MANAGEMENT'S REPORT

The consolidated financial statements of Transat A.T. Inc. are the responsibility of management and have been approved by the Board of Directors. Management's responsibility in this respect includes the selection of appropriate accounting principles as well as the exercise of sound judgment in establishing reasonable and fair estimates in accordance with Canadian generally accepted accounting principles which are adequate in the circumstances. The financial information presented throughout this annual report is consistent with that appearing in the financial statements.

The Corporation and its affiliated companies have set up accounting and internal control systems designed to provide reasonable assurance that the Corporation's assets are safeguarded against loss or unauthorized use and that its books of account may be relied upon for the preparation of financial statements.

The Board of Directors is responsible for the consolidated financial statements through its Audit Committee. The Audit Committee reviews the annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit Committee is also responsible for analyzing, on an ongoing basis, the results of the audits by the external auditors, the accounting methods and policies used as well as the internal control systems set up by the Corporation. These financial statements have been audited by Ernst & Young LLP, the external auditors. Their report on the consolidated financial statements appears on the next page.

Jean-Marc Eustache
Chairman of the Board,
President and Chief Executive Officer

Denis Pétrin
Vice-president, Finance and Administration
and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Transat A.T. Inc.

We have audited the accompanying consolidated financial statements of Transat A.T. Inc., which comprise the consolidated statements of financial position as at October 31, 2013 and 2012, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Transat A.T. Inc. as at October 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada
December 11, 2013
[1]CPA auditor, CA, public accountancy permit No. A121006

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at October 31 (in thousands of Canadian dollars)	2013 $	2012 $
ASSETS		
Cash and cash equivalents	265,818	171,175
Cash and cash equivalents in trust or otherwise reserved *[note 8]*	361,743	331,172
Trade and other receivables *[note 9]*	112,738	111,525
Income taxes receivable	5,645	14,690
Inventories	13,143	11,469
Prepaid expenses	73,453	57,234
Derivative financial instruments	7,720	7,460
Current portion of deposits	13,267	12,968
Current assets	853,527	717,693
Cash and cash equivalents reserved	41,725	39,119
Investments in ABCP *[note 10]*	—	27,350
Deposits *[note 12]*	23,308	30,735
Deferred tax assets *[note 23]*	22,048	24,338
Property, plant and equipment *[note 13]*	115,025	96,415
Goodwill *[note 14]*	94,723	91,494
Intangible assets *[note 14]*	67,333	66,531
Investments and other assets *[note 15]*	72,384	69,626
Non-current assets	436,546	445,608
	1,290,073	1,163,301
LIABILITIES		
Trade and other payables *[note 16]*	326,687	307,219
Current portion of provision for overhaul of leased aircraft	11,029	19,513
Income taxes payable	19,729	932
Customer deposits and deferred revenues	410,340	382,823
Derivative financial instruments	4,675	8,416
Current liabilities	772,460	718,903
Provision for overhaul of leased aircraft *[note 17]*	17,028	12,356
Other liabilities *[note 19]*	48,096	54,448
Deferred tax liabilities *[note 23]*	11,096	11,268
Non-current liabilities	76,220	78,072
EQUITY		
Share capital *[note 20]*	221,706	220,736
Share-based payment reserve	15,391	13,336
Retained earnings	206,835	145,198
Unrealized gain (loss) on cash flow hedges	2,380	(475)
Cumulative exchange differences	(4,919)	(12,469)
	441,393	366,326
	1,290,073	1,163,301

Commitments and contingencies *[note 26]*

See accompanying notes to consolidated financial statements

On behalf of the Board,

Director

Director

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Years ended October 31 (in thousands of Canadian dollars, except per share amounts)	2013 $	2012 $
Revenues	3,648,158	3,714,219
Operating expenses		
Costs of providing tourism services	1,951,329	1,975,892
Aircraft fuel	417,891	505,422
Salaries and employee benefits *[note 21]*	368,477	374,980
Commissions	163,606	158,357
Aircraft maintenance	106,732	119,613
Airport and navigation fees	95,635	108,112
Aircraft rent	81,270	88,361
Other	346,572	366,527
Depreciation and amortization *[note 21]*	39,068	40,793
Restructuring – Termination benefits *[note 22]*	5,740	—
	3,576,320	3,738,057
Gross margin (operating loss)	71,838	(23,838)
Financing costs	2,512	2,962
Financing income	(7,357)	(6,693)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	493	(701)
Foreign exchange gain on long-term monetary items	(846)	(370)
Gain on investments in ABCP *[note 10]*	—	(7,936)
Gain on disposal of a subsidiary	—	(5,655)
Impairment of goodwill *[note 14]*	—	15,000
Share of net income of an associate *[note 15]*	(3,676)	(3,495)
Income (loss) before income tax expense	80,712	(16,950)
Income taxes (recovery) *[note 23]*		
Current	18,512	(4,301)
Deferred	998	887
	19,510	(3,414)
Net income (loss) for the year	61,202	(13,536)
Net income (loss) attributable to :		
Shareholders	57,955	(16,669)
Non-controlling interests	3,247	3,133
	61,202	(13,536)
Earnings (loss) per share *[note 20]*		
Basic	1.51	(0.44)
Diluted	1.51	(0.44)

See accompanying notes to consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended October 31	2013	2012
(in thousands of Canadian dollars)	$	$
Net income (loss) for the year	61,202	(13,536)
Other comprehensive income (loss)		
Items that will be reclassified to net income (loss)		
Change in fair value of derivatives designated as cash flow hedges	2,786	(7,044)
Reclassification to net income (loss)	1,027	3,652
Deferred taxes *[note 23]*	(958)	969
	2,855	(2,423)
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	7,550	(2,511)
Items that will never be reclassified to net income (loss)		
Retirement benefits – Net actuarial gains and losses *[note 25]*	2,986	(2,405)
Deferred taxes *[note 23]*	(806)	435
	2,180	(1,970)
Total other comprehensive income (loss)	12,585	(6,904)
Comprehensive income (loss) for the year	73,787	(20,440)
Attributable to:		
Shareholders	69,891	(23,654)
Non-controlling interests	3,896	3,214
	73,787	(20,440)

See accompanying notes to consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Accumulated other comprehensive income (loss)				
	Share capital	Share-based payment reserve	Retained earnings	Unrealized gain (loss) on cash flow hedges	Cumulative exchange differences	Total	Non-controlling interests	Total equity
(in thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Balance as at October 31, 2011	219,462	11,063	161,726	1,948	(9,958)	384,241	—	384,241
Net income (loss) for the year	—	—	(16,669)	—	—	(16,669)	3,133	(13,536)
Other comprehensive income (loss)	—	—	(1,970)	(2,423)	(2,592)	(6,985)	81	(6,904)
Comprehensive income (loss) for the year	—	—	(18,639)	(2,423)	(2,592)	(23,654)	3,214	(20,440)
Issued from treasury	1,274	—	—	—	—	1,274	—	1,274
Share-based payment expense	—	2,273	—	—	—	2,273	—	2,273
Dividends	—	—	—	—	—	—	(5,635)	(5,635)
Other changes in non-controlling interest liabilities	—	—	2,111	—	—	2,111	(2,111)	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	4,613	4,613
Reclassification of non-controlling interest exchange difference	—	—	—	—	81	81	(81)	—
	1,274	2,273	2,111	—	81	5,739	(3,214)	2,525
Balance as at October 31, 2012	220,736	13,336	145,198	(475)	(12,469)	366,326	—	366,326
Net income for the year	—	—	57,955	—	—	57,955	3,247	61,202
Other comprehensive income (loss)	—	—	2,180	2,855	6,901	11,936	649	12,585
Comprehensive income for the year	—	—	60,135	2,855	6,901	69,891	3,896	73,787
Issued from treasury	965	—	—	—	—	965	—	965
Exercise of options	5	—	—	—	—	5	—	5
Share-based payment expense	—	2,055	—	—	—	2,055	—	2,055
Dividends	—	—	—	—	—	—	(2,787)	(2,787)
Other changes in non-controlling interest liabilities	—	—	1,502	—	—	1,502	(1,502)	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	1,042	1,042
Reclassification of non-controlling interest exchange difference	—	—	—	—	649	649	(649)	—
	970	2,055	1,502	—	649	5,176	(3,896)	1,280
Balance as at October 31, 2013	221,706	15,391	206,835	2,380	(4,919)	441,393	—	441,393

See accompanying notes to consolidated financial statements

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

Years ended October 31 (in thousands of Canadian dollars)	2013 $	2012 $
OPERATING ACTIVITIES		
Net income (loss) for the year	61,202	(13,536)
Operating items not involving an outlay (receipt) of cash :		
Depreciation and amortization	39,068	40,793
Change in fair value of derivative financial instruments used for aircraft fuel purchases	493	(701)
Foreign exchange gain on long-term monetary items	(846)	(370)
Gain on investments in ABCP	—	(7,936)
Gain on disposal of a subsidiary	—	(5,655)
Impairment of goodwill	—	15,000
Share of net income of an associate	(3,676)	(3,495)
Deferred taxes	998	887
Employee benefits	2,561	2,088
Share-based payment expense	2,055	2,273
	101,855	29,348
Net change in non-cash working capital balances related to operations	27,330	(5,646)
Net change in provision for overhaul of leased aircraft	(3,812)	(1,449)
Net change in other assets and liabilities related to operations	(2,334)	(13,381)
Cash flows related to operating activities	123,039	8,872
INVESTING ACTIVITIES		
Additions to property, plant and equipment and other intangible assets	(55,457)	(64,639)
Increase in cash and cash equivalent reserved	(3,913)	(2,871)
Proceeds from sale of investments in ABCP	27,350	57,448
Net proceeds from disposal of subsidiary	3,000	2,110
Dividend received from an associate	731	—
Realization of principal of investments in ABCP	—	1,889
Net consideration paid for acquired business	—	(4,961)
Cash flows related to investing activities	(28,289)	(11,024)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	970	1,274
Dividends paid by a subsidiary to a non-controlling shareholder	(2,787)	(5,635)
Cash flows related to financing activities	(1,817)	(4,361)
Effect of exchange rate changes on cash and cash equivalents	1,710	(3,888)
Net change in cash and cash equivalents	94,643	(10,401)
Cash and cash equivalents, beginning of year	171,175	181,576
Cash and cash equivalents, end of year	265,818	171,175
Supplementary information (as reported in operating activities)		
Income taxes paid (recovered)	(6,146)	(1,449)
Interest paid	841	1,485

See accompanying notes to consolidated financial statements

October 31, 2013 and 2012
[Unless specified otherwise, amounts are expressed in thousands of Canadian dollars, except for per share amounts]

Note 1 CORPORATE INFORMATION

Transat A.T. Inc. [the “Corporation”], headquartered at 300 Léo-Pariseau Street, Montréal, Québec, Canada, is incorporated under the *Canada Business Corporations Act*. The Class A Variable Voting Shares and Class B Voting Shares are listed on the Toronto Stock Exchange.

The Corporation is an integrated company specializing in the organization, marketing and distribution of holiday travel in the tourism industry. The core of its business consists of tour operators based in Canada and Europe which are vertically integrated with its other services of air transportation, distribution through a dynamic travel agency network, value-added services at travel destinations, and accommodations.

