TRANSAT A.T. INC.
FOURTH QUARTERLY REPORT
Period ended October 31, 2009

DECEMBER 16, 2009

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Trading symbols
TSX: TRZ.B, TRZ.A

TRANSAT A.T. INC.
CONSOLIDATED BALANCE SHEETS

(in thousands of dollars) (unaudited)	As at October 31, 2009 $	As at October 31, 2008 [restated – note 2] $
ASSETS		
Current assets		
Cash and cash equivalents	180,552	145,767
Cash and cash equivalents in trust or otherwise reserved *[notes 2 and 3]*	244,250	228,352
Accounts receivable	105,349	119,852
Income taxes receivable	25,083	4,095
Future income tax assets *[note 2]*	12,860	11,382
Inventories	9,823	11,412
Prepaid expenses *[note 2]*	30,447	46,747
Derivative financial instruments *[note 2]*	6,770	112,259
Current portion of deposits	30,578	32,094
Total current assets	645,712	711,960
Cash and cash equivalents reserved *[notes 2 and 3]*	28,476	28,345
Investments in ABCP *[note 4]*	71,401	86,595
Deposits	12,014	18,526
Future income tax assets	10,454	16,097
Property, plant and equipment *[notes 2and 10]*	122,911	154,379
Goodwill and other intangible assets *[notes 2, 5 and 10]*	160,156	168,718
Derivative financial instruments *[note 2]*	9,488	11,002
Investments and other assets *[notes 2 and 6]*	68,891	71,592
	1,129,503	1,267,214
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	266,445	282,440
Current portion of provision for overhaul of leased aircraft	21,029	23,231
Income taxes payable	4,021	6,942
Future income tax liabilities *[note 2]*	266	14,615
Customer deposits and deferred income	251,018	293,537
Derivative financial instruments *[note 2]*	40,243	79,831
Debenture	3,156	3,156
Payments on current portion of long-term debt	24,576	16,745
Total current liabilities	610,754	720,497
Long–term debt *[note 7]*	83,108	133,340
Provision for overhaul of leased aircraft	8,550	13,011
Other liabilities *[note 4]*	41,743	34,517
Derivative financial instruments *[note 2]*	50	10,227
Future income tax liabilities	17,937	9,692
	762,142	921,284
Shareholder's equity		
Share capital *[note 8]*	216,236	154,198
Retained earnings *[note 2]*	165,096	104,211
Contributed surplus *[note 8]*	6,642	4,619
Accumulated other comprehensive income *[notes 2 and 9]*	(20,613)	82,902
	367,361	345,930
	1,129,503	1,267,214

See accompanying notes to consolidated interim financial statement

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands of dollars, except per share amounts) (unaudited)	Quarters ended October 31 2009 $	Quarters ended October 31 2008 [restated – note 2] $	Years ended October 31 2009 $	Years ended October 31 2008 [restated – note 2] $
Revenues	719,656	790,424	3,545,341	3,512,851
Operating expenses				
Direct costs	350,241	391,424	2,062,626	1,933,706
Salaries and employee benefits	97,515	87,737	364,642	349,746
Aircraft fuel	80,342	104,914	319,224	365,457
Commissions	28,297	32,849	177,166	174,740
Aircraft maintenance	14,763	25,652	89,896	97,842
Airport and navigation fees	23,698	24,173	90,611	90,624
Aircraft rent	13,562	12,303	54,287	48,628
Other *[note 2]*	75,662	88,180	293,494	324,340
	684,080	767,232	3,451,946	3,385,083
	35,576	23,192	93,395	127,768
Amortization *[note 2]*	12,813	14,099	51,155	56,147
Interest on long-term debt and debenture	1,393	1,065	4,866	7,538
Other interest and financial expenses	344	924	2,679	1,758
Interest income	(495)	(3,378)	(4,588)	(16,172)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(14,942)	120,749	(68,267)	106,435
Foreign exchange loss (gain) on long-term monetary items	1,219	2,297	(135)	2,295
Loss (gain) on investments in ABCP *[note 4]*	(1,978)	13,790	(68)	45,927
Restructuring costs *[note 10]*	11,967	—	11,967	—
Gain on repurchase of redeemable preferred shares of a subsidiary *[note 5]*	—	—	—	(1,605)
Share of net income (loss) of a company subject to significant influence	2,574	1,029	(24)	427
	12,895	150,575	(2,415)	202,750
Income (loss) before the undernoted items	22,681	(127,383)	95,810	(74,982)
Income taxes (recovery)				
Current	(19,702)	939	(9,531)	19,565
Future *[note 2]*	23,767	(46,230)	40,447	(48,440)
	4,065	(45,291)	30,916	(28,875)
Income (loss) before non-controlling interest in subsidiaries' results	18,616	(82,092)	64,894	(46,107)
Non-controlling interest in subsidiaries' results	(510)	(277)	(3,047)	(3,287)
Net income (loss) for the period	18,106	(82,369)	61,847	(49,394)
Income (loss) per share *[notes 2 and 8]*				
Basic	0.53	(2.54)	1.86	(1.49)
Diluted	0.52	(2.54)	1.85	(1.49)

