based on management's best estimate assumptions in particular, future salary increases and retirement age;
- The service cost and net interest over the defined benefit pension plan net liability (asset) portion of the defined benefit cost for the year is recognized in net revenues and expenses and the remeasurements of the net defined benefit pension plan liability (asset) portion is recognized in other comprehensive income. Remeasurements include actuarial variances and any change in the effect of limiting the asset;

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Short-term employee benefits, in particular vacation entitlement, are current liabilities included in retirement and other employee benefit obligations measured at the undiscounted amount that AQi expects to pay as a result of unused rights.

### Provisions and contingent liabilities and assets

Provisions are recognized when present obligations, resulting from a past event, will likely result in an outflow of AQi resources embodying economic benefits and the amounts can be reasonably estimated. The outflow maturity or amount may be uncertain. A present obligation results from legal or constructive obligations from past events, such as litigation or onerous contracts.

The measurement of provisions corresponds to the estimated expenses required to settle the present obligation based on the most reliable evidence available at the reporting date, including the risks and uncertainties related to the present obligation. Provisions are discounted when the time value of money is significant.

A reimbursement that AQi is virtually certain to receive from a third party in respect of the obligation is recognized as a separate asset. However, the asset cannot be greater than the provision.

Provisions are reviewed at each reporting date and adjusted to reflect best estimates at that date.

## 4. NEW AND REVISED STANDARDS

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2014. Information on these new standards is presented below.

### IFRIC 21, *Levies*

IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date;
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has been applied retrospectively in accordance with its transitional provisions and had no material effect on the financial statements for any period presented.

### Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of "currently has a legally enforceable right of set-off";
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As AQi does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the financial statements for any period presented.

### Amendments to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement, including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made;
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions.

## 4. NEW AND REVISED STANDARDS (Continued)

### Amendments to IAS 19, early adoption of *Defined Benefit Plans: Employee Contributions*

AQi has early adopted *Defined Benefit Plans: Employee Contributions* (amendments to IAS 19). These amendments are effective for annual periods beginning on or after July 1, 2014 and:

- clarify the requirements of IAS 19 relating to contributions from employees or third parties;
- introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction of service cost in the period in which the related service is rendered.

AQi has applied the practical expedient as its accounting policy. This treatment is consistent with AQi's previous practice before the amendments to IAS 19. Therefore, the initial application of the amendments has no effect on AQi's financial statements.

## 5. FUTURE ACCOUNTING CHANGES

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the International Accounting Standards Board (IASB) that are not yet effective, and have not been adopted early by AQi. Information on those expected to be relevant to AQi's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in AQi's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments neither adopted nor listed below are not expected to have a material impact on AQi's financial statements.

### IFRS 9, *Financial Instruments*

The IASB recently released IFRS 9, *Financial Instruments* (2014), representing the completion of its project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

AQi's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

### IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after January 1, 2017. AQi's management have not yet assessed the impact of IFRS 15 on these financial statements.

## 6. MANAGEMENT'S SIGNIFICANT JUDGEMENTS AND ESTIMATES

### Management's significant judgements in applying the accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses. Future results are likely to differ from the estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions is provided below.

## 6. MANAGEMENT'S SIGNIFICANT JUDGEMENTS AND ESTIMATES (Continued)

### Judgement, assumption and estimation uncertainty

Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below:

• Useful lives of depreciable assets:
Management examines the useful life of depreciable assets at each reporting date based on the expected useful lives of the assets. The carrying amounts are detailed in Note 9. Actual results may however be different for various reasons, such as early wear, insufficient capacity, regulatory changes, etc.

• Defined benefit pension plan liability:
Management undertakes an annual assessment of the defined benefit liability with the assistance of independent actuaries. Actual results may differ as a result of estimation uncertainty regarding standard inflation rates, mortality rates and future salary increases.

• Allowance for doubtful accounts:
Management uses judgement in establishing the allowance for doubtful accounts based on, among others, the age of overdue accounts, debtors' current ability to pay, debtors' payment history and the general condition of the economy or the debtor's industry.

• Lease:
The exact nature of a lease may not always be obvious and management must, therefore, use judgement in determining to what extent the risks and rewards of ownership are transferred to AQi.

• Impairment of long-lived assets:
An asset is impaired if its realizable value is less than its carrying amount. Assessing the realizable value of an asset requires the determination of its present value which requires management to estimate future cash flows and assess appropriate interest rates. These estimates may have an impact on the realizable value and the actual amount may differ.

