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, 2013 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, 2013 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 LLP [1]

Québec City
February 25, 2014

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

AÉROPORT DE QUÉBEC INC.

STATEMENT OF REVENUES AND EXPENSES

Year ended December 31, 2013

	2013 $	2012 $
Revenues		
Landing and terminal	**12,795,926**	12,086,377
Airport improvement fees	**17,015,382**	15,567,828
Concessions	**2,880,722**	2,657,178
Rentals	**1,500,604**	1,318,816
Parking	**4,511,428**	4,278,318
Services and recoveries	**5,245,487**	3,947,542
Safety and security	**3,089,400**	2,905,916
Other income	**17,102**	39,809
	47,056,051	42,801,784
Expenses		
Employee benefits expense (Note 14)	**11,086,141**	10,035,769
Rent	**2,659,041**	2,307,100
Goods and services	**11,095,586**	10,808,877
In lieu of taxes	**2,799,915**	2,655,072
Other expenses	**313,041**	
Amortization of property, plant and equipment	**8,377,428**	7,757,665
Amortization of deferred expenses	**117,182**	104,489
Amortization of deferred revenues relating to property, plant and equipment	**(1,733,728)**	(1,572,541)
	34,714,606	32,096,431
Operating results	**12,341,445**	10,705,353
Finance income (Note 16)	**1,182,361**	1,067,433
Finance costs (Note 16)	**(2,200,761)**	(2,215,495)
NET REVENUES AND EXPENSES	**11,323,045**	9,557,291

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

AÉROPORT DE QUÉBEC INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2013

	Accumulated revenues $	Accumulated other comprehensive income $	Total net assets $
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**
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
Revaluation of net defined benefit pension plan liability		(971,100)	(971,100)
Comprehensive income			8,586,191
Balances as at December 31, 2012	81,111,866	(2,572,900)	78,538,966

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

AÉROPORT DE QUÉBEC INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2013

	2013	2012
	$	$
Operating activities		
Net revenues and expenses	**11,323,045**	9,557,291
Non-cash items		
Gain on disposal of property, plant and equipment	**(17,102)**	(39,809)
Write-off of property, plant and equipment	**290,098**	
Amortization of property, plant and equipment	**8,377,428**	7,757,665
Amortization of deferred expenses	**117,182**	104,489
Amortization of deferred revenues relating to property, plant and equipment	**(1,733,728)**	(1,572,541)
Defined benefit pension plan liability	**(145,100)**	(133,900)
Net change in working capital items (Note 19)	**(2,078,607)**	(1,793,717)
Cash flows from operating activities	**16,133,216**	13,879,478
Investing activities		
Term deposits	**(15,354,986)**	(7,358,305)
Receipt of note receivable	**116,667**	116,666
Acquisition of property, plant and equipment	**(43,596,892)**	(22,621,649)
Disposal of property, plant and equipment	**17,102**	7,666
Deferred expenses	**(222,224)**	(49,300)
Cash flows from investing activities	**(59,040,333)**	(29,904,922)
Financing activities		
Receipt of grant receivable	**7,215,870**	1,000,000
Loans	**38,500,000**	18,156,000
Repayment of loans	**(3,881,200)**	(3,302,600)
Repayment of finance lease liability		(2,794,508)
Cash flows from financing activities	**41,834,670**	13,058,892
Net decrease in cash	**(1,072,447)**	(2,966,552)
Cash, beginning of year	**3,420,438**	6,386,990
Cash, end of year	**2,347,991**	3,420,438