See accompanying notes to consolidated interim financial statement

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of dollars) (unaudited)	Quarters ended October 31 2009 $	2008 [restated – note 2] $	Years ended October 31 2009 $	2008 [restated – note 2] $
Net income (loss) for the period	18,106	(82,369)	61,487	(49,394)
Other comprehensive income				
Change in fair value of derivatives designated as cash flow hedges	(831)	100,163	(39,829)	134,592
Reclassification in income	2,120	2,966	(92,111)	61,560
Future income taxes	(544)	(32,984)	42,418	(63,852)
	745	70,145	(89,522)	132,300
Losses on derivatives designated as fuel hedges before November 1, 2006 included in net income for the period	—	—	—	522
Future income taxes	—	—	—	(172)
	—	—	—	350
Foreign exchange gains (losses) on translation of financial statements of self-sustaining foreign subsidiaries due to (appreciation) depreciation of Canadian dollars vs. euro, pound sterling and U.S. dollar at balance sheet date	244	9,761	(13,214)	16,713
	989	79,906	(102,736)	149,363
Comprehensive income for the period	19,095	(2,463)	(40,889)	99,969

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of dollars) (unaudited)	Quarters ended October 31 2009 $	2008 [restated – note 2] $	Years ended October 31 2009 $	2008 [restated – note 2] $
Retained earnings, beginning of period, as previously reported	146,990	190,393	109,302	190,534
Changes in accounting policies *[note 2]*	—	(868)	(3,114)	(5,124)
Retained earnings restated, beginning of period	146,990	189,525	106,188	185,410
Net income (loss) for the period	18,106	(82,369)	61,847	(49,394)
Premium paid on share repurchase	—	—	—	(19,864)
Dividends	—	(2,945)	(2,939)	(11,941)
Retained earnings at the end of the period	165,096	104,211	165,096	104,211

See accompanying notes to consolidated interim financial statement

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands of dollars) (unaudited)	Quarters ended October 31 2009 $	Quarters ended October 31 2008 [restated – note 2] $	Years ended October 31 2009 $	Years ended October 31 2008 [restated – note 2] $
OPERATING ACTIVITIES				
Net income (loss) for the period	18,106	(82,369)	61,847	(49,394)
Operating items not involving an outlay (receipt) of cash :				
Amortization	12,813	14,099	51,155	56,147
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(14,942)	120,749	(68,267)	106,435
Foreign exchange loss (gain) on long-term monetary items	1,219	2,297	(135)	2,295
Loss (gain) on investments in ABCP	(1,978)	13,790	6,332	45,705
Loss on disposal of investments in ABCP	—	—	—	222
Write-off of goodwill and other intangible assets	9,067	—	9,067	—
Gain on repurchase of redeemable preferred shares of a subsidiary	—	—	—	(1,605)
Share of net loss (income) of a company subject to significant influence	2,574	1,029	(24)	427
Non-controlling interest in subsidiaries' results	510	277	3,047	3,287
Future income taxes	23,767	(46,230)	40,447	(48,440)
Pension expense	693	765	2,888	3,075
Compensation expense related to stock option plan	536	1,044	2,023	3,012
	52,365	25,451	108,380	121,166
Net change in non-cash working capital balances related to operations	(141,136)	(129,517)	(56,833)	(47,362)
Net change in provision for overhaul of leased aircraft	(10,800)	(28)	(6,663)	4,541
Net change in other assets and liabilities related to operation	220	(817)	350	675
Cash flows related to operating activities	(99,351)	(104,911)	45,234	79,020
INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets	(8,053)	(22,637)	(28,900)	(64,901)
Consideration paid for acquired companies	(613)	—	(5,824)	(59,559)
Realization of principal of investments in ABCP *[note 4]*	880	—	8,062	10,778
Increase of cash equivalents reserved	—	—	—	(12,296)
Cash flow related to investing activities	(7,786)	(22,637)	(26,662)	(125,978)
FINANCING ACTIVITIES				
Net change in credit facilities and other debt	18,850	18,919	(22,951)	60,491
Loan repayments	(7,085)	—	(14,972)	(10,565)
Proceeds from issuance of shares	60,905	375	62,038	1,970
Share repurchase	—	—	—	(24,864)
Dividend paid to a non-controlling interest	—	—	(2,873)	—
Dividends	—	(2,945)	(2,939)	(11,941)
Cash flow related to financing activities	72,670	16,349	18,303	15,091
Effect of exchange rate changes on cash and cash equivalents	(139)	(2,675)	(2,090)	10,866
Net change in cash and cash equivalents	(34,606)	(113,874)	34,785	(21,001)
Cash and cash equivalents, beginning of the period	215,158	259,641	145,767	166,768
Cash and cash equivalents, end of the period	180,552	145,767	180,552	145,767
Supplementary information				
Income taxes paid	3,601	1,586	13,518	11,865
Interest paid	1,501	121	4,492	6,821