• Provisions:
AQi has recognized provisions with respect to certain claims. The expected disbursements recognized in the financial statements may differ from actual amounts. To avoid causing serious prejudice to AQi's position, no additional information is provided about the provisions or contingent liabilities.

## 7. ACCOUNTS RECEIVABLE

| | **2014**<br>**$** | 2013<br>$ |
|---|---|---|
| **Current** | | |
| Trade receivables, gross | **4,932,704** | 4,588,578 |
| Allowance for doubtful accounts | **(153,150)** | (124,413) |
| Trade receivables, net | **4,779,554** | 4,464,165 |
| Accrued interest receivable | **588,606** | 438,870 |
| Indirect taxes receivable | **93,308** | 2,462,552 |
| | **5,461,468** | 7,365,587 |

All amounts are receivable in the short term. The net carrying amount of accounts receivable and accrued interest receivable is considered to be a reasonable approximation of their fair value.

## 8. GRANTS RECEIVABLE

AQi obtained $36,245,589 in grants for the refection of the airport terminal. Of this amount, $15,000,000 is receivable in amounts of $1,000,000 annually and is used to repay the series B bonds. As at December 31, 2014, an amount of $7,500,000 has been received for this purpose ($6,500,000 in 2013). The grant receivable bears interest at 4.77% and is receivable in quarterly instalments of $250,000 until April 2022.

Furthermore, AQi obtained a $21,122,710 ($10,243,425 in 2014; $10,879,285 in 2013) total grant to finance the construction of some projects. Of this amount, a total of $9,853,769 ($3,637,899 in 2014; $6,215,870 in 2013) was received.

Grants received and receivable are recognized under “Deferred revenues relating to property, plant and equipment”.

## 9. PROPERTY, PLANT AND EQUIPMENT

AQi has elected to recognize all its items of property, plant and equipment at amortized cost. The carrying amount is detailed in the following table.

| | Buildings and leasehold improvements $ | Runways, roadways and other paved surfaces $ | Machinery and equipment $ | Computer equipment $ | Automotive equipment $ | Furniture and fixtures $ | Projects in progress $ | Total $ |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance as at January 1, 2014 | **66,881,190** | **45,977,756** | **36,090,001** | **9,687,427** | **8,924,649** | **3,733,047** | **58,935,093** | **230,229,163** |
| Acquisitions and reclassifications | **59,513,307** | **29,098,756** | **3,413,629** | **2,082,971** | **842,115** | **360,330** | **(44,452,935)** | **50,858,173** |
| Disposals and write-offs | | | **(11,969)** | | | | | **(11,969)** |
| Balance as at December 31, 2014 | **126,394,497** | **75,076,512** | **39,491,661** | **11,770,398** | **9,766,764** | **4,093,377** | **14,482,158** | **281,075,367** |
| **Accumulated amortization** | | | | | | | | |
| Balance as at January 1, 2014 | **9,649,472** | **7,085,524** | **12,432,404** | **7,287,505** | **4,466,239** | **1,715,770** | | **42,636,914** |
| Amortization | **2,602,870** | **2,578,119** | **2,189,226** | **906,519** | **793,183** | **393,320** | | **9,463,237** |
| Disposals and write-offs | | | **(5,187)** | | | | | **(5,187)** |
| Balance as at December 31, 2014 | **12,252,342** | **9,663,643** | **14,616,443** | **8,194,024** | **5,259,422** | **2,109,090** | | **52,094,964** |
| **Carrying amount as at December 31, 2014** | **114,142,155** | **65,412,869** | **24,875,218** | **3,576,374** | **4,507,342** | **1,984,287** | **14,482,158** | **228,980,403** |
| **Cost** | | | | | | | | |
| Balance as at January 1, 2013 | 66,230,900 | 36,992,660 | 35,024,990 | 8,610,036 | 8,599,541 | 3,282,657 | 11,329,202 | 170,069,986 |
| Acquisitions and reclassifications | 868,111 | 8,985,096 | 1,201,241 | 1,077,391 | 426,305 | 450,390 | 47,605,891 | 60,614,425 |
| Disposals and write-offs | (217,821) | | (136,230) | | (101,197) | | | (455,248) |
| Balance as at December 31, 2013 | 66,881,190 | 45,977,756 | 36,090,001 | 9,687,427 | 8,924,649 | 3,733,047 | 58,935,093 | 230,229,163 |
| **Accumulated amortization** | | | | | | | | |
| Balance as at January 1, 2013 | 7,852,679 | 5,133,341 | 10,259,989 | 5,961,776 | 3,831,833 | 1,385,018 | | 34,424,636 |
| Amortization and reclassifications | 1,830,775 | 1,952,183 | 2,202,386 | 1,325,729 | 735,603 | 330,752 | | 8,377,428 |
| Disposals and write-offs | (33,982) | | (29,971) | | (101,197) | | | (165,150) |
| Balance as at December 31, 2013 | 9,649,472 | 7,085,524 | 12,432,404 | 7,287,505 | 4,466,239 | 1,715,770 | | 42,636,914 |
| **Carrying amount as at December 31, 2013** | 57,231,718 | 38,892,232 | 23,657,597 | 2,399,922 | 4,458,410 | 2,017,277 | 58,935,093 | 187,592,249 |

