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, 2012 and the statement of revenues and expenses, 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, 2012 and the result of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Raymond Chabot Grant Thornton S.E.N.C.R.L. [1]

Québec City
February 20, 2013

[1] CPA auditor, CA public accountancy permit no. A203607

Statement of Revenues and Expenses

Year ended December 31, 2012

	2012 $	2011 $
Revenues		
Landing and terminal	**12,086,377**	11,593,220
Airport improvement fees	**15,567,828**	15,163,996
Concessions	**2,657,178**	2,613,584
Rentals	**1,318,816**	1,190,524
Parking	**4,278,318**	3,806,192
Services and recoveries	**3,947,542**	2,852,665
Safety and security	**2,905,916**	2,503,828
Other	**39,809**	140,045
	42,801,784	39, 864,054
Expenses		
Salaries and employee benefits (Note 14)	**10,035,769**	8,722,195
Rent	**2,307,100**	2,047,387
Goods and services	**10,808,877**	10,338,776
In lieu of taxes	**2,655,072**	2,473,375
Amortization of property, plant and equipment	**7,757,665**	7,432,878
Amortization of deferred expenses	**104,489**	81,024
Amortization of deferred revenues relating to property, plant and equipment	**(1,572,541)**	(1,572,541)
	32,096,431	29,523,094
OPERATING RESULTS	**10,705,353**	10,340,960
Finance income (Note 16)	**1,067,433**	803,492
Finance costs (Note 16)	**(2,215,495)**	(2,195,389)
NET REVENUES AND EXPENSES	**9,557,291**	8,949,063

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

Statement of Changes in Net Assets

Year ended December 31, 2012

	Accumulated revenues $	Accumulated other comprehensive income $	Total net assets $
Balances as at January 1, 2012	**71,554,575**	**(1,601,800)**	**69,952,775**
Net revenues and expenses	**9,557,291**		**9,557,291**
Changes in actuarial losses		**(971,100)**	**(971,100)**
Comprehensive income			**8,586,191**
Balances as at December 31, 2012	**81,111,866**	**(2,572,900)**	**78,538,966**
Balances as at January 1, 2011	62,605,512	(450,600)	62,154,912
Net revenues and expenses	8,949,063		8,949,063
Changes in actuarial losses		(1,151,200)	(1,151,200)
Comprehensive income			7,797,863
Balances as at December 31, 2011	71,554,575	(1,601,800)	69,952,775

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

Statement of Cash Flows

Year ended December 31, 2012

	2012 $	2011 $
Operating activities		
Net revenues and expenses	**9,557,291**	8,949,063
Non-cash items		
Gain on disposal of property, plant and equipment	**(39,809)**	(139,802)
Amortization of property, plant and equipment	**7,757,665**	7,432,878
Amortization of deferred expenses	**104,489**	81,024
Amortization of deferred revenues relating to property, plant and equipment	**(1,572,541)**	(1,572,541)
Defined benefit liability	**(133,900)**	(286,298)
Net changes in working capital items (Note 19)	**(1,793,717)**	(1,517,117)
Cash flows from operating activities	**13,879,478**	12,947,207
Investing activities		
Term deposits	**(5,337,607)**	(3,592,787)
Receipt of notes receivable	**116,666**	6,602
Acquisition of property, plant and equipment	**(22,621,649)**	(12,246,696)
Disposal of property, plant and equipment	**7,666**	165,702
Deferred expenses	**(49,300)**	(118,325)
Cash flows from investing activities	**(27,884,224)**	(15,785,504)
Financing activities		
Receipt of grant receivable	**1,000,000**	1,000,000
Loans	**18,156,000**	7,500,000
Repayment of loans	**(3,302,600)**	(3,250,000)
Repayment of financing lease liability	**(2,794,508)**	(499,994)
Cash flows from financing activities	**13,058,892**	4,750,006
Increase (decrease) in cash and cash equivalents	**(945,854)**	1,911,709
Cash and cash equivalents, beginning of year	**6,386,990**	4,475,281
Cash and cash equivalents, end of year	**5,441,136**	6,386,990