See accompanying notes to consolidated interim financial statement

[The amounts are expressed in thousands, except for share capital, stock options, and amounts per option or per share] [Unaudited]

Note 1 BASIS OF PRESENTATION

The unaudited consolidated interim financial statements were prepared by the Corporation in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and follow the same accounting policies and methods of their application as the most recent annual financial statements, except for the new accounting policies described in note 2. In the opinion of management, all adjustments necessary for a fair presentation are reflected in the consolidated interim financial statements. Such adjustments are of a normal and recurring nature. The Corporation's operations are seasonal in nature; consequently, interim operating results do not necessarily proportionately reflect the operating results for a full year. The unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in the Corporation's 2008 Annual Report. Certain comparative figures were reclassified to conform to the presentation adopted in the current year.

Note 2 NEW ACCOUNTING POLICIES AND OTHER CHANGES

GOODWILL AND INTANGIBLE ASSETS

In February 2008, the Canadian Institute of Chartered Accountants ["CICA"] issued *Handbook* Section 3064, *Goodwill and Intangible Assets*, which supersedes Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*, effective November 1, 2008 for the Corporation. This new section sets out standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. These new standards have been adopted retroactively with restatement of prior fiscal years. The adoption of these new standards translated into a $5,708 decrease in retained earnings on November 1, 2007 and the following changes as at October 31, 2008: a $6,512 decrease in prepaid expenses, a $760 decrease in other assets, a $2,155 decrease in future income tax liabilities, a $5,091 decrease in retained earnings, and a $26 decrease in accumulated other comprehensive income. For the three-month period ended October, 2008, the adoption of these new standards translated into the following changes: a $6,079 increase in other operating expenses (decrease of $441 for the year), a $134 decrease in amortization ($502 for the year) and a $1,722 increase in future income tax recovery (decrease of $326 for the year), for a $4,223 decrease in net income (increase of $617 for the year) and $0.13 on diluted earnings per share ($0.02 for the year), and by a increase in comprehensive income of $7 (decrease of $66 for the year). These adjustments arise from certain marketing expenses related to upcoming seasons. These expenses were previously recorded in net income for the related seasons and aircraft commissioning costs were previously deferred and amortized over a period not exceeding five years.

In addition, the application of these new standards resulted in the reclassification of software from property, plant and equipment to other intangible assets. As at October 31, 2008, the impact of the reclassification on net carrying amounts consisted of a $16,915 increase in other intangible assets and a $16,915 decrease in property, plant and equipment.

CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Also in January 2009, the Emerging Issues Committee issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which provides further information on determining the fair value of financial assets and financial liabilities under Section 3855, *Financial Instruments – Recognition and Measurement*. This Abstract states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This recommendation applies retrospectively without restatement of prior period financial statements to all financial assets and financial liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009, the date of issuance of the Abstract. The adoption of this new EIC as at November 1, 2008 resulted in a $1,379 decrease in derivative financial instruments disclosed as assets, a $3,152 decrease in derivative financial instruments disclosed as liabilities, a $575 decrease in future income tax assets, a $1,977 increase in retained earnings and a $779 decrease in accumulated other comprehensive income. The adoption of this recommendation decreased the net income and diluted earnings per share by $227 and $0.01 respectively, and increased the other comprehensive income by $377, for the three-month period ended October 31, 2009. For the year ended October 31, 2009, the adoption of this recommendation decreased the net income and diluted earnings per share by $1,715 and $0.05 respectively and increased the other comprehensive income by $1,076.