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

AÉROPORT DE QUÉBEC INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

	2013 $	2012 $
ASSETS		
Current		
Cash	**2,347,991**	3,420,438
Term deposits (Note 17)	**13,799,768**	14,020,698
Accounts receivable (Note 7)	**7,365,587**	5,520,757
Grants receivable (Note 8)	**5,663,415**	7,221,315
Note receivable (Note 17)	**116,667**	116,667
Supplies in inventory	**783,701**	625,064
Prepaid expenses	**764,014**	691,859
	30,841,143	31,616,798
Non-current		
Term deposits (Note 17)	**36,330,253**	20,754,337
Note receivable (Note 17)	**2,325,000**	2,441,667
Grant receivable (Note 8)	**7,500,000**	8,500,000
Property, plant and equipment (Note 9)	**187,592,249**	135,645,350
Deferred expenses	**367,370**	262,328
	234,114,872	167,603,682
	264,956,015	199,220,480
LIABILITIES		
Current		
Accounts payable (Note 10)	**26,463,099**	9,604,408
Provisions (Note 11)	**1,070,866**	1,090,054
Deferred revenues	**205,162**	106,343
Customer deposits	**605,008**	528,782
Loans (Note 12)	**5,722,200**	6,353,400
	34,066,335	17,682,987
Non-current		
Loans (Note 12)	**101,125,000**	65,875,000
Deferred revenues relating to property, plant and equipment (Note 13)	**38,848,569**	35,924,327
Defined benefit pension plan liability (Note 14)	**1,205,000**	1,199,200
	141,178,569	102,998,527
NET ASSETS	**175,244,904**	120,681,514
Accumulated revenues and accumulated other comprehensive income	**89,711,111**	78,538,966
	264,956,015	199,220,480

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

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 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, 2013 were approved on February 25, 2014 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, 2013. 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 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 expires.

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 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, term deposits, accounts receivable, other receivables, grants receivable and the note 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 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, loans and the finance 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 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.

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 (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 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, if any.
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013. Information on these new standards is presented below.

IFRS 13, Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

The application of IFRS 13 had no impact on the financial statements of AQi.

Amendments to IAS 19, Employee Benefits

The 2011 amendments to IAS 19 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- eliminate the "corridor method" and require the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- change the measurement and presentation of certain components of the defined benefit plan cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components, and their replacement by net interest expense or income based on the net defined benefit pension plan asset or liability;
- enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Amendments to IAS 19 have been applied retrospectively in accordance with the standard's transitional provisions. The amendments had no impact on AQi's financial statements since in 2011, AQi has adopted the method of immediate recognition of remeasurement, including actuarial gains and losses, in other comprehensive income. Additional disclosures have been added to Note 14.

5. 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 International Accounting Standards Board (IASB), but are not yet effective, and have not yet been 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 standard, 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. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. AQi's management has not yet determined the impact that this new standard will have on its financial statements. However, 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.

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.

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.

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

• 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

	2013 **$**	2012 $
Current		
Trade receivables, gross	**4,588,578**	4,361,165
Allowance for doubtful accounts	**(124,413)**	(98,075)
Trade receivables, net	**4,464,165**	4,263,090
Accrued interest receivable	**438,870**	406,018
Indirect taxes receivable	**2,462,552**	851,649
	7,365,587	5,520,757

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 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, 2013, an amount of $6,500,000 has been received for this purpose ($5,500,000 in 2012). The grant receivable bears interest at 4.77% and is receivable in quarterly instalments of $250,000 until April 2022.

Furthermore, AQi obtained a $10,879,285 ($6,221,315 in 2012) total grant to finance the construction of some projects. Of this amount, $6,215,870 was received during the year.

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.

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buldings and leasehold improvements $	Runways, roadways and other paved surfaces $	Machinery and equipment $	Computer equipment $	Automative equipment $	Furniture and fixtures $	Projects in progress $	Assets under a capital lease $	Total $
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	**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**
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)				(762,585)
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
Amortization 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

An amount of $140,644 ($52,481 in 2012) 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

	2013 **$**	2012 $
Current		
Trade payables	**2,271,810**	2,797,306
Trade payables relating to property, plant and equipment	**22,658,940**	5,641,407
Salaries, vacation and employee benefits	**1,051,054**	641,455
Accrued interest	**481,295**	524,240
	26,463,099	9,604,408

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:

	2013 **$**	2012 $
Carrying amount as at January 1	**1,090,054**	1,445,996
Additional provisions		250,000
Used amount	**(19,188)**	(340,942)
Reversal		(265,000)
Carrying amount as at December 31	**1,070,866**	1,090,054

