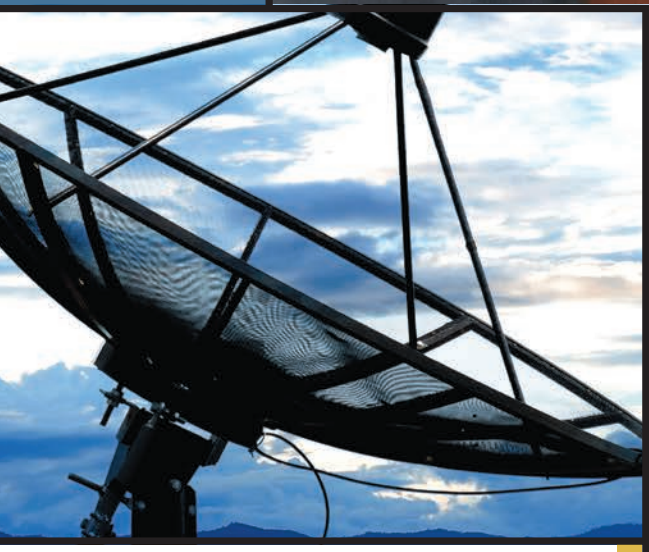

# FINANCIAL PERFORMANCE

EXTRACTED FROM THE
2013-2014 ANNUAL REPORT
AND SUSTAINABLE
DEVELOPMENT REPORT

Investissement Québec

# FINANCIAL REVIEW

The Corporation's management has prepared the consolidated financial statements for the year ended March 31, 2014 in accordance with International Financial Reporting Standards (IFRS). However, to provide a more comprehensive understanding of its financial performance, the Corporation is presenting the following condensed statements of income, financial position and cash flows at equity value.

**CONDENSED INCOME (at equity value)**

| (in millions of dollars) | 2014 | 2013 |
|---|---|---|
| **Revenues** | | |
| Interest on loans and guarantee fees | **81** | 75 |
| Investment income and other | **41** | 41 |
| Gain on disposal of investments | **136** | 154 |
| Management fees from EDF | **26** | 26 |
| | **284** | 296 |
| **Expenses** | | |
| Provision for losses on investments | **(167)** | (118) |
| Administrative expenses | **(79)** | (77) |
| | **(246)** | (195) |
| **NET INCOME** | **38** | 101 |

In 2013-2014, Investissement Québec generated $38 million in net income versus $101 million the previous fiscal year, a decrease that stems mainly from the higher provision for losses on investments in 2013-2014.

## INTEREST ON LOANS AND GUARANTEE FEES

Interest on loans and guarantee fees totalled $81 million compared with $75 million last year, mainly because the loan portfolio grew in response to the needs of clients.

## INVESTMENT INCOME AND OTHER

Investment income and other amounted to $41 million, unchanged from last year. The share of the net income of subsidiaries, associates and joint ventures was less than last year as a result of lower aluminum prices and smaller margins in the petrochemical sectors. This decrease, however, was offset by a special dividend received from a company.

## GAIN ON DISPOSAL OF INVESTMENTS

The $136 million gain on disposal of investments comes mainly from the profit realized from selling the shares held in Aptalis Holdings inc., Domtar Corporation and Ubisoft Entertainment S.A.

## MANAGEMENT FEES FROM THE ECONOMIC DEVELOPMENT FUND (EDF)

A total management fee of $26 million, determined by government decree, is the amount that the EDF paid to the Corporation for management services provided to the fund.

## PROVISION FOR LOSSES ON INVESTMENTS

At $167 million, the provision for losses on investments consists mainly of provisions for loans and loan guarantees, impairment losses on certain investments as well as impairment on listed securities.

## ADMINISTRATIVE EXPENSES

Investissement Québec's administrative expenses stood at $79 million, below the $82 million target that had been set in its strategic plan for the year ended March 31, 2014. The savings were realized primarily on salaries.