The consolidated financial statements of Transat A.T. Inc. for the year ended October 31, 2013 were approved by the Corporation’s Board of Directors on December 11, 2013.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These consolidated financial statements of the Corporation and its subsidiaries have been prepared in accordance with International Financial Reporting Standards [“IFRS”], as issued by the International Accounting Standards Board [“IASB”] and as adopted by the Accounting Standards Board of Canada.

These consolidated financial statements are presented in Canadian dollars, the Corporation’s functional currency, except where otherwise indicated. Each entity of the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

These consolidated financial statements have been prepared on a going concern basis, using historical cost accounting, except for certain financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and measured at fair value.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Corporation and its subsidiaries.

SUBSIDIARIES

Subsidiaries are entities over which the Corporation has control. Control is achieved where the Corporation has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date when such control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- Cost is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, excluding transaction costs which are expensed as incurred;
- Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the statement of income (loss);
- Contingent consideration is measured at fair value on the acquisition date, with subsequent changes in the fair value recorded through the statement of income (loss) when the contingent consideration is a financial liability;
- Upon gaining control in a step acquisition, the existing ownership interest is re-measured to fair value through the statement of income (loss);
- For each business combination including non-controlling interests, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

Non-controlling interests, which represent the portion of net income (loss) and net assets in subsidiaries that are not 100% owned by the Corporation, are reported separately within equity in the consolidated statement of financial position. Non-controlling interests in respect of which shareholders hold an option entitling them to require the Corporation to buy back their shares are reclassified from equity to liabilities, deeming exercise of the option. The carrying amount of reclassified interests is also adjusted to match the estimated redemption value. Any changes in the estimated redemption value are recognized as equity transactions in retained earnings.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company and using consistent accounting policies. All intragroup balances, transactions, unrealized gains and losses resulting from intragroup transactions and dividends are fully eliminated on consolidation.

INVESTMENT IN AN ASSOCIATE

An associate is an entity over which the Corporation has significant influence, but no control. The Corporation's investment in an associate is accounted for using the equity method as follows:

- Investment is initially recognized at cost;
- Investment in an associate includes goodwill identified on acquisition, net of any accumulated impairment loss;
- The Corporation's share of post-acquisition net income (loss) is recognized in the statement of income (loss) and is also netted against the carrying amount of the investment; and
- Gains on transactions between the Corporation and its equity accounted investee are eliminated to the extent of the Corporation's interest in this entity and losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities not denominated in the functional currency of the subsidiary are recognized in the statement of income (loss), except for qualifying cash flow hedges, which are deferred and presented as Unrealized gain (loss) on cash flow hedges in Accumulated other comprehensive income (loss) in the statement of changes in equity.

GROUP COMPANIES

Assets and liabilities of entities with functional currencies other than the Canadian dollar are translated at the period-end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The exchange differences arising from translation are recognized in Foreign currency translation differences in Accumulated other comprehensive income (loss) in equity. On disposal of an interest, the component of Foreign currency translation differences relating to that particular foreign interest is recognized in the consolidated statement of income (loss).

CASH EQUIVALENTS

Cash equivalents consist primarily of term deposits and bankers' acceptances that are highly liquid and readily convertible into known amounts of cash with initial maturities of less than three months.

INVENTORIES

Inventories, consisting primarily of supplies and aircraft parts, are valued at the lower of cost, determined using the first-in, first-out method, and net realizable value. Net realizable value is the estimated selling price in the normal course of business less estimated costs to sell. Replacement cost may be used as input for net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation and provision for impairment, if any.

Depreciation on property, plant and equipment is calculated on a straight line basis, unless otherwise specified, and serves to write down the cost of the assets to their estimated residual value over their expected useful lives as follows:

Aircraft equipment, including spare engines and rotable spare parts	5–10 years or use
Office furniture and equipment	3–10 years
Leasehold improvements	Lease term or useful life
Administrative building	10–45 years

The fleet includes owned aircraft and improvements to aircraft under operating leases. A portion of the cost of owned aircraft is allocated to the "major maintenance activities" subclass, which relates to airframe, engine and landing gear overhaul costs, and the remaining cost is allocated to Aircraft. Aircraft and major maintenance activities are depreciated taking into account their expected estimated residual value. Aircraft are depreciated on a straight-line basis over seven- to ten-year periods, and major maintenance activities are depreciated according to the type of maintenance activity on a straight-line basis or based on the use of the corresponding aircraft until the next related major maintenance activity, or their expected useful lives. Subsequent major maintenance activity expenses are capitalized as major maintenance activities and are depreciated according to their type. Expenses related to other maintenance activities, including unexpected repairs, are recognized in net income (loss) as incurred. Improvements to aircraft under operating leases are depreciated on a straight-line basis over the shorter of the corresponding lease term and their useful life.

Estimated residual values and useful lives are reviewed annually and adjusted if appropriate.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash-generating units ["CGUs"] that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

INTANGIBLE ASSETS

Intangible assets are recorded at cost. The cost of intangible assets acquired in a business combination is recorded at fair value as at the acquisition date. Internally generated intangible assets include developed or modified application software. These costs are capitalized when the following criteria are met:

- It is technically feasible to complete the software product and make it available for use;
- Management intends to complete the software product and use it;
- The Corporation has ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and use the software product are available;
- The expenditures attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalization include both internal and external costs, but are limited to those that are directly related to the specific project.

Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized on a straight-line basis over their respective useful economic lives, as follows:

Software	3–10 years
Customer lists	7–10 years

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually and adjusted if appropriate.

Intangible assets with indefinite useful lives, consisting mainly of trademarks, are not amortized but are tested for impairment at least annually, either individually or at the CGU level. The useful life of those assets is reviewed annually, at a minimum, to determine whether events and circumstances continue to support an indefinite useful life assessment for the assets. If they do not, the change in useful life assessment from indefinite to finite is made on a prospective basis.

OPERATING LEASE AND DEFERRED LEASE INDUCEMENTS

Leases where substantially all the risks and rewards of ownership of the asset are not transferred to the Corporation are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the related lease term.

Deferred lease inducements consist of lease incentive amounts received from landlords and rent-free lease periods. These lease inducements are recognized through other liabilities and are amortized over the life of the initial lease term on a straight-line basis as a reduction of amortization expense.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Corporation include cash and cash equivalents, cash and cash equivalents in trust or otherwise reserved, trade and other receivables, deposits on leased aircraft and engines, investments in ABCP (non-bank asset-backed commercial paper) and derivative financial instruments with a positive fair value. Financial liabilities of the Corporation include trade and other payables, long-term debt, derivative financial instruments with a negative fair value and put options held by non-controlling interests.

Financial assets and financial liabilities, including derivative financial instruments, are initially measured at fair value. Subsequent to initial recognition, financial assets and financial liabilities are measured based on their classification: financial assets/liabilities at fair value through profit or loss, loans and receivables, or other financial liabilities. Derivative financial instruments, including embedded derivative financial instruments that are not closely related to the host contract, are classified as financial assets or liabilities at fair value through profit or loss unless they are designated within an effective hedging relationship. Classification is determined by management on initial recognition based on the purpose for their acquisition.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets and liabilities at fair value through profit or loss

Financial assets, financial liabilities and derivative financial instruments classified as financial assets or liabilities at fair value through profit or loss are measured at fair value at the period-end date. Gains and losses realized on disposal and unrealized gains and losses from changes in fair value are reflected in the consolidated statement of income (loss) as they occur.

Loans and receivables and other financial liabilities

Financial assets as loans and receivables and financial liabilities classified as other financial liabilities are recorded at amortized cost using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Corporation uses derivative financial instruments to hedge against future foreign currency fluctuations in relation to its operating lease payments, receipts of revenues from certain tour operators and disbursements pertaining to certain operating expenses in foreign currencies. For hedge accounting purposes, the Corporation designates its derivative financial instruments related to foreign currencies as hedging instruments.

The Corporation formally documents all relationships between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. This process includes linking all derivative financial instruments to forecasted cash flows or to a specific asset or liability. The Corporation also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments are highly effective in offsetting the changes in the fair value or cash flows of the hedged items.

These derivative financial instruments are designated as cash flow hedges.

All derivative financial instruments are recorded at fair value in the consolidated statements of financial position. For the derivative financial instruments designated as cash flow hedges, changes in the fair value of the effective portion are recognized in Other comprehensive income (loss) in the consolidated statement of comprehensive income (loss). Any ineffective portion within a cash flow hedge is recognized in net income (loss), as it arises, in the same account in the consolidated statement of income (loss) as the hedged item when realized. Should the cash flow hedge cease to be effective, previously unrealized gains and losses remain within Accumulated other comprehensive income (loss) as Unrealized gain (loss) on cash flow hedges until the hedged item is settled, and future changes in value of the derivative instrument are recognized in income (loss) prospectively. Changes in value of the effective portion of a cash flow hedge remain in Accumulated other comprehensive income (loss) as Unrealized gain (loss) on cash flow hedges until the related hedged item is settled, at which time amounts recognized in Unrealized gain (loss) on cash flow hedges are reclassified to the same account in the consolidated statement of income (loss) in which the hedged item is recorded. For derivative financial instruments designated as fair value hedges, periodic changes in fair value are recognized in the same account in the consolidated statement of income (loss) as the hedged item.

DERIVATIVE FINANCIAL INSTRUMENTS THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

In the normal course of business and to manage exposure to fuel pricing instability, the Corporation also enters into derivative financial instruments used for aircraft fuel purchases that have not been designated for hedge accounting. These derivatives are measured at fair value at the end of each period, and the unrealized gains or losses on remeasurement are recorded and presented under Change in fair value of derivative financial instruments used for aircraft fuel purchases in the consolidated statement of income (loss). When realized at maturity of these derivative financial instruments, any gains or losses are reclassified to Aircraft fuel.

It is the Corporation's policy not to speculate on derivative financial instruments; accordingly, these instruments are normally purchased for risk management purposes and held to maturity.

TRANSACTION COSTS

Transaction costs related to financial assets and financial liabilities classified as financial assets or liabilities at fair value through profit or loss are expensed as incurred. Transactions costs related to financial assets classified as loans and receivables or to financial liabilities classified as other financial liabilities are reflected in the carrying amount of the financial asset or financial liability and are then amortized over the estimated useful life of the instrument using the effective interest method.

FAIR VALUE

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted prices in an active market at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets accessible to the Corporation at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other industry standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

IMPAIRMENT OF FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset [an incurred loss event] and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Impairment losses are recognized through profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Corporation assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Value in use is calculated using estimated net cash flows, typically based on detailed projections over a five-year period with subsequent years extrapolated using a growth assumption. The estimated net cash flows are discounted to their present value using a discount rate before income taxes that reflects current market assessments of the time value of money and the risk specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model may be used. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized through profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

GOODWILL

Goodwill is tested annually [as at October 31] for impairment and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU [or group of CGUs] to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives are tested for impairment annually [as at October 31] either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

REVERSAL OF IMPAIRMENT LOSSES

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the Corporation estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. The reversal is recognized in the statement of income (loss). Impairment losses relating to goodwill cannot be reversed in future periods.

PROVISIONS

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated. Provisions are measured at their present value.

PROVISION FOR OVERHAUL OF LEASED AIRCRAFT

Under aircraft and engine operating leases, the Corporation is required to maintain the aircraft and engines in serviceable condition and adhere to the maintenance plan. The Corporation accounts for its leased aircraft and engine maintenance obligation based on utilization until the next maintenance activity. The obligation is adjusted to reflect any change in the related maintenance expenses anticipated. Depending on the type of maintenance, utilization is determined based on the cycles, logged flight time or time between overhauls. The excess of the maintenance obligation over maintenance deposits made to lessors and unclaimed is included in liabilities under Provision for overhaul of leased aircraft. All maintenance work done on aircraft engines under contracts with billing based on flight hours are charged to operating expenses in the statement of income (loss) as expenses are incurred.