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

Statement of Financial Position

December 31, 2012

	2012 $	2011 $
ASSETS		
Current		
Cash and cash equivalents (Note 6)	**5,441,136**	6,386,990
Term deposits	**12,000,000**	9,740,784
Accounts receivable (Note 7)	**5,520,757**	5,174,430
Grants receivable (Note 8)	**7,221,315**	1,000,000
Note receivable (Note 17)	**116,667**	116,667
Supplies in inventory	**625,064**	296,885
Prepaid expenses	**691,859**	375,328
	31,616,798	23,091,084
Non-current		
Term deposits	**20,754,337**	17,675,946
Note receivable (Note 17)	**2,441,667**	2,558,333
Grants receivable (Note 8)	**8,500,000**	9,500,000
Property, plant and equipment (Note 9)	**135,645,350**	119,191,027
Deferred expenses	**262,328**	317,517
	167,603,682	149,242,823
	199,220,480	172,333,907
LIABILITIES		
Current		
Accounts payable (Note 10)	**9,604,408**	7,343,589
Provisions (Note 11)	**1,090,054**	1,445,996
Deferred revenues	**106,343**	120,168
Customer deposits	**528,782**	778,782
Loans (Note 12)	**6,353,400**	3,250,000
Financing lease liability		2,794,508
	17,682,987	15,733,043
Non-current		
Accounts payable (Note 10)		445,828
Loans (Note 12)	**65,875,000**	54,125,000
Deferred revenues relating to property, plant and equipment (Note 13)	**35,924,327**	31,715,261
Defined benefit liability (Note 14)	**1,199,200**	362,000
	102,998,527	86,648,089
NET ASSETS	**120,681,514**	102,381,132
Accumulated revenues and accumulated other comprehensive income	**78,538,966**	69,952,775
	199,220,480	172,333,907

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:

Jean Royer, CFA, CPA, CMA
Chair of Audit and Risk Management Committee

Notes to Financial Statements

December 31, 2012

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

Aéroport de Québec inc. (AQi) is a not-for-profit corporation without share capital incorporated on April 18, 1996 under Part II of the Canada Corporations Act (R.S.C. 1970, c. C-32). AQi is exempted under the Income Tax Act.

Since November 1, 2000, AQi has been responsible for the management, operation, maintenance and development of the Québec City Jean Lesage International Airport under a 60-year lease with the Government of Canada with a renewal option for an additional 20-year period. Any excess of revenues over expenses is reinvested in the airport's infrastructure to improve passenger services.

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

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

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, 2012 were approved on February 20, 2013 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, 2012. Significant accounting policies used in the preparation of the financial statements are summarized below.

Note 4 presents a summary of the IFRS standards, amendments and interpretations issued but not yet effective that AQi did not early adopt.

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.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash and highly liquid investments that are readily convertible to known amounts of cash having a term of three months or less from the acquisition date.

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 leasehold improvements paid for certain tenants and required expenses under the terms of the lease. They are amortized on a straight-line basis over 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 expires.

Financial asset 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 on 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 and cash equivalents, term deposits, accounts receivable, other receivables, grants receivable and notes receivable are included in this class of financial instrument.

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 either classified as held-for-trading or satisfy certain conditions and are designated at fair value through profit or loss on 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 net 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 or 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, loans and the financing lease liability. 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 with gains and losses recognized in revenues and expenses.

Interest expense, and, where applicable, changes in 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 depreciation and amortization method and useful lives of assets under financing 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 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.

Amortization is recognized on a straight-line basis to reduce the cost to the estimated residual value of the property, plant and equipment. The amortization periods are as follows:

	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 and 10 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 or 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 present value of the cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

All property, plant and equipment are assessed 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 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 finance 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 obligation 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 on service method, based on management's best estimate assumptions regarding the expected return on plan assets, future salary increases and retirement age. For the purpose of calculating the expected return on plan assets, these assets are valued at fair value;
- The service cost and net interest over the defined benefit net liability portion of the defined benefit cost for the year is recognized in net revenues and expenses and the remeasurements of the net defined benefit liability portion is recognized in other comprehensive income.

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. FUTURE ACCOUNTING CHANGES

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB, but are not yet effective, and have not been early adopted by AQi.

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. Information on new standards, amendments and interpretations that are expected to be relevant to AQi's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on AQi's financial statements.

IFRS 9 – Financial Instruments

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015. Furthermore, in November 2012, the IASB issued an exposure draft aiming to make limited amendments to the IFRS 9 financial statement classification model in order to discuss application issues. AQi's management has not yet determined the impact that this new standard will have on its financial statements. Management does not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

IFRS 13 – Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures on fair value measurements. It has no impact on the items that should be presented at fair value. IFRS 13 applies prospectively for fiscal years starting on or after January 1, 2013. Management is currently reviewing its measurement methods to comply with the new requirements and has not finished its assessment of their impact on AQi's financial statements.