CASH AND CASH EQUIVALENT IN TRUST OR OTHERWISE RESERVED

Cash and cash equivalents reserved pledged as collateral security against the Corporation's long-term obligations, mostly related to pension agreements, have been reclassified out of current assets in the balance sheet. As at October 31, 2008, this reclassification resulted in decrease of $28,345 in current assets and had no effect on total assets in the balance sheet. In connection with this change, net changes in cash and cash equivalents in trust or otherwise reserved included in current assets in the balance sheet have been reclassified from investing activities to operating activities in the statement of cash flows, as these temporarily inaccessible funds arise mainly from the sale of services to customers and will be used for the provision of services sold by the Corporation in the normal course of business. Also as a result of the reclassification, cash flows provided by operating activities for the year ended October 31, 2008 declined of $76,205. Lastly, cash flows used in investing activities decreased by $ 76,205, for the year ended October 31, 2008.

TRANSLATION OF AN INVESTMENT

The carrying amount of the investment in CIBV as at October 31, 2008 (see note 6) was increased by $9,055 to reflect the translation of this U.S. dollar investment using the effective rate at that date. The consideration for this adjustment was recorded in accumulated other comprehensive income (of which a decrease of $11,964 was recorded during the fourth quarter of 2008) and included in shareholders' equity without any impact on net loss for the fiscal year ended October 31, 2008.

FUTURE CHANGES IN ACCOUNTING POLICIES

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These new standards will be effective for financial statements related to fiscal years beginning on or after January 1, 2011. The Corporation is currently assessing the requirements under these new standards.

Section 1582, *Business Combinations*, supersedes former Section 1581, *Business Combinations*, and sets out recognition standards for business combinations. The Section establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Sections constitutes the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date occurs at the beginning of the first annual fiscal year beginning on or after January 1, 2011.

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601, which sets out standards for the preparation of consolidated financial statements, is effective for interim and annual consolidated financial statements related to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section, constituting the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*, and is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

Also in February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The Corporation will be required to report under IFRS for its interim and annual financial statements for the fiscal year ending October 31, 2012. The Corporation's management put in place an IFRS team to develop a conversion plan to IFRS. The plan has been completed and the team is currently in the stage of identifying the differences between IFRS and the Corporation's accounting policies, assessing their impact and, where necessary, analyzing the various policies that the Corporation could elect to adopt.

Note 3 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at October 31, 2009, cash and cash equivalents in trust or otherwise reserved included $200,396 [$210,481 as at October 31, 2008] in funds received from customers, mainly Canadian, for services not yet rendered and for which period of availability had not been reached, and this, in accordance with Canadian regulatory authorities and with the trade agreement of the company with its provider service of processing credit card. In addition, it includes $72,330, of which $28,476 was presented as non-current assets, [$46,216 as at October 31, 2008, of which $28,345 was presented as non-current assets], which was pledged as collateral security against letters of credit.

Note 4 INVESTMENTS IN ABCP

RESTRUCTURING

In mid-August 2007, the Canadian third-party asset backed commercial paper ["ABCP"] market was hit by a liquidity disruption. Since then, there have been no material transactions in an active market involving the Corporation's ABCP.

On August 16, 2007, subsequent to the liquidity disruption, a group of financial institutions and other parties agreed, pursuant to the Montréal Accord [the “Accord”], to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee was subsequently established to oversee the orderly restructuring of these instruments during this standstill period.

On January 21, 2009, the Pan-Canadian Committee of ABCP investors announced that the third-party ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of ABCP had their short-term commercial paper exchanged for longer-term notes whose maturities match those of the assets previously contained in the underlying conduits. As at January 21, 2009, the Corporation held a portfolio of ABCP issued by several trusts with an overall notional value of $143,500.

On the plan implementation date, the Corporation remeasured its investments in ABCP at fair value prior to the exchange. During this valuation, the Corporation reviewed its assumptions to factor in new information available at that date, as well as the changes in credit market conditions.

Since there is no active market for ABCP securities, the Corporation’s management estimated the fair value of these assets by discounting future cash flows determined using a valuation model that incorporates management’s best estimates based as much as possible on observable market data, such as the credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. The Corporation also took into account its estimated share of the restructuring costs associated with the Montréal Accord, as well as amounts of cash accumulated in the conduits and payable on the plan implementation date.