EMPLOYEE FUTURE BENEFITS

The Corporation offers defined benefit pension arrangements to certain senior executives. Certain non-Canadian employees also benefit from post-employment benefits. The net periodic pension expense for these plans is actuarially determined on an annual basis by independent actuaries using the projected unit credit method. The determination of benefit expense requires assumptions such as the discount rate to measure obligations, expected mortality and expected rate of future compensation. Actual results will differ from estimated results based on assumptions. The vested portion of past service cost arising from plan amendments is recognized immediately in the statement of income (loss). The unvested portion is amortized on a straight-line basis over the average remaining period until the benefits vest.

The liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized immediately in Retained earnings and included in the statement of comprehensive income (loss).

Contributions to defined contribution pension plans are expensed as incurred, which is as the related employee service is rendered.

In certain jurisdictions, termination benefits are payable when employment is terminated by the Corporation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for the benefits. The Corporation recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

REVENUE RECOGNITION

The Corporation recognizes revenue once the service is rendered and all the significant risks and rewards of the service have been transferred to the customer. As a result, revenue earned from passenger transportation is recognized upon each return flight. Revenue from tour operators and the related costs are recognized when passengers depart. Commission revenue from travel agencies is recognized when travel is reserved. Amounts received from customers for services not yet rendered are included in current liabilities as Customer deposits and deferred income.

Revenue for which the Corporation provides multiple services such as air transportation, tour operator and travel agency services is deferred and only recognized once the service is provided to the customer based on the Corporation's accounting policy for revenue recognition. The Corporation treats these different services as separate units of accounting as each service has a value to the customer on a stand-alone basis and the consideration paid for these services is allocated using the relative fair value of each deliverable.

INCOME TAXES

The Corporation provides for income taxes using the liability method. Under this method, deferred tax assets and liabilities are calculated based on differences between the carrying value and tax basis of assets and liabilities and measured using substantively enacted tax rates and laws expected to be in effect when the differences reverse.

Deferred tax assets and liabilities are recognized directly through profit or loss, other comprehensive income, or equity based on the classification of the item to which they relate.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforwards of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

SHARE-BASED PAYMENT PLANS

The Corporation operates a number of equity-settled and cash-settled share-based compensation plans under which it receives services from employees as consideration for equity instruments of the Corporation or cash payments.

EQUITY-SETTLED TRANSACTIONS

For equity-settled share-based compensation [stock option plan], the expense is based on the grant date fair value of the awards expected to vest over the period in which the performance and/or service conditions are fulfilled, with a corresponding increase in the share-based payment reserve. The value of the compensation is measured using a Black-Scholes option pricing model. For awards with graded vesting, the fair value of each tranche is recognized through profit or loss over its respective vesting period. Any consideration paid by employees on exercising stock options and the corresponding portion previously credited to share-based payment reserve are credited to share capital.

CASH-SETTLED TRANSACTIONS

For cash-settled share-based compensation [deferred share unit plan and restricted share unit plan], the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled. The value of the compensation is measured based on the closing price of Class B Shares of the Corporation on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the units were granted, and is based on the units that are expected to vest. The expense is recognized over the period in which the performance or service conditions are satisfied. At the end of each reporting period, the Corporation re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions through profit or loss.

EMPLOYEE SHARE PURCHASE PLANS

The Corporation’s contributions to the employee share purchase plans [stock ownership incentive and capital accumulation plan and permanent stock ownership incentive plan] consist of shares acquired in the marketplace by the Corporation. These contributions are measured at cost and are recognized over the period from the acquisition date to the date that the award vests to the participant. Any consideration paid by the participant to purchase shares under the share purchase plan is credited to share capital.

EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed based on net income (loss) attributable to shareholders of the Corporation, divided by the weighted-average number of Class A Variable Voting Shares and Class B Voting Shares outstanding during the year.

Diluted earnings (loss) per share is calculated by adjusting net income (loss) attributable to shareholders of the Corporation for any changes in income or expense that would result from the exercise of dilutive elements. The weighted-average number Class A Variable Voting Shares and Class B Voting Shares outstanding is increased by the weighted-average number of additional Class A Variable Voting Shares and Class B Voting Shares that would have been outstanding assuming the exercise of all dilutive elements.

Note 3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, accounting estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market events or to circumstances beyond the Corporation's control. Such changes are reflected in the assumptions when they occur.

DEPRECIATION AND AMORTIZATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND INTANGIBLE ASSETS

Property, plant and equipment, intangible assets and goodwill represented \$115,025, \$67,333 and \$94,723 respectively, of total assets in the consolidated statement of financial position as at October 31, 2013.

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. To identify CGUs, management has to take into account the contributions made by each subsidiary and the inter-relationships among them in light of the Corporation's vertical integration and the goal of providing a comprehensive offering of tourism services in the markets served by the Corporation. The fair value less costs to sell calculation is based on available data from arm's length transactions for similar assets or observable market prices less incremental costs to sell. The value in use calculation is based on a discounted cash flow model. Cash flows are derived from the budget and the financial projections for the next five fiscal years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the performance of the asset of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the various CGUs, including a sensitivity analysis, are discussed in note 14.

Property, plant and equipment are depreciated over their estimated useful lives taking into account their residual value. Aircraft and aircraft components account for a major subclass of property, plant and equipment. Depreciation expense depends on several assumptions including the period over which the aircraft will be used, the fleet renewal schedule and the estimate of the residual value of aircraft and aircraft components at the time of their anticipated disposal.

Changes in estimated useful life and residual value of aircraft could have a significant impact on depreciation expense. Property, plant and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

ASSET-BACKED COMMERCIAL PAPER

The fair value of the asset-backed commercial paper recorded in the statement of financial position may not be entirely derived from active markets. Where it is not, fair value is determined using the discounted cash flow model. The inputs to that model are derived from observable markets where possible, otherwise judgment is required to determine fair value. Management's judgment takes into account inputs such as credit risk exposures attributable to the underlying assets, prevailing interest rates in the relevant markets and the amounts receivable. Actual results differed from estimated results based on assumptions. As at October 31, 2012, the fair value of ABCP was calculated using information available in the market.

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is the amount for which the instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. The Corporation determines the fair value of its derivative financial instruments using the purchase or selling price, as appropriate, in the most advantageous active market to which the Corporation has immediate access. The Corporation also takes into account its own credit risk and the credit risk of the counterparty in determining fair value for its derivative financial instruments based on whether they are financial assets or financial liabilities. When the market for a derivative financial instrument is not active, the Corporation determines the fair value by applying valuation techniques, such as using available information on market transactions involving other instruments that are substantially the same, discounted cash flow analysis or other techniques, where appropriate. The Corporation ensures, to the extent practicable, that its valuation technique incorporates all factors that market participants would consider in setting a price and that it is consistent with accepted economic methods for pricing financial instruments, including the credit risk of the party involved.

PROVISION FOR OVERHAUL OF LEASED AIRCRAFT

The estimates used to determine the provision for overhaul of leased aircraft are based on historical experience, historical costs and repairs, information from external suppliers, forecasted aircraft utilization, planned renewal of the aircraft fleet, leased aircraft return conditions, the U.S. dollar exchange rate and other facts and reasonable assumptions in the circumstances. Given that various assumptions are used in determining the provision for overhaul of leased aircraft, the calculation involves some inherent measurement uncertainty. Actual results will differ from estimated results based on assumptions.

NON-CONTROLLING INTERESTS

Non-controlling interests in respect of which the shareholders may require the Corporation to buy back their shares are reclassified as liabilities at their estimated redemption value, deeming exercise of this option. In the absence of a predetermined calculation formula, the estimated redemption value is established using fair value. The fair value calculation is based on a discounted cash flow model. The cash flows are derived from the budget and financial forecasts for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the subsidiary's performance. The fair value is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

EMPLOYEE FUTURE BENEFITS

The cost of defined benefit pension plans and other post-employment benefits and the present value of the associated obligations are determined using actuarial valuations. These actuarial valuations require the use of assumptions such as the discount rate to measure obligations, expected mortality and expected rate of future compensation. Given that various assumptions are used in determining the cost and obligations associated with employee future benefits, the actuarial valuation process involves some inherent measurement uncertainty. Actual results will differ from estimated results based on assumptions.

TAXES

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax legislation and the amount and timing of future taxable income. Given the Corporation's wide range of international business relationships, differences arising between actual results and the assumptions made, or future changes in such assumptions, could give rise to future adjustments in the amounts of income taxes previously reported. Such interpretive differences may arise in a variety of areas depending on the conditions specific to the respective tax jurisdiction of the Corporation's subsidiaries. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment is required by management to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Note 4 CHANGES IN ACCOUNTING POLICIES

IAS 1, *PRESENTATION OF FINANCIAL STATEMENTS*

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group together items within other comprehensive income (loss) that may be reclassified to the statement of income (loss). The amendments also reaffirm existing requirements that items in other comprehensive income (loss) and net income (loss) should be presented as either a single statement or two consecutive statements. The amendments made to IAS 1 became effective on November 1, 2012. The amendments have had no impact on the presentation of the Corporation's consolidated financial statements as the items within other comprehensive income (loss) that could be reclassified to the statement of income (loss) are already grouped together.

Note 5 FUTURE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet effective are discussed below. The Corporation has not early adopted these new standards.

IFRS 9, FINANCIAL INSTRUMENTS

In October 2010, the IASB issued IFRS 9, Financial Instruments, which represents the completion of the first of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement. The first phase addressed the classification and measurement of financial assets and financial liabilities, whereas the other two phases will cover impairment of financial assets and hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Under the new requirements, an entity choosing to measure a liability at fair value is to present the portion of the change in fair value attributable to changes in credit risk related to equity in other comprehensive income (loss), rather than within the statement of income (loss). IFRS 9 will be effective for the Corporation's fiscal years beginning on or after November 1, 2015, with earlier adoption permitted. The Corporation continues to assess the impact of adopting this standard on its financial statements.

IFRS 10, *CONSOLIDATED FINANCIAL STATEMENTS*

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, which replaces SIC-12, *Consolidation: Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 will be effective for the Corporation's fiscal years beginning on or after November 1, 2013. Adoption of this standard will have no impact on the Corporation's financial statements.

IFRS 12, *DISCLOSURE OF INTERESTS IN OTHER ENTITIES*

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard requires an entity to disclose information on the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will be effective for the Corporation's fiscal years beginning on or after November 1, 2013. Except for additional disclosures, adoption of this standard will have no impact on the Corporation's financial statements.

IFRS 13, *FAIR VALUE MEASUREMENT*

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 will be effective for the Corporation's fiscal years beginning on or after November 1, 2013. Except for additional disclosures, adoption of this standard will have no impact on the Corporation's financial statements.

IAS 19, *EMPLOYEE BENEFITS*

In June 2011, the IASB amended IAS 19, *Employee Benefits*. The amendments eliminate the option to defer the recognition of gains and losses, known as the corridor method, which will improve comparability and faithfulness of presentation. The amendments will also streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (loss), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations. Other amendments impacting retirement expense recognition have been made, particularly the accelerated recognition of past service costs and the application of the same discount rate to the net defined benefit asset or liability. Finally, the amendments enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that the Corporation is exposed to through its participation in those plans. The amendments to IAS 19 will be effective for the Corporation's fiscal years beginning on or after November 1, 2013. Except for additional disclosures, adoption of this standard will have no impact on the Corporation's financial statements.