Amendments to IAS 19 – Employee Benefits (IAS 19 revised)

Amendments to IAS 19 include a series of specific improvements to the overall standard. The main revisions relating to defined benefit plans will:

- Eliminate the corridor method, requiring entities to recognize all actuarial gains and losses in the financial reporting presentation period;
- Change the valuation and presentation of certain defined benefit cost components;
- Improve disclosure requirements, including disclosures on defined benefit characteristics and the risks to which entities are exposed because of their participation.

4. FUTURE ACCOUNTING CHANGES (Continued)

Amendments to IAS 19 apply retroactively and are effective for fiscal years starting on or after January 1, 2013.

Management is working with its actuarial consultants to quantify the impact of these amendments on AQi's financial statements.

5. 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 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.

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 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' ability to pay, debtors' payment history and 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.

6. CASH AND CASH EQUIVALENTS

	2012 **$**	2011 $
Cash	**3,420,438**	4,373,158
Term deposit (1.75%, maturing in February 2013)	**2,020,698**	2,013,832
Cash and cash equivalents	**5,441,136**	6,386,990

7. ACCOUNTS RECEIVABLE

	2012 **$**	2011 $
Current		
Trade receivables, gross	**4,361,165**	4,790,838
Allowance for doubtful accounts	**(98,075)**	(98,154)
Trade receivables, net	**4,263,090**	4,692,684
Accrued interest receivable	**406,018**	470,031
Indirect taxes receivable	**851,649**	11,715
	5,520,757	5,174,430

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 its fair value.

8. GRANTS RECEIVABLE

AQi obtained $36,245,589 in grants to complete the new 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, 2012, an amount of $5,500,000 has been received for this purpose ($4,500,000 in 2011). The grant receivable bears interest at 4.77% and is receivable in quarterly instalments of $250,000 until April 2022.

Furthermore, AQi obtained a $6,221,315 grant to finance the construction of the Delta-Golf taxiway.

Grants received and receivable are recognized under deferred revenues relating to property, plant and equipment.

9. PROPERTY, PLANT AND EQUIPMENT

AQi's property, plant and equipment consist of buildings, leasehold improvements, runways, roadways and other paved surfaces, machinery and equipment, computer equipment, automotive equipment, furniture and fixtures, projects in progress and assets under a capital lease (automotive equipment). AQi has elected to recognize all of these items of property, plant and equipment at amortized cost. The carrying amount is detailed in the following table.

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings and leasehold improvements $	Runways, roadways and other paved surfaces $	Machinery and equipment $	Computer equipment $	Automotive equipment $	Furniture and fixtures $	Projects in progress $	Assets under capital lease $	Total $
Cost									
Balance as at January 1, 2012	**67,016,956**	**22,469,553**	**34,780,158**	**7,673,350**	**4,737,043**	**3,298,043**	**2,818,475**	**3,379,760**	**146,173,338**
Acquisitions and reclassifications	**(133,146)**	**14,523,107**	**244,832**	**936,686**	**3,972,173**	**(15,386)**	**8,510,727**	**(3,379,760)**	**24,659,233**
Disposals and write-offs	**(652,910)**				**(109,675)**				**(762,285)**
Balance as at December 31, 2012	**66,230,900**	**36,992,660**	**35,024,990**	**8,610,036**	**8,599,541**	**3,282,657**	**11,329,202**		**170,069,986**
Accumulated amortization									
Balance as at January 1, 2012	**6,233,656**	**3,942,578**	**8,060,399**	**4,507,056**	**2,664,986**	**1,066,672**		**506,964**	**26,982,311**
Acquisitions and reclassifications	**1,832,225**	**1,190,763**	**2,199,590**	**1,454,720**	**1,268,985**	**318,346**		**(506,964)**	**7,757,665**
Disposals and write-offs	**(213,202)**				**(102,138)**				**(315,340)**
Balance as at December 31, 2012	**7,852,679**	**5,133,341**	**10,259,989**	**5,961,776**	**3,831,833**	**1,385,018**			**34,424,636**
Carrying amount as at December 31, 2012	**58,378,221**	**31,859,319**	**24,765,001**	**2,648,260**	**4,767,708**	**1,897,639**	**11,329,202**		**135,645,350**
Cost									
Balance as at January 1, 2011	66,348,047	12,453,217	32,873,466	7,188,699	4,549,282	3,294,129	2,940,320	3,379,760	133,026,920
Acquisitions and reclassifications	668,909	10,016,336	1,906,692	484,651	1,065,373	3,914	(121,845)		14,024,030
Disposals					(877,612)				(877,612)
Balance as at December 31, 2011	67,016,956	22,469,553	34,780,158	7,673,350	4,737,043	3,298,043	2,818,475	3,379,760	146,173,338
Accumulated amortization									
Balance as at January 1, 2011	4,342,759	2,870,640	5,896,050	3,234,392	3,146,944	741,372		168,988	20,401,145
Acquisitions	1,890,897	1,071,938	2,164,349	1,272,664	369,754	325,300		337,976	7,432,878
Disposals					(851,712)				(851,712)
Balance as at December 31, 2011	6,233,656	3,942,578	8,060,399	4,507,056	2,664,986	1,066,672		506,964	26,982,311
Carrying amount as at December 31, 2011	60,783,300	18,526,975	26,719,759	3,166,294	2,072,057	2,231,371	2,818,475	2,872,796	119,191,027