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	
	2013	2012	**2013**	2012
	$	$	**$**	$
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	**32,625,000**	34,875,000
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	**7,500,000**	8,500,000
Non-revolving term loan, floating rate (1.92%), maturing in January 2014 (a)	**2,472,200**	3,103,400		
Revolving loan, floating rate (1.67%; 1.77% in 2012), maturing in December 2017 (a)			**61,000,000**	22,500,000
Total de la valeur comptable	**5,722,200**	6,353,400	**101,125,000**	65,875,000

(a) Under the credit agreement, AQi is subject to certain conditions. As at December 31, 2013, 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, 2013, they are not used.

13. DEFERRED REVENUES RELATING TO PROPERTY, PLANT AND EQUIPMENT

			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**

			2012
	Cost	Accumulated amortization	Unamortized cost
	$	$	$
Buildings and leasehold improvements, runways, roadways and other paved surfaces	42,466,904	6,542,577	35,924,327

14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Expenses recognized as employee benefits are detailed as follows:

	2013 $	2012 $
Salaries	**8,723,278**	8,216,375
Employee benefits	**1,552,148**	1,253,866
Retirement – defined benefit plan	**276,937**	237,100
Retirement – defined contribution plan	**348,108**	298,152
Pension allowances	**185,670**	30,276
Employee benefit expenses	**11,086,141**	10,035,769

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

	2013 $	2012 $
Current		
Other short-term employee benefit obligations	**1,051,054**	641,455

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 4% and 7.5% 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. AQi is the administrator of the defined benefit pension plan. As such, AQi's responsibility is to determine the investment policy and analyse regulatory changes, benefits, the funding and financial situation of the defined benefit contributory plan. AQi 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, 2012 and the results have been extrapolated until December 31, 2013.

14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS (Continued)

Balancing contributions required based on the 2012 actuarial valuation amount to $272,900 ($176,600 in 2012).

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

	2013 $	2012 $
Defined benefit pension plan obligations as at January 1	**7,535,300**	6,003,300
Current service costs	**255,700**	320,500
Financial costs	**311,300**	285,100
Employee' contributions	**49,300**	59,400
Actuarial gap	**(803,600)**	976,400
Benefits paid	**(174,400)**	(109,400)
Defined benefit pension plan obligations as at December 31	**7,173,600**	7,535,300

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

	2013 %	2012 %
Discount rate	**4.9**	4.0
Increase rate of compensation	**3.5**	3.5
Inflation	**2.0**	2.0

The expected average remaining service life of pension plan participants is 15.2 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:

	2013 $	2012 $
Fair value of plan assets as at January 1	**6,336,100**	5,641,300
Asset increase		
Employer's contributions	**488,500**	371,000
Employee' contributions	**49,300**	59,400
Performance of plan assets, excluding interest income	**537,600**	158,800
Interest income	**258,600**	255,100
	1,334,000	844,300
Asset decrease		
Administration fees	**35,000**	40,100
Benefits paid	**174,400**	109,400
	209,400	149,500
Fair value of plan assets as at December 31	**7,460,700**	6,336,100

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:

	2013 **$**	2012 $
Costs of services rendered	**255,700**	320,500
Net interest	**52,700**	30,000
Administration fees	**35,000**	73,800
Defined benefit pension plan expense	**343,400**	424,300

AQi plans on making contributions of $469,200 ($343,400 in 2012) 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.

	2013 **$**	2012 $
Fair value of plan assets	**7,460,700**	6,336,100
Defined benefit pension plan obligations	**7,173,600**	7,535,300
Excess (Deficit)	**287,100**	(1,199,200)
Effect of the asset ceiling for defined benefit pension plan obligations	**(1,492,100)**	
Defined benefit pension plan liability	**(1,205,000)**	(1,199,200)

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, 2013 could have influenced the defined benefit pension plan obligations on that date.