Note 6 BUSINESS ACQUISITION

On February 1, 2012, the Corporation acquired some of the assets of Québec tour operator Vacances Tours Mont-Royal ("TMR") for a cash consideration of $5,778. TMR specializes in the sale of packages to sun destinations for Canadian travellers, including Cuba, the Dominican Republic and Mexico, and a large portion of the flights are provided by Transat. With this acquisition, the Corporation extends its offering and services to customers in its existing markets.

The Corporation has completed the fair value measurement of identifiable assets acquired and identifiable liabilities assumed. The excess of the total consideration over the fair value of net assets acquired was allocated to the trademark. The net amounts of assets acquired and liabilities assumed are detailed as follows:

	$
Cash and cash equivalents in trust or otherwise reserved	23,976
Trade and other receivables	6,566
Prepaid expenses	11,238
Property, plant and equipment	291
Intangible assets	4,483
Trade and other payables	(7,766)
Customer deposits and deferred income	(33,827)
Net assets at fair value	4,961
Cash and cash equivalents of acquired business	817
Total consideration	5,778

The results of the acquired business have been consolidated as of the date of acquisition. For the year ended October 31, 2012, since the date of its acquisition, TMR has generated revenues of $97,241 with a pre-tax loss of $5,372, which are included in the Corporation's consolidated results. Had TMR been consolidated as of November 1, 2011, the consolidated net loss for fiscal 2012 would have included additional revenues of $37,200 and a pre-tax loss of $863.

Note 7 DISPOSAL OF A SUBSIDIARY

On June 12, 2012, the Corporation concluded the sale of its subsidiary Handlex, which provides airport ground-handling services at Montréal, Toronto and Vancouver international airports, to Servisair Holding Canada Inc. for a total consideration of $9,000, of which $6,000 is receivable in two equal annual payments. The balance of sale price receivable of $3,000 as at October 31, 2013 [$6,000 as at October 31, 2012] bears interest at the prime rate and is secured by an irrevocable letter of credit in favour of the Corporation. The carrying amount of the net assets disposed of on June 12, 2012 amounted to $3,345, which gave rise to a $5,655 gain on disposal of a subsidiary. The transaction did not trigger any tax expense, as the Corporation used unrecognized capital losses to eliminate the taxation of the capital gain realized on the transaction. The transaction includes a service agreement with Air Transat, which will continue to receive the same services from Handlex at its three Canadian operating hubs.

The carrying value of net assets sold is detailed as follows:

	$
Cash and cash equivalents	890
Trade and other receivables	3,277
Income taxes receivable	598
Inventories	395
Prepaid expenses	506
Property, plant and equipment	3,910
Intangible assets	297
Trade and other payables	(6,333)
Deferred tax liabilities	(195)
Net assets sold	3,345

Note 8 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at October 31, 2013, cash and cash equivalents in trust or otherwise reserved included $294,473 [$288,789 as at October 31, 2012] in funds received from customers, consisting primarily of Canadians, for services not yet rendered and for some of which the availability period had not ended, in accordance with Canadian regulators and the Corporation's business agreement with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included $108,995, of which $41,725 was recorded as non-current assets [$81,502 as at October 31, 2012, of which $39,119 was recorded as non-current assets], which was pledged as collateral security against letters of credit.

Note 9 TRADE AND OTHER RECEIVABLES

	October 31, 2013 $	October 31, 2012 $
Trade receivables	66,921	57,983
Due from government	17,402	15,136
Other receivables	28,415	38,406
	112,738	111,525

Note 10 INVESTMENTS IN ABCP

On November 9, 2012, the Corporation sold its ABCP for a total consideration of $27,350.

During the year ended October 31, 2012, the Corporation received proceeds totalling $57,448 from the sale of ABCP with a notional value of $80,000 ($78,814 of ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets [MAV2 Eligible] and $1,186 of ABCP supported solely by traditional securitized assets [MAV3 Traditional]). The Corporation also received $1,889 in principal repayments on ABCP supported solely by traditional securitized assets [MAV3 Traditional].

The following table details the change in balances of investments in ABCP in the statement of financial position and the composition of Gain on investments in ABCP in net income (loss):

	Notional value $	Provision for impairment $	Investments $	Gain $
Balance as at November 1, 2011	116,414	(37,663)	78,751	
Increase in value of investments in ABCP	—	7,936	7,936	(7,936)
Principal repayments	(1,889)	—	(1,889)	—
Disposal of investments in ABCP	(80,000)	22,552	(57,448)	—
Balance as at October 31, 2012 / Impact on results for the year ended October 31, 2012	34,525	(7,175)	27,350	(7,936)
Disposal of investments in ABCP	(34,525)	7,175	(27,350)	—
Balance as at October 31, 2013 / Impact on results for the year ended October 31, 2013	—	—	—	—

Note 11 FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The classification of financial instruments, other than financial derivative instruments designated as hedges, and their carrying amounts and fair values are detailed as follows:

	Carrying amount				Fair value
	Financial assets/liabilities at fair value through profit or loss $	Loans and receivables $	Other financial liabilities $	Total $	$
As at October 31, 2013					
Financial assets					
Cash and cash equivalents	265,818	—	—	265,818	265,818
Cash and cash equivalents in trust or otherwise reserved	403,468	—	—	403,468	403,468
Trade and other receivables	—	95,336	—	95,336	95,336
Deposits on leased aircraft and engines	—	12,384	—	12,384	12,384
Derivative financial instruments					
– Fuel purchasing forward contracts and other fuel-related derivative financial instruments	1,220	—	—	1,220	1,220
	670,506	107,720	—	778,226	778,226
Financial liabilities					
Trade and other payables	—	—	298,780	298,780	298,780
Derivative financial instruments					
– Fuel purchasing forward contracts and other fuel-related derivative financial instruments	1,790	—	—	1,790	1,790
Non-controlling interests	—	—	23,800	23,800	23,800
	1,790	—	322,580	324,370	324,370

	Carrying amount				Fair value
	Financial assets/liabilities at fair value through profit or loss $	Loans and receivables $	Other financial liabilities $	Total $	$
As at October 31, 2012					
Financial assets					
Cash and cash equivalents	171,175	—	—	171,175	171,175
Cash and cash equivalents in trust or otherwise reserved	370,291	—	—	370,291	370,291
Trade and other receivables	—	96,389	—	96,389	96,389
Investments in ABCP	27,350	—	—	27,350	27,350
Deposits on leased aircraft and engines	—	12,297	—	12,297	12,297
Derivative financial instruments					
– Fuel purchasing forward contracts and other fuel-related derivative financial instruments	4,159	—	—	4,159	4,159
	572,975	108,686	—	681,661	681,661
Financial liabilities					
Trade and other payables	—	—	276,771	276,771	276,771
Derivative financial instruments					
– Fuel purchasing forward contracts and other fuel-related derivative financial instruments	4,202	—	—	4,202	4,202
Non-controlling interests	—	—	24,193	24,193	24,193
	4,202	—	300,964	305,166	305,166

DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is the amount for which the instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. The following methods and assumptions were used to measure fair value:

The fair value of cash and cash equivalents, in trust or otherwise reserved or not, trade and other receivables, and accounts payable and accrued liabilities approximates their carrying amount due to the short-term maturity of these financial instruments.

The fair value of forward contracts and other derivative financial instruments related to fuel or currencies is measured using a generally accepted valuation method, i.e., by discounting the difference between the value of the contract at expiration determined according to contract price or rate and the value of the contract at expiration determined according to contract price or rate that the financial institution would have used had it renegotiated the same contract under the same conditions at the current date. The Corporation also factors in the financial institution's credit risk when determining contract value.

The fair value of investments in ABCP was determined using quoted prices in active markets.

The fair value of deposits on leased aircraft and engines approximates their carrying amount given that they are subject to terms and conditions similar to those available to the Corporation for instruments with comparable terms.

The fair value of non-controlling interests in respect of which non-controlling shareholders hold an option to require the Corporation to buy back their shares corresponds to their redemption price. The redemption price is based either on a formula that factors in financial and non-financial indicators or on the fair value of shares held, which is determined using a discounted cash flow model similar to that used for the goodwill impairment test *[see note 14]*.

The following table details the fair value hierarchy of financial instruments by level:

	Quoted prices in active market (Level 1) $	Other observable inputs (Level 2) $	Unobservable inputs (Level 3) $	Total $
As at October 31, 2013				
Financial assets				
Derivative financial instruments				
- Fuel purchasing forward contracts and other fuel-related derivative financial instruments	—	1,220	—	1,220
- Foreign exchange forward contracts – designated as cash flow hedges	—	6,500	—	6,500
	—	7,720	—	7,720
Financial liabilities				
Derivative financial instruments				
- Fuel purchasing forward contracts and other fuel-related derivative financial instruments	—	1,790	—	1,790
- Foreign exchange forward contracts – designated as cash flow hedges	—	2,885	—	2,885
Non-controlling interests	—	—	23,800	23,800
	—	4,675	23,800	28,475

	Quoted prices in active market (Level 1) $	Other observable inputs (Level 2) $	Unobservable inputs (Level 3) $	Total $
As at October 31, 2012				
Financial assets				
Investments in ABCP	27,350	—	—	27,350
Derivative financial instruments				
- Fuel purchasing forward contracts and other fuel-related derivative financial instruments	—	4,159	—	4,159
- Foreign exchange forward contracts – designated as cash flow hedges	—	3,301	—	3,301
	27,350	7,460	—	34,810
Financial liabilities				
Derivative financial instruments				
- Fuel purchasing forward contracts and other fuel-related derivative financial instruments	—	4,202	—	4,202
- Foreign exchange forward contracts – designated as cash flow hedges	—	4,214	—	4,214
Non-controlling interests	—	—	24,193	24,193
	—	8,416	24,193	32,609

The changes in non-controlling interests are as follows:

	2013 $	2012 $
Balance, beginning of year	24,193	28,725
Net income	3,247	3,133
Other comprehensive income	649	81
Dividends	(2,787)	(5,635)
Changes in fair value of non-controlling interest	(1,502)	(2,111)
	23,800	24,193

MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation is exposed to credit and counterparty risk, liquidity risk and market risk arising from changes in certain foreign exchange rates, changes in fuel prices and changes in interest rates. The Corporation manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates, fuel prices and interest rates on its revenues, expenses and cash flows, the Corporation can avail itself of various derivative financial instruments. The Corporation's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience.

CREDIT AND COUNTERPARTY RISK

Credit risk stems primarily from the potential inability of customers, service providers, aircraft and engine lessors and financial institutions, including the other counterparties to cash equivalents, derivative financial instruments and investments in ABCP, to discharge their obligations.

Trade accounts receivable included under Trade and other receivables in the statements of financial position totalled $66,921 as at October 31, 2013 [$57,983 as at October 31, 2012]. Trade accounts receivable consist of a large number of customers, including travel agencies and other service providers. Trade accounts receivable generally result from the sale of vacation packages to individuals through travel agencies and the sale of seats to tour operators dispersed over a wide geographic area. No customer represented more than 10% of total accounts receivable as at October 31, 2013 and 2012. As at October 31, 2013, approximately 5% [approximately 8% as at October 31, 2012] of accounts receivable were over 90 days past due, whereas approximately 82% [approximately 79% as at October 31, 2012] were up to date, that is, under 30 days. Historically, the Corporation has not incurred any significant losses in respect of its trade receivables. Therefore, the allowance for doubtful accounts at the end of each period and the change recorded for each period is insignificant.