During the year, AQi wrote off a building against deferred and related contributions following the demolition of the building. The cost of the building and the value of the deferred contribution at that time was $652,910, whereas the value of the accumulated amortization for these two items was $213,202.

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

An amount of $52,481 representing interest on loans in the course of the construction period was charged to property, plant and equipment costs during the year.

Furthermore, AQi refinanced rented automotive equipment under a capital lease by long-term debt.

Lastly, AQi disposed of a vehicle for $39,680. As at December 31, 2012, this amount is included in accounts receivable.

During the year, AQi's management reviewed the amortization period of the runways. The initially expected amortization period was 15 years and now it is 15 years, 25 years and 40 years. The impact of this change in the estimate for the amortization expense for the year is $203,551.

10. ACCOUNTS PAYABLE

	2012 **$**	2011 $
Current		
Trade payables	**2,797,306**	2,885,740
Trade payables relating to property, plant and equipment	**5,641,407**	3,157,995
Salaries, vacation and employee benefits	**641,455**	739,390
Accrued interest	**524,240**	560,464
	9,604,408	7,343,589
Non-current		
Trade payables relating to property, plant and equipment		445,828
	9,604,408	7,789,417

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

11. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

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

	2012 **$**	2011 $
Carrying amount as at January 1	**1,445,996**	2,341,996
Additional provisions	**250,000**	488,000
Used amount	**(340,942)**	(1,121,000)
Reversal	**(265,000)**	(263,000)
Carrying amount as at December 31	**1,090,054**	1,445,996

Contingent assets and liabilities

AQi does not have any contingent liability. 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	
	2012 **$**	2011 $	**2012** **$**	2011 $
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	**34,875,000**	37,125,000
Series B bonds, 4.77%, payable from the grant receivable in quarterly instalments of $250,000 plus interest, maturing in April 2022 (a)	**1,000,000**	1,000,000	**8,500,000**	9,500,000
Non-revolving term loan, floating rate (1.92%), maturing in January 2013 (a)	**3,103,400**			
Term loan, floating rate (1.77%; 1.75% in 2011), maturing in February 2015 (a)			**22,500,000**	7,500,000
Total carrying amount	**6,353,400**	3,250,000	**65,875,000**	54,125,000

(a) Under the credit agreement, AQi is subject to certain conditions. As at December 31, 2012, these conditions were met.

The fair value of long-term financial liabilities has been determined by calculating the present value at the reporting date using fixed effective market interest rates that AQi could use. No change in fair value has been recognized in revenues and expenses for the year because financial liabilities are presented at amortized cost in the statement of financial position.

Additionally, AQi may avail itself of bank loans with two financial institutions. The authorized amounts are $2,000,000 and $5,000,000 and bear interest respectively at prime plus 0.5% and prime (3.5% and 3%). These loans are renegotiable annually. As at December 31, 2012, they are not used.