As a result of this valuation, on January 21, 2009, the Corporation reversed $9,455 of its provision for impairment on its investments in ABCP under change in fair value of investments in ABCP. This reversal takes into account the Corporation’s share of the cash accumulated in the conduits, estimated at $6,042, of which $4,745 was received prior to January 31, 2009. Subsequent to this reversal, the provision for impairment totalled $47,450, and the ABCP investment portfolio had a fair value of $96,050.

Also on January 21, 2009, the ABCP held by the Corporation at that date was exchanged for new securities. The new ABCP now has a notional value of $141,741.

VALUATION

On October 28, the Corporation received $880 ($8,086 for the year) in principal repayments on ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets and ABCP supported solely by traditional securitized assets. During the quarter, the Corporation has been advised that several events affecting the credit of the ABCP supported mainly by U.S. sub-prime assets, have occurred, resulting in losses greater than the pledged collateral. These events had the effect of reducing the notional value of investments in ABCP of $4,844 and reduce the same amount of the provision for impairment of investments in ABCP as the amounts had been fully provisioned. The new ABCP now has a notional value of $128,835 as at October 31, 2009 and is detailed as follows:

MAV 2 ELIGIBLE

The Corporation holds $113,331 in ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets, which have been restructured into floating rate notes with maturities through January 31, 2017. The Corporation received replacement notes with notional values as follows:

Class A-1:	$34,436
Class A-2:	$63,894
Class B:	$11,598
Class C:	$3,403

MAV 2 INELIGIBLE

The Corporation holds $7,630 in ABCP supported mainly by U.S. sub-prime assets to be restructured on a series-by-series basis, with each series maintaining its separate exposure to its own assets and maturing through December 2035.

MAV 3 TRADITIONAL

The Corporation holds $7,874 in ABCP supported solely by traditional securitized assets that were restructured on a series-by-series basis, with each series or trust maintaining its own assets and maturing through September 2015.

On October 31, 2009, the Corporation remeasured its new ABCP at fair value. During this valuation, the Corporation reviewed its assumptions to factor in new information available at that date, as well as the changes in credit market conditions. The Corporation gave due consideration, in particular, to new information released by BlackRock Canada Ltd. ("BlackRock"), which was appointed to administer the assets on the plan implementation date. BlackRock issues monthly valuation reports on the value of ABCP supported primarily by subprime assets in the U.S. and ABCP supported exclusively by traditional securitized assets. Since the third quarter, the Corporation's management measured the fair value of its assets from these two classes using said reports. The Corporation also took into account the information released by DBRS on August 11, 2009. DBRS downgraded ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets of Class A-2 to "BBB–". Prior to this downgrading, this class of ABCP had an "A" rating.

For the purposes of estimating future cash flows, the Corporation estimated that the long-term financial instruments arising from the conversion of its ABCP would generate interest returns ranging from 0.0% to 2.7% (weighted average rate of 2.1%), depending on the type of series. These future cash flows were discounted, according to the type of series, on period of 7.2 year and using discount rates ranging from 7.3% to 60% (weighted average rate of 11.7%), which factor in liquidity.

As a result of this new valuation, on October, 2009, the Corporation recognized a reversal of $1,358 in respect of its investments in ABCP ($5,373 writedown for the year). This reversal takes into account an additional amount of the Corporation's estimated share of the cash accumulated in the conduits, estimated at $620 ($7,020 for the year). During the year ended October 31, 2009, the Corporation received $6,400 accumulated in the conduits and the balance of $620 was received November 5, 2009. The Corporation also remeasured the options enabling it to use the restructured notes to repay certain drawdowns under rotating credit facilities as they fall due, subject to certain conditions. Subsequent to this new measurement, no adjustments were recognized. For the year, however, the Corporation recognized a $800 increase in fair value in respect of these options under Loss (gain) on investments in ABCP. These options (recorded under derivative financial instruments) and the corresponding deferred gain (recorded under other liabilities) were initially recognized at fair value, which amounted to $8,400. Subsequent to this new valuation, $8,062 in ABCP principal repayments and the receipt of $6,400 during the year, the ABCP investment portfolio had a fair value of $71,401 and the provision for impairment totalled $57,434 representing 44.6% of the notional value of $128,835.

The Corporation's estimate of the fair value of its ABCP investments is subject to significant uncertainty. While management believes that its valuation technique is appropriate in the circumstances, changes in significant assumptions could substantially affect the value of ABCP securities over the coming fiscal year. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates and the extent of that difference could have a material effect on our financial results.

A 1% increase (decrease), representing 100 basis points, in the estimated discount rates would result in a decrease (increase) of approximately $3,900 in the estimated fair value of ABCP held by the Corporation.