An amount of $459,916 ($140,644 in 2013) representing interest on loans in the course of the construction period was charged to property, plant and equipment cost during the year.

## 10. ACCOUNTS PAYABLE

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Current** | | |
| Trade payables | **1,880,170** | 2,271,810 |
| Trade payables relating to property, plant and equipment | **14,656,736** | 22,658,940 |
| Salaries, vacation and employee benefits | **1,190,960** | 1,051,054 |
| Accrued interest | **448,562** | 481,295 |
| | **18,176,428** | 26,463,099 |

The carrying amount of accounts payable is considered to be a reasonable approximation of their fair value.

## 11. PROVISIONS AND CONTINGENT LIABILITIES

### Provisions

Provisions are all considered to be current. The carrying amounts are as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Carrying amount as at January 1 | **1,070,866** | 1,090,054 |
| Used amount | **(220,866)** | (19,188) |
| Carrying amount as at December 31 | **850,000** | 1,070,866 |

### Contingent assets and liabilities

AQi does not have any contingent assets. However, some claims or legal actions have been instituted against AQi during the current and prior years. Unless an amount has been included in the above provisions, management estimates that these claims are unwarranted and that there is little likelihood AQi will be required to settle them. This assessment is consistent with that of independent external legal advisors.

The Company from which AQi held the note receivable described in Note 17 declared bankruptcy. A new agreement, subject to certain covenants over which AQi has no control, has been signed with a lessee. AQi holds collateral with regards to this note receivable on a building constructed on land belonging to AQi. As at the financial statements preparation date, AQi's management is not able to determine the outcome of this situation. A provision has been recorded in this regard.

## 12. LOANS

Loans consist of the following financial liabilities:

| | Current | | Non-current | |
|---|---|---|---|---|
| | **2014 $** | 2013 $ | **2014 $** | 2013 $ |
| Series A bonds, 5.12%, interest payable quarterly and principal payable in quarterly instalments of $562,500, maturing in April 2029 (a) | **2,250,000** | 2,250,000 | **30,375,000** | 32,625,000 |
| Series B bonds, 4.77%, payable from a grant receivable in quarterly instalments of $250,000 plus interest, maturing in April 2022 (a) | **1,000,000** | 1,000,000 | **6,500,000** | 7,500,000 |
| Non-revolving term loan, floating rate (1.92%), maturing in January 2015 (a) | **1,841,000** | 2,472,200 | | |
| Revolving loan, floating rate 1.67% (1.67% in 2013), maturing in December 2017 (a) | | | **105,000,000** | 61,000,000 |
| **Total carrying amount** | **5,091,000** | 5,722,200 | **141,875,000** | 101,125,000 |

(a) Under the credit agreement, AQi is subject to certain conditions. As at December 31, 2014, these conditions were met.

Additionally, AQi may avail itself of other bank loans with two financial institutions. The authorized amounts are $2,000,000 and $5,000,000 and bear interest at prime rate (3%). These loans are renegotiable annually. As at December 31, 2014, they are not used. As at December 31, 2014, the guaranty letters of credit issued by the financial institution total $290,000.