Pursuant to certain agreements entered into with its service providers consisting primarily of hotel operators, the Corporation pays deposits to capitalize on special benefits, including pricing, exclusive access and room allotments. As at October 31, 2013, these deposits totalled $24,191 [$31,406 as at October 31, 2012] and were generally offset by purchases of person-nights at these hotels. Risk arises from the fact that these hotels might not be able to honour their obligations to provide the agreed number of person-nights. The Corporation strives to minimize its exposure by limiting deposits to recognized and reputable hotel operators in its active markets. These deposits are spread across a large number of hotels and, historically, the Corporation has not been required to write off a considerable amount for its deposits with suppliers.

Under the terms of its aircraft and engine leases, the Corporation pays deposits when aircraft and engines are commissioned, particularly as collateral for remaining lease payments. These deposits totalled $12,384 as at October 31, 2013 [$12,297 as at October 31, 2012] and are returned as leases expire. The Corporation is also required to pay cash security deposits to lessors over the lease term to guarantee the serviceable condition of aircraft. Cash security deposits with lessors are generally returned to the Corporation upon receipt of documented proof that the related maintenance has been performed by the Corporation. As at October 31, 2013, the cash security deposits with lessors that have been claimed totalled $9,549 [$18,801 as at October 31, 2012] and are included in Trade and other receivables. Historically, the Corporation has not written off any significant amount of deposits and claimed cash security deposits with aircraft and engine lessors.

For financial institutions including the various counterparties, the maximum credit risk as at October 31, 2013 relates to cash and cash equivalents, including cash and cash equivalents reserved, and derivative financial instruments accounted for in assets. These assets are held or traded with a limited number of financial institutions and other counterparties. The Corporation is exposed to the risk that the financial institutions and other counterparties with which it holds securities or enters into agreements could be unable to honour their obligations. The Corporation minimizes risk by entering into agreements only with large financial institutions and other large counterparties with appropriate credit ratings. The Corporation's policy is to invest solely in products that are rated R1-Mid or better [by DBRS], A1 [by Standard & Poor's] or P1 [by Moody's] and rated by at least two rating firms. Exposure to these risks is closely monitored and maintained within the limits set out in the Corporation's various policies. The Corporation revises these policies on a regular basis.

The Corporation does not believe it is exposed to a significant concentration of credit risk as at October 31, 2013.

LIQUIDITY RISK

The Corporation is exposed to the risk of being unable to honour its financial commitments by the deadlines set out under the terms of such commitments and at a reasonable price. The Corporation has a Treasury Department in charge, among other things, of ensuring sound management of available cash resources, financing and compliance with deadlines within the Corporation's scope of consolidation. With senior management oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and anticipated cash flows.

The maturities of the Corporation's financial liabilities as at October 31, 2013 are summarized in the following table:

	Maturing in under 1 year $	Maturing in 1 to 2 years $	Maturing in 2 to 5 years $	Contractual cash flows Total $	Carrying amount Total $
Accounts payable and accrued liabilities	298,780	—	—	298,780	298,780
Non-controlling interests	22,680	—	1,120	23,800	23,800
Derivative financial instruments	4,685	—	—	4,685	4,675
Total	326,145	—	1,120	327,265	327,255

MARKET RISK

FOREIGN EXCHANGE RISK

The Corporation is exposed to foreign exchange risk, primarily as a result of its many arrangements with foreign-based suppliers, aircraft and engine leases, fuel purchases, long-term debt and revenues in foreign currencies, and fluctuations in exchange rates mainly with respect to the U.S. dollar, the euro and the pound sterling against the Canadian dollar and the euro, as the case may be. Approximately 30% of the Corporation's costs are incurred in a currency other than the measurement currency of the reporting unit incurring the costs, whereas less than 10% of revenues are incurred in a currency other than the measurement currency of the reporting unit making the sale. In accordance with its foreign currency risk management policy and to safeguard the value of anticipated commitments and transactions, the Corporation enters into foreign exchange forward contracts and other types of derivative financial instruments, expiring in generally less than 15 months, for the purchase and/or sale of foreign currencies based on anticipated foreign exchange rate trends.

Expressed in Canadian dollar terms, the net financial assets and net financial liabilities of the Corporation and its subsidiaries denominated in currencies other than the measurement currency of the financial statements as at October 31, based on their financial statement measurement currency, are summarized in the following tables:

Net assets (liabilities)	U.S. dollar $	Euro $	Pound sterling $	Canadian dollar $	Other currencies $	Total $
2013						
Financial statement measurement currency of the group's companies						
Euro	(7,847)	—	(12)	1,532	(746)	(7,073)
Pound sterling	14	191	—	625	—	830
Canadian dollar	(2,075)	(8,082)	(608)	—	(80)	(10,845)
Other currencies	(283)	57	—	—	1,142	916
Total	(10,191)	(7,834)	(620)	2,157	316	(16,172)

Net assets (liabilities)	U.S. dollar $	Euro $	Pound sterling $	Canadian dollar $	Other currencies $	Total $
2012						
Financial statement measurement currency of the group's companies						
Euro	(7,080)	—	526	2,520	(680)	(4,714)
Pound sterling	37	518	—	1,509	—	2,064
Canadian dollar	(143)	(1,780)	3,109	—	(314)	872
Other currencies	846	44	—	(14)	368	1,244
Total	(6,340)	(1,218)	3,635	4,015	(626)	(534)

On October 31, 2013, a 1% rise or fall in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in a $188 increase or decrease [$226 as at October 31, 2012], respectively, in the Corporation's net income for the year ended October 31, 2013, whereas other comprehensive income would have increased or decreased by $1,135 [$1,300 as at October 31, 2012], respectively.

RISK OF FLUCTUATIONS IN FUEL PRICES

The Corporation is particularly exposed to fluctuations in fuel prices. Due to competitive pressures in the industry, there can be no assurance that the Corporation would be able to pass along any increase in fuel prices to its customers by increasing prices, or that any eventual price increase would fully offset higher fuel costs, which could in turn adversely impact its business, financial position or operating results. To mitigate fuel price fluctuations, the Corporation has implemented a fuel price risk management policy that authorizes foreign exchange forward contracts, and other types of derivative financial instruments, expiring in generally less than 15 months.

On October 31, 2013, a 10% increase or decrease in fuel prices, assuming that all other variables had remained the same, would have resulted in a $15,983 increase or decrease [$12,064 as at October 31, 2012], respectively, in the Corporation's net income for the year ended October 31, 2013.

As at October 31, 2013, 46% of estimated fuel requirements for fiscal 2014 were covered by fuel-related derivative financial instruments [34% of estimated requirements for fiscal 2013 were covered as at October 31, 2012].

INTEREST RATE RISK

The Corporation is exposed to interest rate fluctuations, primarily due to its variable-rate credit facility. The Corporation manages its interest rate exposure and could potentially enter into swap agreements consisting in exchanging variable rates for fixed rates.

Furthermore, interest rate fluctuations could have an effect on the Corporation's interest income derived from its cash and cash equivalents. The Corporation has implemented an investment policy designed to safeguard its capital and instrument liquidity and generate a reasonable return. The policy sets out the types of allowed investment instruments, their concentration, acceptable credit rating and maximum maturity.

For the year ended October 31, 2013, a 25 basis point increase or decrease in interest rates, assuming that all other variables had remained the same, would have resulted in a $1,165 increase or decrease [$1,400 in 2012], respectively, in the Corporation's net income.

CAPITAL RISK MANAGEMENT

The Corporation's capital management objectives are first to ensure the longevity of the Corporation so as to support its continued operations, provide its shareholders with a return, generate benefits for its other stakeholders and maintain the most optimal capitalization possible with a view to keeping capital costs to a minimum.

The Corporation manages its capitalization in accordance with changes in economic conditions. In order to maintain or adjust its capitalization, the Corporation may elect to declare dividends to shareholders, return capital to its shareholders and repurchase its shares in the marketplace or issue new shares.

The Corporation monitors its capitalization using the adjusted debt/equity ratio. This ratio is calculated as follows: net debt/equity. Net debt is equal to the aggregate of long-term debt and obligations under adjusted operating leases, less cash and cash equivalents [not held in trust or otherwise reserved] and investments in ABCP. The amount of adjusted operating leases is equal to the annualized lease rental expense multiplied by 5.0, a factor used in our industry. Although commonly used, this measure does not reflect the fair value of operating leases as it does not take into account the remaining contractual payments, the discount rates implicit in the leases or current rates for similar obligations with similar terms and risks.

The Corporation's strategy is to maintain its debt/equity ratio below 1. The calculation of the adjusted debt/equity ratio is summarized as follows:

	2013 $	2012 $
Net debt		
Long–term debt	—	—
Adjusted operating leases	406,350	441,805
Cash and cash equivalents	(265,818)	(171,175)
Investments in ABCP	—	(27,350)
	140,532	243,280
Equity	443,075	366,236
Debt/equity ratio	31.7%	66.4%

The Corporation's credit facilities are subject to certain covenants including a debt/equity ratio and a fixed-charge coverage ratio. These ratios are monitored by management and submitted to the Corporation's Board of Directors on a quarterly basis. As at October 31, 2013, the Corporation was in compliance with these ratios. Except for the credit facility covenants, the Corporation is not subject to any third-party capital requirements.

Note 12 DEPOSITS

	October 31, 2013 $	October 31, 2012 $
Deposits on leased aircraft and engines	12,384	12,297
Deposits with suppliers	24,191	31,406
	36,575	43,703
Less current portion	13,267	12,968
	23,308	30,735

Note 13 PROPERTY, PLANT AND EQUIPMENT

	Fleet $	Aircraft equipment $	Office furniture and equipment $	Building and leasehold improvements $	Total $
Cost					
Balance as at October 31, 2012	254,917	78,088	67,918	43,551	444,474
Additions	34,119	2,313	7,899	1,187	45,518
Disposals	—	—	(2,210)	(957)	(3,167)
Exchange difference	—	—	920	1,175	2,095
Balance as at October 31, 2013	289,036	80,401	74,527	44,956	488,920
Accumulated depreciation					
Balance as at October 31, 2012	198,769	64,200	57,407	27,683	348,059
Depreciation	15,415	3,367	6,053	2,898	27,733
Disposals	—	—	(2,210)	(957)	(3,167)
Exchange difference	—	—	818	452	1,270
Balance as at October 31, 2013	214,184	67,567	62,068	30,076	373,895
Net book value as at October 31, 2013	74,852	12,834	12,459	14,880	115,025

	Fleet $	Aircraft equipment $	Office furniture and equipment $	Building and leasehold improvements $	Total $
Cost					
Balance as at October 31, 2011	214,953	95,574	68,348	45,968	424,843
Additions	36,017	3,327	4,767	1,244	45,355
Disposals	—	(16,866)	(4,517)	(2,788)	(24,171)
Transfers	3,947	(3,947)	—	—	—
Exchange difference	—	—	(680)	(873)	(1,553)
Balance as at October 31, 2012	254,917	78,088	67,918	43,551	444,474
Accumulated depreciation					
Balance as at October 31, 2011	177,071	77,394	56,531	27,327	338,323
Depreciation	17,889	3,783	5,749	3,399	30,820
Disposals	—	(13,168)	(4,416)	(2,780)	(20,364)
Transfers	3,809	(3,809)	—	—	—
Exchange difference	—	—	(457)	(263)	(720)
Balance as at October 31, 2012	198,769	64,200	57,407	27,683	348,059
Net book value as at October 31, 2012	56,148	13,888	10,511	15,868	96,415