The following table details the change in balances of investments in ABCP in the consolidated balance sheet and the Loss (gain) on investments in ABCP in the consolidated statement of income:

	Notional value of investments in ABCP $	Provision for impairment of investments in ABCP $	Investments in ABCP $	Loss (gain) on investments in ABCP $
Balance as at October 31, 2008	143,500	(56,905)	86,595	
Adjustment related to January 21, 2009 restructuring plan implementation	(1,759)	—	(1,759)	1,759
Writedown of investments in ABCP	—	(7,351)	(7,351)	7,351
Realization of principal of investments in ABCP	(7,182)	—	(7,182)	—
Share of cash accumulated in conduits	—	—	—	(6,400)
Remeasurement of options	—	—	—	(800)
Balance as at July 31, 2009; impact on results for the nine-month period	134,559	(64,256)	70,303	1,910
Realization of principal of investments in ABCP	(880)	—	(880)	—
Reversal of investments in ABCP	—	1,358	1,358	(1,358)
Reducing the notional value of investments in ABCP	(4,844)	4844	—	—
Share of cash accumulated in conduits receivable	—	620	620	(620)
Impact on results for the quarter				(1,978)
Balance as at October 31, 2009; impact on results for the year	128,835	(57,434)	71,401	(68)

Note 5 BUSINESS ACQUISITIONS

During the year ended October 31, 2008, a $1,605 gain was recognized subsequent to the repurchase of shares classified as other liabilities by the Corporation's subsidiary Travel Superstore for a consideration of $330, whereas these shares had a carrying amount of $1,935. Subsequent to this transaction, the percentage of the Corporation's interest in this subsidiary increased to 64.6% from 50.1%.

During the year ended October 31, 2008, the Corporation paid €2,502 [$3,994] in additional consideration in connection with the 2007 acquisition of L'Européenne de Tourisme (Amplitude Internationale), and $1,756 in additional goodwill was recognized.

Note 6 INVESTMENTS AND OTHER ASSETS

	As at October 31, 2009 $	As at October 31, 2008 [restated – note 2] $
Investment in Caribbean Investments B.V.	66,347	68,114
Deferred costs, unamortized balance *[note 2]*	2,234	2,028
Other investments	118	603
Sundry	192	847
	68,891	71,592

The change in the investment in Caribbean Investments B.V. [« CIBV »] is detailed as follows:

	$
Balance as at October 31, 2008	68,114
Capital contribution	5,824
Share of net income	24
Translation adjustment	(7,615)
Balance as at October 31, 2009	68,347

On December 10, 2007, the Corporation acquired a 35% interest in CIBV, a company operating five hotels in Mexico and the Dominican Republic, for $51,605 [US$51,100] in cash and additional payments potentially totalling US$4,000 contingent on meeting certain specific terms and conditions by 2009. In addition, on April 9, 2008, the Corporation made a $4,150 [US$4,113] capital contribution. The acquisition costs for this transaction amounted to $2,099. This acquisition was recorded using the equity method, and the share of net income of the acquired company has been accounted for as of December 10, 2007. The difference between the Corporation's ownership interest in CIBV and its share of the net assets at the acquisition date amounted to $16,000 and was allocated to imputed goodwill.

Note 7 LONG-TERM DEBT

Subsequent to the restructuring and the principal repayments received in respect of certain investments held in ABCP [note 4], the revolving credit facilities with initial amounts of $9,485 and $98,140 were reduced pursuant to the terms of the agreements. As at October 31, 2009, the new available credit facility balances stood at $9,355 and $88,888 and an amount of $77,963 was used under these revolving credit facilities.

In addition, the Corporation had concluded December 18, 2008, an unsecured financing agreement with a shareholder of the Corporation for $60,000. The Corporation can draw on the facility until October 31, 2009. There were no drawings made during the period, therefore this unsecured financing agreement expired at October 31, 2009.

Note 8 SHARE CAPITAL

A) SHARE CAPITAL

AUTHORIZED

Class A variable voting shares

An unlimited number of Class A Variable Voting Shares ["Class A Shares"], participating, which may be owned or controlled by non-Canadians as defined by the *Canada Transportation Act* ["CTA"], carrying one vote per Class A Share unless (i) the number of issued and outstanding Class A Shares exceeds 25% of the total number of all issued and outstanding voting shares (or any higher percentage that the Governor in Council may specify pursuant to the CTA); or (ii) the total number of votes cast by or on behalf of holders of Class A Shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed, the vote attached to each Class A Share will decrease automatically, without further act or formality. Under the circumstance described in subparagraph (i) above, the Class A Shares as a class cannot carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation. Under the circumstance described in subparagraph (ii) above, the Class A Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that can be exercised at the said meeting.