## 13. DEFERRED REVENUES RELATING TO PROPERTY, PLANT AND EQUIPMENT

| | | | **2014** |
|---|---|---|---|
| | **Cost $** | **Accumulated amortization $** | **Unamortized cost $** |
| **Buildings and leasehold improvements, runways, roadways and other paved surfaces** | **57,368,299** | **10,037,751** | **47,330,548** |

| | | | 2013 |
|---|---|---|---|
| | Cost $ | Accumulated amortization $ | Unamortized cost $ |
| Buildings and leasehold improvements, runways, roadways and other paved surfaces | 47,124,874 | 8,276,305 | 38,848,569 |

## 14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Expenses recognized as employee benefits are detailed as follows:

| | **2014<br>$** | 2013<br>$ |
|---|---|---|
| Salaries | **9,617,306** | 8,723,278 |
| Employee benefits | **1,775,846** | 1,552,148 |
| Retirement - defined benefit plan | **232,800** | 276,937 |
| Retirement - defined contribution plan | **380,372** | 348,108 |
| Pension allowances | **1,109** | 185,670 |
| Employee benefit expenses | **12,007,433** | 11,086,141 |

The liabilities recognized in the statement of financial position for pension and other employee benefit obligations include the following amounts:

| | **2014<br>$** | 2013<br>$ |
|---|---|---|
| **Current** | | |
| Other short-term employee benefit obligations | **1,190,960** | 1,051,054 |

These current liabilities are AQi's obligations to its current employees. These obligations, which are to be settled in the coming year, result mainly from accrued salaries, bonuses and vacation payable as at the reporting date (Note 10).

### Defined benefit pension plan

The defined benefit plan is registered with the Office of the Superintendent of Financial Institutions under number 57205, in accordance with the *Pension Benefits Standards Act, 1985*.

AQi offered a defined benefit plan to its full-time employees who were employed before November 1, 2000. The required employee contributions vary between 8% and 14.8% (4% and 7.5% before February 28, 2014) of the employee's salary, subject to a maximum. AQi pays the necessary contributions to finance the plan for current services and cover the shortfall. The employee annuity corresponds to a salary percentage for the five highest-paid consecutive years of service recognized for eligibility purposes. The standard retirement age is 65. However, there is an optional retirement age for participants 60 years and older who have at least two years of recognized service for eligibility purposes, and for participants 55 years and older who have at least 30 years of recognized service for eligibility purposes.

AQi is subject to certain risks related to employee benefits, including investment performance, the discount rate used to measure defined benefit pension plan obligations, participant life expectancy and future inflation. The plan's administrator is the employer and its responsibility is to determine the investment policy and analyse regulatory changes, benefits, the funding and financial situation of the defined benefit contributory plan. The plan's administrator retained the services of an independent investment manager to manage the plan's assets.

For recognition purposes, AQi measures its defined benefit pension plan obligations and the fair value of its plan assets as at December 31 of each year. The most recent complete actuarial valuation on a funding basis was performed December 31, 2013 and the results have been extrapolated until December 31, 2014.

## 14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS (Continued)

Balancing contributions required based on the 2013 actuarial valuation amount to $267,800 ($272,900 in 2013).

The defined benefit pension plan obligations for the current period are as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Defined benefit pension plan obligations as at January 1** | **7,173,600** | 7,535,300 |
| Current service cost | **181,200** | 255,700 |
| Past service cost | **(53,900)** | |
| Financial cost | **357,100** | 311,300 |
| Employees' contributions | **73,800** | 49,300 |
| Actuarial gaps | **1,107,900** | (803,600) |
| Benefits paid | **(144,000)** | (174,400) |
| **Defined benefit pension plan obligations as at December 31** | **8,695,700** | 7,173,600 |

The significant actuarial assumptions used to measure the defined benefit obligations are the following:

| | 2014<br>% | 2013<br>% |
|---|---|---|
| Discount rate | **4.0** | 4.9 |
| Increase rate of compensation | **3.5** | 3.5 |
| Inflation | **2.0** | 2.0 |

The expected average remaining service life of pension plan participants is 15.7 years.

Management developed these assumptions with the advice of an independent valuation actuary.

The reconciliation of the assets held in respect of AQi's defined benefit pension plan obligations and the opening balance at the reporting date is as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Fair value of plan assets as at January 1** | **7,460,700** | 6,336,100 |
| **Asset increase** | | |
| Employer's contributions | **413,289** | 488,500 |
| Employees' contributions | **73,800** | 49,300 |
| Performance of plan assets, excluding interest income | **870,000** | 537,600 |
| Interest income | **371,700** | 258,600 |
| | **1,728,789** | 1,334,000 |
| **Asset decrease** | | |
| Administration fees | **47,000** | 35,000 |
| Benefits paid | **144,000** | 174,400 |
| | **191,000** | 209,400 |
| **Fair value of plan assets as at December 31** | **8,998,489** | 7,460,700 |

Plan assets are held in balanced-strategy mutual fund units.