13. DEFERRED REVENUES RELATING TO PROPERTY, PLANT AND EQUIPMENT

			2012
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Airport terminal	**42,466,904**	**6,542,577**	**35,924,327**

			2011
	Cost $	Accumulated amortization $	Net $
Airport terminal	36,245,589	4,996,136	31,249,453
Buildings	652,910	187,102	465,808
	36,898,499	5,183,238	31,715,261

14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Expenses recognized as employee benefits are detailed as follows:

	2012 **$**	2011 $
Salaries	**8,216,375**	7,221,044
Employee benefits	**1,253,866**	1,163,417
Retirement – defined benefit plan	**237,100**	111,102
Retirement – defined contribution plan	**298,152**	213,402
Pension allowance	**30,276**	13,230
Employee benefit expenses	**10,035,769**	8,722,195

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

	2012 **$**	2011 $
Current		
Other short-term employee benefit obligations	**641,455**	739,390

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).

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

	2012 **$**	2011 $
Defined benefit obligations as at January 1	**6,003,300**	4,813,800
Current service costs	**320,500**	173,800
Interest expense on the defined benefit obligation	**285,100**	287,000
Participants' contribution	**59,400**	63,000
Actuarial loss	**976,400**	741,000
Benefits paid	**(109,400)**	(75,300)
Defined benefit obligations as at December 31	**7,535,300**	6,003,300

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

	2012 **%**	2011 %
Discount rate	**4,0**	4,5
Increase rate of compensation	**3,5**	3,5

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

14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS (Continued)

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

	2012 $	2011 $
Fair value of plan assets as at January 1	**5,641,300**	5,316,702
Asset increase		
Employer's contributions	**371,000**	397,400
Participants' contributions	**59,400**	63,000
Gain on disposal of investments		167,900
Change in fair market value of investments	**442,800**	(200,700)
Investment income		28,100
Others	**4,800**	7,798
	878,000	463,498
Asset decrease		
Professional and management fees	**73,800**	63,600
Benefits paid	**109,400**	75,300
	183,200	138,900
Fair value of plan assets as at December 31	**6,336,100**	5,641,300

The plan assets are in a separate fund that invests exclusively in a series of underlying bond and Canadian and foreign shares funds.

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

	2012 $	2011 $
Fair value of plan assets	**6,336,100**	5,641,300
Defined benefit obligations	**7,535,300**	6,003,300
Defined benefit liability	**(1,199,200)**	(362,000)

15. LEASES AND OTHER COMMITMENTS

Operating lease as lessee

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

	%
Income levels	
$0 to $5,000,000	0
$5,000,000 to $10,000,000	1
$10,000,000 to $25,000,000	5
$25,000,000 to $100,000,000	8
$100,000,000 to $250,000,000	10
$250,000,000 and over	12

15. LEASES AND OTHER COMMITMENTS (Continued)

Operating leases as lessor

AQi leases land and buildings to sub-lessees. Income from the sub-leases is $1,318,816 ($1,190,524 in 2011).

Other commitments

AQi has entered into service agreements expiring at various dates until June 2015 which call for a lease payment of $3,471,402. Minimum lease payments for the next three years are $3,077,388 in 2013, $270,078 in 2014 and $123,936 in 2015.

Moreover, AQi has agreed to pay $4,885,109 in the course of next year for construction contracts.

16. FINANCE INCOME AND EXPENSES

Finance income

Finance income for the reporting periods is detailed as follows:

	2012 $	2011 $
Interest income on cash and cash equivalents	**44,479**	86,935
Interest income on the term deposits	**806,899**	496,114
Interest income on the note receivable	**216,055**	220,443
	1,067,433	803,492

Finance expenses

Finance expenses for the reporting periods are detailed as follows:

	2012 $	2011 $
Interest expense on the financing lease	**75,750**	95,752
Interest expense on loans	**2,612,124**	2,619,923
Interest income on the grant receivable relating to a loan	**(472,379)**	(520,286)
	2,215,495	2,195,389

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	**2012 $**	2011 $
Current			
Cash and cash equivalents (Note 6)	Term deposit maturing on February 2013, 1.75% (1.35% as at December 31, 2011)	**5,441,136**	6,386,990
Term deposits	Weighted average rate of 1.72% (1.58% as at December 31, 2011)	**12,000,000**	9,740,784
Accounts receivable (Note 7)		**4,669,108**	5,162,715
Grants receivable (Note 8)		**7,221,315**	1,000,000
Notes receivable		**116,667**	116,667
		29,448,226	22,407,156
Non-current			
Term deposits	Weighted average rate of 2.91% (2.78% as at December 31, 2011) maturing on various dates until December 2016	**20,754,337**	17,675,946
Note receivable	Residential mortgage rate plus 5.25%	**2,441,667**	2,558,333
Grant receivable		**8,500,000**	9,500,000
		31,696,004	29,734,279
		61,144,230	52,141,435