Each issued and outstanding Class A Share shall be automatically converted into one Class B Voting Share without any further act on the part of the Corporation or of the holder if: (i) the Class A Share is or becomes owned and controlled by a Canadian as defined by the CTA; or (ii) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

Class B voting shares

An unlimited number of Class B Voting Shares ["Class B Shares"], participating, which may be owned and controlled by Canadians as defined by the CTA only and shall confer the right to one vote per Class B Share at all meetings of shareholders of the Corporation.

Each issued and outstanding Class B Share shall be converted into one Class A Share automatically without any further act on the part of the Corporation or the holder if the Class B Share is or becomes owned or controlled by a non-Canadian as defined by the CTA.

Preferred shares

An unlimited number of preferred shares, non-voting, issuable in series, each series bearing the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

Issued and outstanding

The changes affecting the Class A Shares and the Class B Shares were as follows:

	Year ended October 31, 2009	
	Number of shares	Amount ($)
Balance at beginning of year	32,678,241	154,198
Issued from treasury	5,037,547	61,949
Exercise of options	13,011	89
Balance at end of year	37,728,799	216,236

On September 30 and October 6, 2009, the Corporation through an initial public offering, has issued a total of 4,887,500 voting shares, consisting of Class A and Class B priced at $13.00 per share for gross proceeds of $63,538. The net proceeds of this offering, net of underwriter fees and issue costs, amounted to $60,530.

As at October 31, 2009, the number of Class A Shares and Class B Shares amounted to 869,249 and 36,859,550, respectively.

b) Options

	Number of options	Weighted average price ($)
Balance as at October 31, 2008	716,173	22.85
Granted	441,084	11.18
Exercised	(13,011)	6.84
Cancelled	(43,106)	24.32
Balance as at October 31, 2009	1,101,140	18.31
Options exercisable as at October 31, 2009	460,744	22.35

c) Contributed surplus

	Quarters ended October 31		Years ended October 31	
	2009 $	2008 $	2009 $	2008 $
Balance at beginning of period	6,106	3,575	4,619	1,871
Compensation expense related to stock option plan	536	1,044	2,023	3,012
Options exercised	—	—	—	(264)
Balance at end of period	6,642	4,619	6,642	4,619

D) EARNINGS (LOSS) PER SHARE

Earnings (loss) per share and the diluted earnings (loss) per share were computed as follows:

	Quarters ended October 31		Years ended October 31	
(in thousands of dollars, except per share amounts)	2009 $	2008 [restated – note 2] $	2009 $	2008 [restated – note 2] $
Numerator				
Income (loss) attributable to voting shareholders	18,106	(82,369)	61,847	(49,394)
Interest on debentures that may be settled in voting shares	33	—	131	—
Income (loss) used to calculate diluted earnings per share	18,139	(82,369)	61,978	(49,394)
Denominator				
Weighted average number of outstanding shares	34,429	32,476	33,168	33,108
Debenture that may be settled in voting shares	219	—	288	—
Stock options	141	—	29	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share	34,789	32,476	33,485	33,108
Earnings (loss) per share				
Basic	0.53	(2.54)	1.86	(1.49)
Diluted	0.52	(2.54)	1.85	(1.49)

In computing diluted earnings (loss) per share for the three-month and year ended October 31 2009, 595,056 and 1,008,140 stock options were excluded from the computation because the exercise price on these options exceeded the average price of the Corporation's shares for the respective periods.

Debentures that can be settled in voting shares have not been reflected in the calculation of diluted earnings per share for the three-month period ended October 31, 2008 because of their antidilutive effect. These securities' potential impact on the denominator is 195,000 shares for the three-month period ended October 31, 2008. Given the loss recorded for the three-month period ended October 31, 2008, the 716,173 stock options outstanding were excluded from the computation of diluted earnings per share because of their antidilutive effect. In computing diluted earnings per share for the year ended October 31, 2008, a total of 130,000 stock options were excluded from the computation because the exercise price on these options exceeded the average price of the Corporation's shares for the period.