Plan assets recognized at fair value are classified according to a hierarchy that reflects the importance of the data used to determine the valuations. The fair value measurement hierarchy includes three levels. Level 1 uses (unadjusted) pricing data quoted on active markets for assets to which the pension plan has access. The plan assets are level 1.

### 14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS (Continued)

The defined benefit pension plan expense for the period presented in the statement of earnings under the "Employee benefit expense" item is detailed as follows:

| | **2014**<br>**$** | 2013<br>$ |
|---|---|---|
| Current service cost | **181,200** | 255,700 |
| Past service cost | **(53,900)** | |
| Net interest | **58,500** | 52,700 |
| Administration fees | **47,000** | 35,000 |
| Defined benefit pension plan expense | **232,800** | 343,400 |

AQi plans on making contributions of $402,033 ($469,200 in 2013) to the pension plan over the next year.

The reconciliation of the defined benefit pension plan obligations and plan assets with the amounts on the statement of financial position is as follows.

| | **2014**<br>**$** | 2013<br>$ |
|---|---|---|
| Fair value of plan assets | **8,998,489** | 7,460,700 |
| Defined benefit pension plan obligations | **8,695,700** | 7,173,600 |
| Excess | **302,789** | 287,100 |
| Effect of the asset ceiling for defined benefit pension plan obligations | **(975,400)** | (1,492,100) |
| Defined benefit pension plan liability | **(672,611)** | (1,205,000) |

Actuarial assumptions may have a significant impact on employee benefits related amounts.

The following table illustrates how changes that could have reasonably been made to the significant actuarial assumptions used as at December 31, 2014 could have influenced the defined benefit pension plan obligations on that date.

| | | Impact on defined benefit pension plan obligations<br>$ |
|---|---|---|
| Discount rate | 3.75% (instead of 4.00%) | 328,800 |
| Salary increase rate | 3.25% (instead of 3.50%) | (35,800) |
| Inflation | 1.75% (instead of 2.00%) | (210,000) |

## 15. LEASES AND OTHER COMMITMENTS

### Operating lease as lessee

AQi leases airport facilities under a lease agreement with Transport Canada since November 1, 2000. The rent is determined based on an escalating percentage that varies according to different income levels. The income levels and agreed-upon percentages are as follows:

| | % |
|---|---|
| **Product stages** | |
| $0 to $5M | 0 |
| $5 to $10M | 1 |
| $10 to $25M | 5 |
| $25 to $100M | 8 |
| $100 to $250M | 10 |
| $250M and over | 12 |

### Operating leases as lessor

AQi leases airport land and buildings to sub-lessees. Income from the sub-leases is $1,644,286 ($1,463,186 in 2013).

### Other commitments

AQi has entered into service agreements expiring at various dates until December 2019 which call for a total lease payment of $10,513,786. Minimum lease payments for the next five years are $3,061,374 in 2015, $2,639,858 in 2016, $1,608,074 in 2017, $1,602,865 in 2018 and $1,601,615 in 2019.

Moreover, AQi has agreed to pay $3,306,066 in the course of the next year for construction contracts.

## 16. FINANCE INCOME AND EXPENSES

### Finance income

Finance income for the reporting periods is detailed as follows:

| | **2014**<br>**$** | 2013<br>$ |
|---|---|---|
| Interest income on cash | **71,638** | 95,945 |
| Interest income on term deposits | **1,195,315** | 882,372 |
| Interest income on the note receivable | **195,369** | 204,044 |
| | **1,462,322** | 1,182,361 |

### Finance expenses

Finance expenses for the reporting periods are detailed as follows:

| | **2014**<br>**$** | 2013<br>$ |
|---|---|---|
| Interest expenses on loans | **3,101,161** | 2,623,911 |
| Interest income on the grant receivable relating to a loan | **(377,182)** | (423,150) |
| | **2,723,979** | 2,200,761 |

## 17. FINANCIAL INSTRUMENTS

### Classes of financial assets and liabilities

The carrying amount of amounts presented in the statement of financial position relates to the following classes of assets and liabilities:

**Financial assets**

*Loans and receivable*

| | Interest rate and maturity | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| **Current** | | | |
| Cash | | **5,170,872** | 2,347,991 |
| Term deposits | Weighted average rate of 1.96% (2.66% as at December 31, 2013) | **26,278,497** | 13,799,768 |
| Accounts receivable (Note 7) | | **5,368,160** | 4,903,035 |
| Grants receivable (Note 8) | | **12,268,941** | 5,663,415 |
| Note receivable | | **116,667** | 116,667 |
| | | **49,203,137** | 26,830,876 |
| **Non-current** | | | |
| Term deposits | Weighted average rate of 2.43% (2.36% as at December 31, 2013), maturing on various dates until December 2016 | **26,690,001** | 36,330,253 |
| Note receivable | Residential mortgage rate plus 5.25% | **2,208,333** | 2,325,000 |
| Grants receivable (Note 8) | | **6,500,000** | 7,500,000 |
| | | **35,398,334** | 46,155,253 |
| | | **84,601,471** | 72,986,129 |

*Note receivable*

Loans and receivables include a note receivable under an emphyteutic agreement, secured by a building, bearing interest at the rate of a five-year residential mortgage, plus 5.25% (8.14%; 8.14% as at December 31, 2013), receivable in monthly instalments of $9,722, ending in November 2034, plus a $1,387 instalment in December 2034, followed by 312 monthly instalments of $1 until October 30, 2060. The current portion receivable is $116,667 (Note 11).

**Financial liabilities**

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Current** | | |
| Accounts payable (Note 10) | **18,176,428** | 26,463,099 |
| Customer deposits | **580,008** | 605,008 |
| Loans (Note 12) | **5,091,000** | 5,722,200 |
| | **23,847,436** | 32,790,307 |
| **Non-current** | | |
| Loans (Note 12) | **141,875,000** | 101,125,000 |
| | **165,722,436** | 133,915,307 |

## 17. FINANCIAL INSTRUMENTS (Continued)

### Fair value measurement

The valuation methods and techniques used to measure fair value are the same as those used in the previous reporting period. The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

*Short-term financial instruments*

Cash, accounts receivable, accrued interest receivable, grants receivable, accounts payable and customer deposits are financial instruments which fair value approximates their carrying amount given that they will mature shortly.

*Note receivable*

The fair value of the note receivable under an emphyteutic agreement is not easily determinable considering the contingency presented in Note 11.

*Term deposits, grant receivable and loans*

The fair value of a grant receivable and loans was determined by discounting the contractual cash flows using market interest rates for similar financial instruments having the same term to maturity and approximates their carrying amount. The fair value of the term deposits is $53,482,111 ($50,618,659 in 2013).

### Financial instrument risk

AQi is exposed to various financial instrument risks. AQi's financial assets and liabilities are summarized above by category. The main types of risk are interest rate risk, credit risk and liquidity risk.

AQi's risk management is coordinated by management in close cooperation with the Board of Directors, and focuses on actively securing the availability of AQi's short to medium-term cash flows by minimizing the exposure to financial markets. AQi's financial investments all mature within five years.

AQi does not actively negotiate financial assets for speculative purposes. AQi's main financial risk exposure is as follows.

*Interest rate risk*

Interest rate risk is the risk that the fair value or cash flows of a financial instrument fluctuate and result in a loss due to changes in interest rates.

Term deposits, a grant receivable and bonds bear interest at a fixed rate and AQi is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The note receivable under an emphyteutic agreement and term loans bear interest at a variable rate and AQi is, therefore, exposed to the risk of cash flow resulting from interest rate fluctuations.

In accordance with its policies, it is AQi's intention to reduce the exposure of its long-term financing to the cash flow risk resulting from interest rate fluctuations. Longer-term loans therefore bear interest at a fixed rate.

AQi's investments in term deposits all bear interest at fixed rates.

In the opinion of management, a 1% fluctuation in interest rates would not have a significant impact on AQi's results.

*Credit risk*

Credit risk is the risk that one of AQi's debtors is unable to fulfill its obligations.

Credit risk relating to accounts receivable is generally diversified since AQi negotiates with a large number of establishments.