Note 14 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill $	Software $	Trademarks $	Customer lists $	Total $
Cost					
Balance as at October 31, 2012	106,494	117,674	19,232	12,187	255,587
Additions	—	9,892	—	—	9,892
Disposals	—	(956)	—	—	(956)
Exchange difference	3,229	1,493	479	367	5,568
Balance as at October 31, 2013	109,723	128,103	19,711	12,554	270,091
Accumulated amortization and impairment					
Balance as at October 31, 2012	15,000	74,325	—	8,237	97,562
Amortization	—	9,172	—	1,172	10,344
Impairment	—	—	—	—	—
Disposals	—	(956)	—	—	(956)
Exchange difference	—	818	—	267	1,085
Balance as at October 31, 2013	15,000	83,359	—	9,676	108,035
Net book value as at October 31, 2013	94,723	44,744	19,711	2,878	162,056

	Goodwill $	Software $	Trademarks $	Customer lists $	Total $
Cost					
Balance as at October 31, 2011	109,495	100,584	14,694	12,145	236,918
Additions	—	20,313	4,487	—	24,800
Disposals	—	(2,630)	—	—	(2,630)
Exchange difference	(3,001)	(593)	51	42	(3,501)
Balance as at October 31, 2012	106,494	117,674	19,232	12,187	255,587
Accumulated amortization and impairment					
Balance as at October 31, 2011	—	68,206	—	6,870	75,076
Amortization	—	8,241	—	1,334	9,575
Impairment	15,000	—	—	—	15,000
Disposals	—	(1,713)	—	—	(1,713)
Exchange difference	—	(409)	—	33	(376)
Balance as at October 31, 2012	15,000	74,325	—	8,237	97,562
Net book value as at October 31, 2012	91,494	43,349	19,232	3,950	158,025

The aggregate carrying amounts of goodwill and trademarks allocated to each CGU are as follows:

	October 31, 2013		October 31, 2012	
	Goodwill $	Trademarks $	Goodwill $	Trademarks $
Canada – United Kingdom – Netherlands	64,399	19,711	64,262	19,221
France	19,913	—	18,471	—
Other *	10,411	—	8,761	11
Net book value	94,723	19,711	91,494	19,232

* Multiple individual CGUs

IMPAIRMENT TEST IN 2013

The Corporation performed an impairment test as at October 31, 2013 to determine whether the carrying amount of CGUs was higher than their recoverable amount. No impairment was detected.

The recoverable amount is determined based on value in use, using a discounted cash flow model. The Corporation prepares cash flow forecasts derived from the most recently approved annual budgets and three-year plans of the relevant businesses. The cash flow forecasts reflect the risk associated with each asset or CGU. Cash flow forecasts beyond three years are extrapolated based on estimated growth rates that do not exceed the average long-term growth rates for the relevant markets.

An after-tax discount rate of 10.5% was used for testing the various CGUs for impairment as at October 31, 2013 [11.5% as at October 31, 2012]. The perpetual growth rate used for impairment reviews was 1% as at October 31, 2013 [1% as at October 31, 2012].

On October 31, 2013, a 1% increase in the after-tax discount rate used for impairment tests, assuming that all other variables had remained the same, would not have required any impairment charge.

If, on October 31, 2013, the long-term growth rate used for impairment tests had decreased by 1%, assuming that all other variables had remained the same, no impairment charge would have been required.

If, on October 31, 2013, the cash flows used for impairment tests had decreased by 10%, assuming that all other variables had remained the same, no impairment charge would have been required .

On October 31, 2013 and 2012, the Corporation performed its annual tests for impairment of trademarks and no impairment was detected. Management is of the opinion that no reasonable change in the key assumptions used in the annual impairment test could have produced carrying amounts for trademarks that are significantly higher than the calculated fair values.

IMPAIRMENT OF GOODWILL IN 2012

As at October 31, 2012, following the impairment test performed on a CGU in France, which includes outgoing tour operators that generate a significant percentage of their revenues from the sale of products to North Africa, including Tunisia, Morocco and Egypt, and a travel agency network, the Corporation recognized an impairment loss on goodwill of $15,000. Goodwill for the CGU in France totalled $18,471, net of impairment loss.

The recoverable amount of the CGU in France was determined based on its value in use, using a discounted cash flow model. The recognized impairment loss resulted primarily from the decrease in revenues from the sale of products to North African countries (Tunisia, Morocco and Egypt) and Greece, and the CGU's lower profitability estimated to date.

Note 15 INVESTMENTS AND OTHER ASSETS

	October 31, 2013 $	October 31, 2012 $
Investment in an associate – Caribbean Investments B.V. ["CIBV"]	70,041	64,189
Balance of sale price receivable	—	3,000
Deferred costs, unamortized balance	639	793
Sundry	1,704	1,644
	72,384	69,626

Transat has a 35% interest in CIBV, an associate which owns and operates hotels in Mexico, the Dominican Republic and Cuba. CIBV's fiscal year-end is December 31 and the Corporation recognizes its investment using the equity method and results for the 12-month period ended September 30 of each year.

The change in the investment in CIBV is detailed as follows:

	2013 $	2012 $
Balance, beginning of year	64,189	60,612
Share of net income	3,676	3,495
Dividend received	(731)	—
Translation adjustment	2,907	82
	70,041	64,189

The financial information regarding the Corporation's investment in CIBV is summarized in the following table:

	2013 $	2012 $
Share of statement of financial position:		
Total assets	120,471	109,071
Total liabilities	50,430	44,882
Carrying amount of investment in CIBV	70,041	64,189
Share of revenues and net income:		
Revenues	31,941	29,365
Net income	3,676	3,495

CIBV's majority shareholder may demand that the Corporation provide the necessary funds to repay one of CIBV's long-term debts should CIBV be unable to cover the scheduled repayments. However, the maximum amount that the Corporation could be required to provide may not exceed its 35% share of said long-term debt. As at October 31, 2013, the Corporation's share of the long-term debt amounted to $2,107 [US$2,197].

Note 16 TRADE AND OTHER PAYABLES

	October 31, 2013 $	October 31, 2012 $
Trade payables	167,782	157,811
Accrued expenses	76,777	64,381
Salaries and employee benefits payable	54,221	54,579
Non-controlling interests	22,680	21,391
Amounts due to the government	5,227	9,057
	326,687	307,219

Note 17 PROVISION FOR OVERHAUL OF LEASED AIRCRAFT

	$
Balance as at October 31, 2012	31,869
Additional provisions	13,016
Utilization of provisions	(14,821)
Unused amounts released	(2,007)
Balance as at October 31, 2013	28,057
Current provisions	11,029
Non-current provisions	17,028
Balance as at October 31, 2013	28,057

	$
Balance as at October 31, 2011	33,318
Additional provisions	11,574
Utilization of provisions	(10,441)
Unused amounts released	(2,582)
Balance as at October 31, 2012	31,869
Current provisions	19,513
Non-current provisions	12,356
Balance as at October 31, 2012	31,869

The provision for overhaul of leased aircraft relates to the maintenance obligation for leased aircraft and spare parts used by the Corporation's airline under operating leases.

Note 18 LONG–TERM DEBT

The Corporation has a $50,000 revolving term credit facility for its operations, maturing in 2015, which is renewable or immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. The agreement is secured by a first movable hypothec on a universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and will be further secured by the pledging of certain marketable securities of its main European subsidiaries. The credit facility bears interest at the bankers' acceptance rate, the financial institution's prime rate or LIBOR, plus a premium. The terms of the agreements require the Corporation to comply with certain financial criteria and ratios. As at October 31, 2013, all financial ratios were met and the credit facility was undrawn.

The Corporation also has a $60,000 annually renewable revolving credit facility for issuing letters of credit in respect of which the Corporation must pledge cash totalling 105% of the amount of the letters of credit as collateral security. As at October 31, 2013, $58,503 had been drawn down under the facility [$52,525 as at October 31, 2012].

Operating lines of credit totalling €11,500 [$16,304] [€11,500 [$14,896] in 2012] have been authorized for certain French subsidiaries. These operating lines of credit are renewable annually and were undrawn as at October 31, 2013 and 2012.

Note 19 OTHER LIABILITIES

	October 31, 2013 $	October 31, 2012 $
Employee benefits *[note 25]*	30,940	31,961
Deferred lease inducements	16,036	19,685
Non-controlling interests	23,800	24,193
	70,776	75,839
Less non-controlling interests included in Trade and other payables	(22,680)	(21,391)
	48,096	54,448

NON-CONTROLLING INTERESTS

a) The minority shareholder in the subsidiary Jonview Canada Inc., which is also a shareholder of the Corporation, may require the Corporation to buy its Jonview Canada Inc. shares at a price equal to their fair market value. The price paid may be settled, at the Corporation's option, in cash or by a share issue. The fair value of this option is taken into account in the carrying amount of the non-controlling interest.

b) Between 2014 and 2018, the minority shareholders of the subsidiary Travel Superstore Inc. could require that the Corporation purchase their Travel Superstore Inc. shares at a price equal to their fair market value, payable in cash. The fair value of this option is taken into account in the carrying amount of the non-controlling interest.

c) The minority shareholder of the subsidiary Trafictours Canada Inc. could require that the Corporation purchase its Trafictours Canada Inc. shares at a price equal to a pre-determined formula, subject to adjustment according to the circumstances, payable in cash. The fair value of this option is taken into account in the carrying amount of the non-controlling interest.

Note 20 EQUITY

AUTHORIZED SHARE CAPITAL

CLASS A VARIABLE VOTING SHARES

An unlimited number of participating Class A Variable Voting Shares ["Class A Shares"] which may be owned or controlled only 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 further action 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 further action 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 SHARE CAPITAL

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

	Number of shares	$
Balance as at October 31, 2011	38,021,720	219,462
Issued from treasury	273,948	1,274
Balance as at October 31, 2012	38,295,668	220,736
Issued from treasury	171,503	965
Exercise of options	1,316	5
Balance as at October 31, 2013	38,468,487	221,706

As at October 31, 2013, the number of Class A Shares and Class B Shares stood at 672,404 and 37,796,083, respectively [884,484 and 37,411,184 as at October 31, 2012].

SUBSCRIPTION RIGHTS PLAN

At the Annual General Meeting (AGM) held on March 10, 2011, the shareholders ratified the shareholders' subscription rights plan amended and updated on January 12, 2011 [the "rights plan"]. The rights plan entitles holders of Class A Shares and Class B Shares to acquire, under certain conditions, additional shares at a price equal to 50% of their market value at the time the rights are exercised. The rights plan is designed to give the Board of Directors time to consider offers, thus allowing shareholders to receive full and fair value for their shares. The rights plan will terminate at the 2014 shareholders' AGM, unless terminated prior to said AGM.