17. FINANCIAL INSTRUMENTS (Continued)

Note receivable

Loans and receivables include a note receivable under an emphyteutic agreement, secured by a building, bearing interest at the rate of a 5-year residential mortgage, plus 5.25% (10.49%; 10.54% as at December 31, 2011), 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

	2012 **$**	2011 $
Current		
Accounts payable (Note 10)	**9,604,408**	7,343,589
Customer deposits	**528,782**	778,782
Loans (Note 12)	**6,353,400**	3,250,000
Financing lease liability		2,794,508
	16,486,590	14,166,879
Non-current		
Accounts payable (Note 10)		445,828
Loans (Note 12)	**65,875,000**	54,125,000
	65,875,000	54,570,828
	82,361,590	68,737,707

Fair value measurement

The valuation methods 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, 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 the term deposits, grant receivable and loans was determined by discounting the expected cash flows using market interest rates for similar debt securities having the same term to maturity and approximates its carrying amount.

17. FINANCIAL INSTRUMENTS (Continued)

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 exposures are 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.

The term deposits, grant receivable and loans 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 loans bear interest at variable rate and AQi is, therefore, exposed to the risk of cash flow fluctuations.

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

AQi's investments in term deposits all bear fixed interest 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 fulfil its obligations.

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

AQi is exposed to credit risk concentration because its cash and term deposits are held with only two financial institutions.

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:

	2012 **$**	2011 $
Financial asset classes – carrying amount		
Cash and cash equivalents	**5,441,136**	6,386,990
Term deposits	**32,754,337**	27,416,730
Accounts receivable (Note 7)	**4,263,090**	4,692,684
Accrued interest receivable (Note 7)	**406,018**	470,031
Grants receivable	**15,721,315**	10,500,000
Note receivable	**2,558,334**	2,675,000
	61,144,230	52,141,435

17. FINANCIAL INSTRUMENTS (Continued)

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

None of AQi's financial instruments 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 cash equivalents 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, 2012, the contractual maturities of AQi's non-derivative financial liabilities (including any interest payment), are detailed as follows:

				2012
		Current		**Non-current**
	Less than 6 months $	**6 to 12 months $**	**1 to 5 years $**	**Over 5 years $**
Trade and other payables	**9,290,174**	**314,234**		
Customer deposits			**528,782**	
Loans	**4,116,700**	**4,552,061**	**62,130,177**	**38,669,915**
	13,406,874	**4,866,295**	**62,658,959**	**38,669,915**

				2011
		Current		Non-current
	Less than 6 months $	6 to 12 months $	1 to 5 years $	Over 5 years $
Financing lease liability	297,248	2,563,997		
Trade and other payables	4,953,064	2,390,525	445,828	
Customer deposits		250,000	528,782	
Loans	2,885,114	2,833,406	28,699,533	43,562,099
	8,135,426	8,037,928	29,674,143	43,562,099

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 infrastructures 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 long-term debt totalling $150,767,366 ($130,122,283 as at December 31, 2011).

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

- Produces and presents to the Board of Directors short-term 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 CHANGES IN WORKING CAPITAL

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

	2012 **$**	2011 $
Net changes in working capital		
Accounts receivable	**(306,647)**	(1,496,713)
Supplies in inventory	**(328,179)**	(29,355)
Prepaid expenses	**(316,531)**	148,195
Accounts payable, excluding payables relating to property, plant and equipment	**(222,593)**	420,178
Provisions	**(355,942)**	(896,000)
Deferred revenues	**(13,825)**	86,578
Customer deposits	**(250,000)**	250,000
	(1,793,717)	(1,517,117)

20. RELATED PARTIES TRANSACTIONS

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

Transactions with key management personnel

AQi's key management personnel includes the directors and management and their compensation includes the following expenses:

	2012 **$**	2011 $
Salaries, including bonuses	**897,582**	719,821
Employee benefits cost	**43,789**	33,408
Employee benefits	**46,349**	40,693
Attendance and directors' fees	**376,979**	366,000
	1,364,699	1,159,922

Transactions related to post-employment benefits

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.