**17. FINANCIAL INSTRUMENTS (Continued)**

AQi's maximum credit risk exposure is limited to the carrying amount of the financial assets recognized at the reporting date, as summarized in the following table:

| | **2014 $** | 2013 $ |
|---|---|---|
| **Financial asset classes – carrying amount** | | |
| Cash | **5,170,872** | 2,347,991 |
| Term deposits | **52,968,498** | 50,130,021 |
| Accounts receivable (Note 7) | **5,368,160** | 4,903,035 |
| Grants receivable | **18,768,941** | 13,163,415 |
| Note receivable | **2,325,000** | 2,441,667 |
| | **84,601,471** | 72,986,129 |

AQi's policy is to deal with solvent parties only. AQi's management considers that the credit quality of the above-mentioned financial assets that are not impaired or in default at each reporting date is good.

None of AQi's financial assets are secured by collateral or any other form of credit enhancement.

*Liquidity risk*

Liquidity risk is the risk that AQi is unable to meet its commitments. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that AQi has sufficient financing sources to pursue its activities. AQi establishes annual budget and cash estimates to this end.

AQi considers expected cash flows from financial assets when assessing and managing liquidity risk, in particular cash and accounts receivable. AQi's current cash and accounts receivable are significantly greater than current cash requirements.

As at December 31, 2014, the contractual maturities of AQi's non-derivative financial liabilities (including any interest payment), are detailed as follows:

| | | | | **2014** |
|---|---|---|---|---|
| | | **Current** | | **Non-current** |
| | **Less than 6 months $** | **6 to 12 monts $** | **1 to 5 years $** | **Over 5 years $** |
| Trade and other payables | **17,602,256** | **574,172** | | |
| Customer deposits | | | **580,008** | |
| Loans | **3,890,818** | **5,056,818** | **126,410,826** | **29,374,787** |
| | **2,493,074** | **5,630,990** | **126,990,834** | **29,374,787** |

| | | | | 2013 |
|---|---|---|---|---|
| | | Current | | Non-current |
| | Less than 6 months $ | 6 to 12 months $ | 1 to 5 years $ | Over 5 years $ |
| Trade and other payables | 25,458,766 | 1,004,333 | | |
| Customer deposits | | | 605,008 | |
| Loans | 3,589,060 | 5,386,257 | 83,234,472 | 33,940,877 |
| | 29,047,826 | 6,390,590 | 83,839,480 | 33,940,877 |

## 18. CAPITAL MANAGEMENT

AQi's capital management objectives are to:

- ensure it has the necessary capital for developing and improving air and airport services to guarantee quality service to passengers;
- maintain a flexible capital structure enabling AQi to obtain financing to develop its infrastructure and real estate;
- maintain the necessary cash flows to address the risks most likely to affect its financial situation.

AQi's capital includes net assets and loans totalling $247,113,865 ($196,558,311 as at December 31, 2013).

To ensure it attains its objectives, AQi's management:

- produces and presents to the Board of Directors short- and long-term financial forecasts;
- produces and presents to the Board of Directors quarterly financial statements and the management discussion and analysis, and follows up on financial forecasts;
- periodically reviews service prices.

## 19. NET CHANGE IN WORKING CAPITAL

The following adjustments to non-cash working capital have been made to determine operating cash flows:

| | **2014**<br>**$** | 2013<br>$ |
|---|---|---|
| Accounts receivable | **1,904,119** | (1,844,830) |
| Supplies in inventory | **132,352** | (158,637) |
| Prepaid expenses | **288,456** | (72,155) |
| Account payable, excluding payables relating to property, plant and equipment | **(284,467)** | (158,842) |
| Provisions | **(220,866)** | (19,188) |
| Deferred revenues | **22,134** | 98,819 |
| Customer deposits | **(25,000)** | 76,226 |
| | **1,816,728** | (2,078,607) |

## 20. RELATED PARTY TRANSACTIONS

AQi's related parties include its directors, key management personnel and post-employment benefit plans for AQi's employees.

### Transactions with key management personnel

AQi's key management personnel includes the directors and management and their compensation is detailed as follows:

| | **2014** **$** | 2013 $ |
|---|---|---|
| Salaries, including bonuses | **1,572,709** | 1,101,080 |
| Employee benefit cost | **135,933** | 112,483 |
| Post-employment benefits | **58,186** | 54,339 |
| Attendance and directors' fees | **372,494** | 330,420 |
| Total compensation | **2,139,322** | 1,598,322 |

### Transactions related to post-employment benefit plans

The defined benefit and defined contribution plans are related parties. AQi's transactions with the pension plans include plan contributions, which are presented in Note 14. There are no other transactions with the pension plans and no unpaid balances other than contributions for the last month of the fiscal year, which are paid during the subsequent month.