Note 9 ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedges $	Cumulative translation adjustment $	Accumulated other comprehensive income $
Accumulated other comprehensive income			
Balance as at October 31, 2007, as previously reported	(59,392)	(7,109)	(66,501)
Change in accounting policy *[note 2]*	—	40	40
Balance restated as at October 31, 2007	(59,392)	(7,069)	(66,461)
Change during the period	62,205	6,952	69,457
Balance as at July 31, 2008	3,113	(117)	2,996
Change during the period	70,145	9,761	79,906
Balance as at October 31, 2008	73,258	9,644	82,902
Accumulated other comprehensive income			
Balance as at October 31, 2008, as previously reported	73,258	615	73,873
Change in accounting policy and other change *[note 2]*	(779)	9,029	8,250
Balance restated as at November 1, 2008	72,479	9,644	82,123
Change during the period	(90,267)	(13,458)	(103,725)
Balance as at July 31, 2009	(17,788)	(3,814)	(21,602)
Change during the period	745	244	989
Balance as at October 31, 2009	(17,043)	(3,570)	(20,613)

Note 10 RESTRUCTURING COSTS

On September 24, 2009, the Corporation announced a restructuring plan to make structural changes to its distribution network in France. Under these structural changes, an administrative centre and some agencies will close, while other agencies will be sold. The $11,967 restructuring charge taken includes $2,900 in cash payments, consisting mainly of termination benefits, a $599 asset impairment charge and an $8,468 write-off of goodwill after the assets and goodwill of agencies involved in the restructuring were tested for impairment.

Property, plant and equipment included held-for-sale assets relating the restructuring plan with a net carrying amount of $1,050.

Note 11 SEGMENTED INFORMATION

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. Therefore, the consolidated statements of income include all the required information. With respect to geographic areas, the Corporation operates mainly in the Americas and in Europe.

	Quarter ended October 31, 2009			Year ended October 31, 2009		
	Americas $	Europe $	Total $	Americas $	Europe $	Total $
Revenues	420,623	299,033	719,656	2,552,348	992,993	3,545,341
Operating expenses	411,108	272,972	684,080	2,497,525	954,421	3,451,946
	9,515	26,061	35,576	54,823	38,572	93,395
Property, plant and equipment, goodwill and other intangible assets [1]				164,064	119,003	283,067

	Quarter ended October 31, 2008			Year ended October 31, 2008		
	Americas $	Europe $	Total [restated – note 2 $	Americas $	Europe $	Total [restated – note 2] $
Revenues	467,168	323,256	790,424	2,536,831	976,020	3,512,851
Operating expenses	471,891	295,341	767,232	2,460,701	924,382	3,385,083
	(4,723)	27,915	23,192	76,130	51,638	127,768
Property, plant and equipment, goodwill and other intangible assets [2]				192,231	130,866	323,097

[1] As at October 31, 2009
[2] As at October 31, 2008

Note 12 GUARANTEES

In the normal course of business, the Corporation has entered into agreements that contain features which meet the definition of a guarantee. These agreements provide for indemnification and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit, and security contracts.

These agreements may require the Corporation to compensate the counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities.

Notes 4, 11, 12, 13 and 21 to the 2008 audited consolidated financial statements provide information relating to some of these agreements. The following constitutes additional disclosure.

OPERATING LEASES

The Corporation's subsidiaries have general indemnity clauses in many of their airport and other real estate leases whereby they, as lessee, indemnify the lessor against liabilities related to the use of the leased property. These leases mature at various dates until 2034. The nature of the agreements varies based on the contracts and therefore prevents the Corporation from estimating the total potential amount its subsidiaries would have to pay to lessors. Historically, the Corporation's subsidiaries have not made any significant payments under such agreements and have liability insurance protecting them for the obligations undertaken.

IRREVOCABLE LETTERS OF CREDIT

The Corporation has entered into irrevocable letters of credit guarantees with some of its suppliers. The Corporation guarantees the payment of certain rendered services that it has undertaken to pay for. These agreements typically cover a one year period and are renewed annually.

The corporation has also issued letters of credit to provincial regulatory agencies guaranteeing amounts to the Corporation's clients for the performance of its obligations. The amount guaranteed totalled $477 as at October 31, 2009. Historically, the Corporation has not made any significant payments under such letters of credit.

SECURITY CONTRACTS

The Corporation has entered into security contracts whereby it has guaranteed a prescribed amount to its clients at the request of regulatory agencies for the performance of the obligations given in mandates by its clients during the term of the licenses granted to the Corporation for its travel agent and wholesaler activities in the province of Québec. These agreements typically cover a one-year period and are renewed annually. The amount guaranteed totalled $860 as at October 31, 2009. Historically, the Corporation has not made any significant payments under such agreements. As at October 31, 2009, no amounts had been accrued with respect to the above-mentioned agreements.

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