STOCK OPTION PLAN

Under the stock option plan, the Corporation may grant up to a maximum of 1,945,000 additional Class A Shares or Class B Shares to eligible persons at a share price equal to the weighted average price of the shares during the five trading days prior to the option grant date. Options granted are exercisable over a ten-year period, provided the performance criteria determined on each grant are met. The remaining options available for grant under the former plan totalled 251,814. The options granted are exercisable over a ten-year period in three tranches of 33.33% as of mid-December of each year provided the performance criteria determined on each grant are met. Provided the performance criteria set on grant are met, the exercise of any non-vested tranche of options during the first three years following the grant date due to the performance criteria not being met may be extended three years.

Under the former stock option plan, the Corporation may grant up to a maximum of 246,547 additional Class A Shares or Class B Shares to eligible persons at a share price equal to the weighted average price of the shares during the five trading days prior to the option grant date. Under the plan, cancelled options will be available for grant in future. Options granted in the past are exercisable over a ten-year period; a maximum of one third of options is exercisable in the second year after the grant date, a maximum of two thirds of options in the third year subsequent to the grant, with all options exercisable at the outset of the fourth year.

The following tables summarize all outstanding options:

	2013		2012	
	Number of options	Weighted average price $	Number of options	Weighted average price $
Beginning of year	2,199,810	13.99	1,744,477	16.88
Granted	766,620	6.01	734,373	7.48
Exercised	(1,316)	3.80	—	—
Cancelled	(272,570)	9.47	(279,040)	14.88
End of year	2,692,544	12.18	2,199,810	13.99
Options exercisable, end of year	928,192	18.35	881,736	18.96

	Outstanding options			Options exercisable	
Range of exercise price $	Number of options outstanding as at October 31, 2013	Weighted average remaining life	Weighted average price $	Number of options exercisable as at October 31, 2013	Weighted average price $
6.01–7.48	1,292,927	8.7	6.71	31,932	7.48
10.52–12.25	738,985	6.1	11.79	405,996	11.42
15.68–19.24	199,251	6.2	18.72	28,883	15.68
21.36–24.78	358,963	3.3	21.93	358,963	21.93
37.25	102,418	3.5	37.25	102,418	37.25
	2,692,544	6.9	12.18	928,192	18.35

COMPENSATION EXPENSE RELATED TO STOCK OPTION PLAN

During the year ended October 31, 2013, the Corporation granted 766,620 stock options [734,373 in 2012] to certain key executives and employees. The average fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model. The assumptions used and the weighted average fair value of the options on the date of grant are as follows:

	2013	2012
Risk-free interest rate	1.61%	1.37%
Expected life	6 years	6 years
Expected volatility	54.8%	52.5%
Dividend yield	—	—
Weighted average fair value at date of grant	$2.59	$3.39

During the year ended October 31, 2013, the Corporation recorded a compensation expense of $2,055 [$2,273 in 2012] for its stock option plan.

STOCK PURCHASE PLAN

A share purchase plan is available to eligible employees of the Corporation and its subsidiaries. Under the plan, as at October 31, 2013, the Corporation was authorized to issue up to 213,674 Class B Shares. The plan allows each eligible employee to purchase shares up to an overall limit of 10% of his or her annual salary in effect at the time of plan enrolment. The purchase price of the shares under the plan is equal to the weighted average price of the Class B Shares during the five trading days prior to the issue of the shares, less 10%.

During the year, the Corporation issued 171,503 Class B Shares [273,948 Class B Shares in 2012] for a total of $965 [$1,274 in 2012] under the share purchase plan.

STOCK OWNERSHIP INCENTIVE AND CAPITAL ACCUMULATION PLAN

Subject to participation in the share purchase plan offered to all eligible employees of the Corporation, the Corporation awards annually to each eligible officer a number of Class B Shares, the aggregate purchase price of which is equal to an amount ranging from 20% to 60% of the maximum percentage of salary contributed, which may not exceed 5%. Shares so awarded by the Corporation will vest gradually to the eligible officer, subject to the eligible officer's retaining, during the first six months of the vesting period, all the shares purchased under the Corporation's share purchase plan.

The shares awarded under this plan are bought in the market by the Corporation and deposited in the participants' accounts as and when they purchase shares under the share purchase plan.

During the year ended October 31, 2013, the Corporation accounted for a compensation expense of $115 [$111 in 2012] for its stock ownership incentive and capital accumulation plan.

PERMANENT STOCK OWNERSHIP INCENTIVE PLAN

Subject to participation in the share purchase plan offered to all eligible employees of the Corporation, the Corporation awards annually to each eligible senior executive a number of Class B Shares, the aggregate purchase price of which is equal to the maximum percentage of salary contributed, which may not exceed 10%. Shares so awarded by the Corporation will vest gradually to the eligible senior executive, subject to the senior executive's retaining, during the vesting period, all the shares purchased under the Corporation's share purchase plan. The shares awarded under this plan are bought in the market by the Corporation and deposited in the participants' account as and when they purchase shares under the share purchase plan.

During the year ended October 31, 2013, the Corporation accounted for a compensation expense of $284 [$358 in 2012] for its permanent stock ownership incentive plan.

DEFERRED SHARE UNIT PLAN

Deferred share units ["DSUs"] are awarded in connection with the senior executive deferred share unit plan and the independent director deferred share unit plan. Under these plans, each eligible senior executive or independent director receives a portion of his or her compensation in the form of DSUs. The value of a DSU is determined based on the average closing price of the Class B Shares for the five trading days prior to the award of the DSUs. The DSUs are repurchased by the Corporation when a senior executive or a director ceases to be a plan participant. For the purpose of repurchasing DSUs, the value of a DSU is determined based on the average closing price of the Class B Shares for the five trading days prior to the repurchase of the DSUs.

As at October 31, 2013, the number of DSUs awarded amounted to 132,566 [103,533 as at October 31, 2012]. During the year ended October 31, 2013, the Corporation recognized a compensation expense of $1,220 [$80 reversal of compensation expense in 2012 following a decline in its share prices] for its deferred share unit plan.

RESTRICTED SHARE UNIT PLAN

Restricted share units ["RSUs"] are awarded annually to eligible employees under the new restricted share unit plan. Under this plan, each eligible employee receives a portion of his or her compensation in the form of RSUs. The value of an RSU is determined based on the weighted average closing price of the Class B Shares for the five trading days prior to the award of the RSUs. The rights related to RSUs are acquired over a period of three years. When acquired, the RSUs are immediately repurchased by the Corporation, subject to certain conditions and certain provisions relating to the Corporation's financial performance. For the purpose of repurchasing RSUs, the value of an RSU is determined based on the weighted average closing price of the Class B Shares for the five trading days prior to the repurchase of the RSUs.

As at October 31, 2013, the number of RSUs awarded amounted to 744,212 [566,918 as at October 31, 2012]. For the year ended October 31, 2013, following the revaluation of its financial performance covenants, the Corporation recognized a compensation expense of $3,003 for its restricted share unit plan [no compensation expense in 2012].

EARNINGS (LOSS) PER SHARE

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

[In thousands, except per share amounts]	2013 $	2012 $
NUMERATOR		
Net income (loss) attributable to shareholders of the Corporation used in computing basic and diluted earnings (loss) per share	57,955	(16,669)
DENOMINATOR		
Adjusted weighted average number of outstanding shares	38,390	38,142
Effect of dilutive securities		
Stock options	82	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share	38,472	38,142
Earnings (loss) per share		
Basic	1.51	(0.44)
Diluted	1.51	(0.44)

For the purposes of calculating diluted earnings per share for the year ended October 31, 2013, 2,010,909 outstanding stock options were excluded from the calculation, as their exercise price exceeded the Corporation's average market share price.

In light of the net loss recognized for the year ended October 31, 2012, 2,199,810 outstanding stock options were excluded from the diluted loss per share calculation due to their antidilutive effect.

Note 21 ADDITIONAL DISCLOSURE ON EXPENSES

SALARIES AND EMPLOYEE BENEFITS

	2013 $	2012 $
Salaries and other employee benefits	363,861	370,619
Long-term employee benefits *[note 25]*	2,561	2,088
Share-based payment expense	2,055	2,273
	368,477	374,980

DEPRECIATION AND AMORTIZATION

	2013 $	2012 $
Property, plant and equipment	27,733	30,820
Intangible assets subject to amortization	10,344	9,575
Other assets	1,231	650
Deferred lease inducements	(240)	(252)
	39,068	40,793

Note 22 RESTRUCTURING CHARGE

During the year ended October 31, 2013, the Corporation developed a restructuring plan mainly aimed at reducing direct costs and operating expenses, and improving its margins. Accordingly, the Corporation reviewed its processes and reduced the number of personnel. Under this plan, the Corporation recognized a restructuring charge totalling $5,740. The charge consists of termination benefits payable in cash of which an amount of $1,328 was unpaid as at October 31, 2013 and included under Accounts payable and accrued liabilities.

Note 23 INCOME TAXES

The major components of the income tax expense for the years ended October 31 are as follows:

Consolidated statements of income (loss)	2013 $	2012 $
Current		
Current income taxes	18,004	(4,073)
Adjustment to taxes payable for prior years	508	(228)
	18,512	(4,301)
Deferred		
Relating to temporary differences	998	887
Income tax expense (recovery)	19,510	(3,414)

Income taxes on items in other comprehensive income (loss) are as follows:

Consolidated statements of comprehensive income (loss)	2013 $	2012 $
Deferred		
Change in fair value of derivatives designated as cash flow hedges	958	(969)
Change in defined benefits plans – Actuarial gain (loss) on the obligation	806	(435)
Income tax expense (recovery) on comprehensive income (loss)	1,764	(1,404)

The reconciliation of income taxes, computed at the Canadian statutory rates, to income tax expense was as follows for the years ended October 31:

	2013		2012	
	%	$	%	$
Income taxes at the statutory rate	26.9	21,711	27.2	(4,602)
Increase (decrease) resulting from:				
Effect of differences in Canadian and foreign tax rates	(2.5)	(1,993)	24.2	(4,108)
Non deductible (non taxable) items	3.0	2,372	(36.0)	6,102
Recognition of previously unrecorded tax benefits	(0.9)	(733)	8.6	(1,457)
Unrecognized tax benefits	0.7	590	(4.2)	704
Adjustments for prior years	(2.0)	(1,676)	0.2	(26)
Effect of tax rate changes	(1.0)	(775)	0.8	(142)
Effect of differences in tax rates on temporary items	—	—	1.4	(244)
Other	—	14	(2.1)	359
	24.2	19,510	20.1	(3,414)

The applicable statutory income tax rates were 26.9% and 27.2%, respectively, for the years ended October 31, 2013 and 2012. The Corporation's applicable statutory income tax rate is the applicable combined Canadian (federal and Québec) tax rate. The change in statutory tax rates is caused by the decrease in the federal corporate tax rate.