		Impact on defined benefit pension plan obligations $
Discount rate	4.65% (instead of 4.90%)	264,000
Salary increase rate	3.25% (instead of 3.50%)	(29,700)
Inflation	1.75% (instead of 2.00%)	(161,200)

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:

	%
Income levels	
$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 $1,463,186 ($1,318,816 in 2012).

Other commitments

AQi has entered into service agreements expiring at various dates until May 2015 which call for a lease payment of $3,178,795. Minimum lease payments for the next two years are $3,078,795 in 2014, and $100,000 in 2015.

Moreover, AQi has agreed to pay $13,498,518 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:

	2013 **$**	2012 $
Interest income on cash	**95,945**	44,479
Interest income on term deposits	**882,372**	806,899
Interest income on the note receivable	**204,044**	216,055
	1,182,361	1,067,433

Financial expenses

Financial expenses for the reporting periods are detailed as follows:

	2013 **$**	2012 $
Interest expenses on the finance lease		75,750
Interest expenses on loans	**2,623,911**	2,612,124
Interest income on the grant receivable relating to a loan	**(423,150)**	(472,379)
	2,200,761	2,215,495

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	2013 $	2012 $
Current			
Cash		**2,347,991**	3,420,438
Term deposits	Weighted average rate of 2.66% (1.72% as at December 31, 2012)	**13,799,768**	14,020,698
Accounts receivable (Note 7)		**4,903,035**	4,669,108
Grants receivable (Note 8)		**5,663,415**	7,221,315
Note receivable		**116,667**	116,667
		26,830,876	29,448,226
Non-current			
Term deposits	Weighted average rate of 2.36% (2.91% as at December 31, 2012), maturing on various dates until December 2016	**36,330,253**	20,754,337
Note receivable	Residential mortgage rate plus 5.25%	**2,325,000**	2,441,667
Grant receivable (Note 8)		**7,500,000**	8,500,000
		46,155,253	31,696,004
		72,986,129	61,144,230

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%; 8.24% as at December 31, 2012), 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

	2013 $	2012 $
Current		
Accounts payable (Note 10)	**26,463,099**	9,604,408
Customer deposits	**605,008**	528,782
Loans (Note 12)	**5,722,200**	6,353,400
	32,790,307	16,486,590
Non-current		
Loans (Note 12)	**101,125,000**	65,875,000
	133,915,307	82,361,590

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.

17. FINANCIAL INSTRUMENTS (Continued)

Short-term financial instruments

Cash, accounts receivable, accrued interest receivable, grants receivable, accounts payable and customer deposits are financial instruments whose 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 contractual cash flows using market interest rates for similar financial instruments having the same term to maturity and approximates its carrying amount.

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.

The term deposits, 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:

	2013 $	2012 $
Financial asset classes – carrying amount		
Cash	**2,347,991**	3,420,438
Term deposits	**50,130,021**	34,775,035
Accounts receivable (Note 7)	**4,903,035**	4,669,108
Grants receivable	**13,163,415**	15,721,315
Note receivable	**2,441,667**	2,558,334
	72,986,129	61,144,230

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, 2013, the contractual maturities of AQi's non-derivative financial liabilities (including any interest payment), are detailed as follows:

				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**

				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

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 $196,558,311 ($150,767,366 as at December 31, 2012).

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 CHANGE IN WORKING CAPITAL

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

	2013 **$**	2012 $
Net change in working capital		
Accounts receivable	**(1,844,830)**	(306,647)
Supplies in inventory	**(158,637)**	(328,179)
Prepaid expenses	**(72,155)**	(316,531)
Accounts payable, excluding payables relating to property, plant and equipment	**(158,842)**	(222,593)
Provisions	**(19,188)**	(355,942)
Deferred revenues	**98,819**	(13,825)
Customer deposits	**76,226**	(250,000)
	(2,078,607)	(1,793,717)

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:

	2013	2012
	$	$
Salaries, including bonuses	**1,101,080**	897,582
Employee benefit cost	**36,517**	43,789
Post-employment benefits	**54,339**	46,349
Attendance and directors' fees	**330,420**	376,979
Total compensation	**1,552,356**	1,364,699

Transactions related to post-employment benefit plan

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.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.