Deferred taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The main components of the deferred tax assets and liabilities were as follows:

	Consolidated statements of financial position		Consolidated statements of income (loss)	
	As at October 31, 2013 $	As at October 31, 2012 $	2013 $	2012 $
Deferred tax losses	12,511	15,837	(3,326)	80
Excess of tax value over net carrying value of:				
Property, plant and equipment and software	(8,390)	(7,688)	(702)	(245)
Intangible assets, excluding software	(3,008)	(3,441)	433	1,187
Derivative financial instruments	(633)	189	136	(184)
Other financial assets and other assets	(1,243)	(3,479)	2,236	(652)
Provisions	1,543	904	(5)	(1,077)
Employee benefits	8,283	8,673	416	366
Other financial liabilities and other liabilities	1,889	2,075	(186)	(362)
Net deferred tax assets	10,952	13,070	(998)	(887)

The changes in net deferred tax assets are as follows:

	2013 $	2012 $
Balance, beginning of year	13,070	12,449
Recognized in the consolidated statements of income (loss)	(998)	(887)
Recognized under other comprehensive income (loss) in consolidated statements of comprehensive income (loss)	(1,764)	1,404
Disposal of business	—	326
Other	644	(222)
	10,952	13,070

The deferred tax assets are detailed below:

	2013 $	2012 $
Deferred tax assets	22,048	24,338
Deferred tax liabilities	(11,096)	(11,268)
Net deferred tax assets	10,952	13,070

As at October 31, 2013, non-capital losses carried forward and other tax deductions for which a writedown was recorded, available to reduce future taxable income of certain subsidiaries in Mexico totalled MXP 79,667 [$5,918] [MXP 54,412 [$4,326] as at October 31, 2012]. These losses and deductions expire in 2020 and thereafter.

As at October 31, 2012, the sum of non-capital losses carried forward and other tax deductions of certain subsidiaries in Canada for which a write-down had not been recognized amounted to $1,012.

The Corporation did not recognize any deferred tax liability on retained earnings of its foreign subsidiaries and its associate company as these earnings are considered to be indefinitely reinvested. However, if these earnings are distributed in the form of dividends or otherwise, the Corporation may be subject to corporate income tax or withholding tax in Canada and/or abroad. Taxable temporary differences for which no income tax liability has been recognized amount to approximately $3,622.

Note 24 RELATED PARTY TRANSACTIONS AND BALANCES

The consolidated financial statements include those of the Corporation and those of its subsidiaries. The main subsidiaries and associates of the Corporation are listed below:

	Country of incorporation	Interest (%) 2013	2012
Air Transat A.T. Inc.	Canada	100	100
Vacances Tours Mont-Royal	Canada	100	100
Transat Tours Canada Inc.	Canada	100	100
Transat Distribution Canada inc.	Canada	100	100
Jonview Canada Inc.	Canada	80.1	80.1
Travel Superstore inc.	Canada	64.6	64.6
The Airline Seat Company Ltd.	United Kingdom	100	100
Look Voyages S.A.	France	99.7	99.7
Vacances Transat S.A.S	France	100	100
Eurocharter S.A.S.	France	100	100
L'Européenne de Tourisme S.A.	France	100	100
Tourgreece Tourist Enterprises S.A.	Greece	100	100
Air Consultant Europe B.V.	Netherlands	100	100
Caribbean Investments B.V.	Netherlands	35	35
Caribbean Transportation Inc.	Barbados	70	70
CTI Logistics Inc.	Barbados	70	70
Sun Excursion Inc.	Barbados	70	70
Sun Excursion Caribbean Inc.	Barbados	70	70
Turissimo Carribe Excusiones Dominican Republic C por A	Dominican Republic	70	70
Trafictours de Mexico S.A. de C.V.	Mexico	70	70
Promotura Turistica Regiona S.A. de C.V.	Mexico	100	100

The Corporation enters into transactions in the normal course of business with its associate. These transactions are carried out at arm's length. Significant transactions are as follows:

	2013 $	2012 $
Cost of providing tourism services	13,616	10,322

Outstanding balances with our associate are as follows:

	2013 $	2012 $
Trade and other payables	208	120

COMPENSATION OF KEY SENIOR EXECUTIVES

The annual compensation and related compensation costs of directors and key senior executives, namely the President and Chief Executive Officer and the Senior Vice Presidents of the Corporation are as follows:

	2013 $	2012 $
Salaries and other employee benefits	6,643	3,693
Long-term employee benefits	883	715
Share-based payment expense	985	1,320

Note 25 EMPLOYEE FUTURE BENEFITS

The Corporation offers defined benefit pension arrangements to certain senior executives and defined contribution plans to certain employees. Employees in some foreign subsidiaries benefit from certain post-employment benefits.

DEFINED BENEFIT ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS

The defined benefit pension plans offered to certain senior executives provide for payment of benefits based on the number of years of eligible service provided and the average eligible earnings for the five years in which the participant's eligible earnings were the highest. The post-employment benefits that employees in some foreign subsidiaries are entitled to comprise an allowance paid upon retirement. These arrangements are not funded; however, to secure its obligations related to defined benefit pension arrangements, the Corporation has issued a $38,434 letter of credit to the trustee [*see note 8*]. The Corporation uses an actuarial estimate to measure its obligations as at October 31 each year.

The following table provides a reconciliation of changes in the defined benefit obligation and in the other post-employment benefit obligation:

	Retirement benefits		Other benefits		Total	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Present value of obligations, beginning of year	30,350	26,582	1,611	1,725	31,961	28,307
Current service cost	1,066	869	133	—	1,199	869
Cost of plan amendments	131	—	—	—	131	—
Financial costs	1,163	1,219	68	—	1,231	1,219
Benefits paid	(751)	(725)	—	—	(751)	(725)
Experience gains	(429)	(138)	—	—	(429)	(138)
Actuarial loss (gain) on obligation	(2,557)	2,543	—	—	(2,557)	2,543
Effect of exchange rate changes	—	—	155	(114)	155	(114)
Present value of obligations, end of year	28,973	30,350	1,967	1,611	30,940	31,961

The following table provides the components of retirement benefits costs for the years ended October 31:

	Retirement benefits		Other benefits		Total	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Current service cost	1,066	869	133	—	1,199	869
Cost of plan amendments	131	—	—	—	131	—
Interest cost	1,163	1,219	68	—	1,231	1,219
Total cost of retirement benefits	2,360	2,088	201	—	2,561	2,088

The significant actuarial assumptions used to determine the Corporation's retirement benefit obligation and expense were as follows:

	2013 %	2012 %
Retirement benefit obligation		
Discount rate	4.50	3.75
Rate of increase in eligible earnings	2.75	2.25
Retirement benefit cost		
Discount rate	3.75	4.50
Rate of increase in eligible earnings	2.25	3.00

A 0.25 percentage point increase in the actuarial assumptions below would have the following impacts, all other actuarial assumption remaining the same:

Increase (decrease)	Retirement benefit expense for the year ended October 31, 2013 $	Retirement benefit obligations as at October 31, 2013 $
Discount rate	(2)	(799)
Rate of increase in eligible earnings	10	34

The funded status of the benefits and the amounts recorded in the statement of financial position under Other liabilities were as follows:

	2013 $	2012 $
Plan assets at fair value	—	—
Accrued benefit obligation	28,973	30,350
Retirement benefit deficit	28,973	30,350

Changes in the cumulative amount of net actuarial losses recognized in other comprehensive (income) loss and presented as a separate component of retained earnings were as follows:

Gains (losses)	$
October 31, 2011	(5,522)
Actuarial losses	(2,405)
Income taxes	435
October 31, 2012	(7,492)
Actuarial gains	2,986
Income taxes	(806)
October 31, 2013	(5,312)

DEFINED CONTRIBUTION PENSION PLANS

The Corporation offers defined contribution pension plans to certain employees with contributions based on a percentage of salary.

Contributions to defined contribution pension plans, which are recognized at cost, amounted to $8,186 for the year ended October 31, 2013 [$6,433 for the year ended October 31, 2012].

Note 26 COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Corporation leases aircraft, buildings, automotive equipment, communications systems and office premises relating to travel sales. The minimum lease payments under non-cancellable operating leases are as follows:

	2013 $	2012 $
Under one year	229,853	106,467
One to five years	412,115	280,772
Over five years	103,340	143,668
	745,308	530,907

The lease expense totalled $104,441 for the year ended October 31, 2013 [$113,355 for the year ended October 31, 2012].

OTHER COMMITMENTS

The Corporation also has purchase obligations under various contracts entered into in the normal course of business. The purchase obligations are as follows:

	2013 $	2012 $
Under one year	65,893	126,147
One to five years	19,608	27,555
Over five years	—	—
	85,501	153,702

LITIGATION

In the normal course of business, the Corporation is exposed to various claims and legal proceedings. These disputes often involve numerous uncertainties and the outcome of the individual cases is unpredictable. According to management, these claims and proceedings are adequately provided for or covered by insurance policies and their settlement should not have a significant negative impact on the Corporation's financial position.

OTHER

From time to time, the Corporation is subject to audits related to tax risks, particularly the deductibility of losses incurred in recent fiscal years arising from investments in ABCP. Certain of these matters could entail significant costs that will remain uncertain until one of more events occur or fail to occur. Although the outcome of such matters is not predictable with assurance, the tax claims and risks for which there is a probable unfavourable outcome are recognized by the Corporation using the best possible estimates of the final risk of loss while for other claims, such as tax risks related to the deductibility of losses from investments in ABCP, which could result in future cash outflows of approximately $15,000, no provisions are made when the Corporation intends to challenge and defend itself against and in respect of which it has sufficient arguments for anticipating a favourable final outcome.

Note 27 GUARANTEES

The Corporation has entered into agreements in the normal course of business containing clauses meeting the definition of a guarantee. These agreements provide compensation and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit and collateral 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 8, 18, 19, 25 and 26 to the financial statements provide information about 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 expire at various dates through 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 coverage in such circumstances.

COLLATERAL SECURITY CONTRACTS

The Corporation has entered into collateral security contracts with certain suppliers. Under these contracts, the Corporation guarantees the payment of certain services rendered that it undertook to pay. These contracts typically cover a one-year period and are renewable.

The Corporation has entered into collateral security contracts whereby it has guaranteed a prescribed amount to its customers, at the request of regulatory agencies, for the performance of the obligations included in mandates by its customers during the term of the licenses granted to the Corporation for its travel agent and wholesaler operations in the Province of Québec. These agreements typically cover a one-year period and are renewable annually. As at October 31, 2013, these guarantees totalled $1,137. Historically, the Corporation has not made any significant payments under such agreements. As at October 31, 2013, no amounts have been accrued with respect to the above-mentioned agreements.

IRREVOCABLE CREDIT FACILITY UNSECURED BY DEPOSITS

The Corporation has a $35,000 guarantee facility renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at October 31, 2013, $16,182 had been drawn down under the facility.

For its European operations, the Corporation has guarantee facilities renewable annually amounting to €11,206 [$15,886] [€12,747 [$16,511] in 2012]. As at October 31, 2013, letters of guarantee had been issued totalling €3,833 [$5,434] [€3,450 [$4,456] in 2012].

Note 28 SEGMENTED DISCLOSURE

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. Therefore, the statements of income (loss) include all the required information. With respect to geographic areas, the Corporation operates mainly in the Americas and Europe. Sales between geographic areas are accounted for at prices that take into account market conditions and other considerations.

	Americas $	Europe $	Total $
2013			
Revenues from third parties	2,893,353	754,805	3,648,158
Operating expenses	2,829,192	747,128	3,576,320
	64,161	7,677	71,838
2012			
Revenues from third parties	2,850,874	863,345	3,714,219
Operating expenses	2,822,595	874,669	3,697,264
	28,279	(11,324)	16,955

	Revenues (1)		Property, plant and equipment, goodwill and other intangible assets	
	2013 $	2012 $	October 31, 2013 $	October 31, 2012 $
Canada	2,839,701	2,790,181	187,103	174,262
France	657,626	648,780	42,059	33,166
United Kingdom	80,851	201,960	33,073	32,984
Other	69,980	73,298	14,846	14,028
	3,648,158	3,714,219	277,081	254,440

(1) Revenues are allocated based on the subsidiary's country of domicile.