## CONDENSED FINANCIAL POSITION (at equity value)

| (in millions of dollars) | March 31 2014 | March 31 2013 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **598** | 596 |
| Investments | **2,669** | 2,440 |
| Other assets | **78** | 102 |
| **TOTAL ASSETS** | **3,345** | 3,138 |
| **Liabilities and equity** | | |
| Advances from the Government of Québec | **481** | 415 |
| Guarantee liability | **111** | 127 |
| Other liabilities | **74** | 62 |
| | **666** | 604 |
| Equity | | |
| Share capital | **3,073** | 3,073 |
| Deficit | **(638)** | (677) |
| Accumulated other comprehensive income | **244** | 138 |
| | **2,679** | 2,534 |
| **TOTAL LIABILITIES AND EQUITY** | **3,345** | 3,138 |

The Corporation's investments totalled $2,669 million as at March 31, 2014, up $229 million from March 31, 2013.

The investments consist of the following items:

| (in millions of dollars) | March 31 2014 | March 31 2013 |
|---|---|---|
| **Loans** | **936** | **717** |
| **Unlisted shares** | | |
| Subsidiaries | **564** | 501 |
| Joint ventures | **217** | 326 |
| Associates | **163** | 128 |
| Companies at cost | **56** | 78 |
| | **1,000** | 1,033 |
| **Listed shares** | **379** | 377 |
| **Venture capital** | **354** | 313 |
| **INVESTMENTS** | **2,669** | 2,440 |

As at March 31, 2014, loans amounted to $936 million, up $219 million from March 31, 2013, as a higher volume of loans were granted to small and medium-sized businesses (SMBs).

The value of listed shares totalled $379 million, similar to $377 million the previous fiscal year.

In addition to the investments included in assets, the Corporation had $375 million in loan guarantees as at March 31, 2014 compared with $414 million as at March 31, 2013. This decrease was driven by a stronger market for loans than for guarantees.

Investissement Québec's equity stood at $2,679 million as at March 31, 2014, rising $145 million since March 31, 2013 owing to net income of $38 million and an increase in accumulated other comprehensive income.

## CONDENSED CASH FLOWS

| (in millions of dollars) | 2014 | 2013 |
|---|---|---|
| **Sources of funds** | | |
| Disposal of investments | **225** | 263 |
| Collections on loans | **199** | 335 |
| Interest, dividends and fees | **218** | 160 |
| Advances and recoveries from government | **74** | 54 |
| | **716** | 812 |
| **Uses of funds** | | |
| Funding – investments | **(616)** | (706) |
| Administrative expenses | **(79)** | (77) |
| Other | **(19)** | (15) |
| | **(714)** | (798) |
| Increase in cash and cash equivalents | **2** | 14 |
| Cash and cash equivalents, beginning of year | **596** | 582 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **598** | 596 |

At $598 million, cash and cash equivalents for the year ended March 31, 2014 increased by $2 million. The Corporation therefore generated sufficient liquidity to cover its funding activities without having to issue share capital. The main sources of funds consisted of the following: $225 million from the disposal of investments; $218 million from interest, dividends and fees received, and $199 million from collections on loans.

The Corporation used these sources of funds to fund investments totalling $616 million and cover $79 million in administrative expenses.

Investments funded by the Corporation consisted primarily of the following:

| (in millions of dollars) | **2014** | **2013** |
|---|---|---|
| Loans | **458** | 375 |
| Interests | **77** | 266 |
| Venture capital | **81** | 65 |
| | **616** | 706 |

Disbursements on loans, interests and venture capital stood at $616 million for the year, down $90 million from the previous fiscal year.

# CONSOLIDATED FINANCIAL STATEMENTS

## MANAGEMENT'S REPORT

**To the Minister of Finance**

The consolidated financial statements of Investissement Québec (the Corporation) have been prepared by management, who is responsible for their preparation and presentation, including making estimates and important judgments. This responsibility also includes selecting appropriate accounting policies that are in accordance with International Financial Reporting Standards (IFRS). The financial information provided elsewhere in the annual report is consistent with the information provided in the consolidated financial statements.

To meet its obligations, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are correctly recorded in the desired time, are duly approved, and allow for the preparation of reliable financial statements.

The Corporation recognizes that it is responsible for managing its business in compliance with its governing laws and regulations.

The Board of Directors oversees the manner in which management discharges its financial reporting responsibilities and approves the consolidated financial statements. It is assisted in its responsibilities by the Audit Committee, whose members are not members of management. This committee meets with management and the Corporation's independent auditors, reviews the consolidated financial statements and recommends their approval to the Board.

Deloitte LLP and the Auditor General of Québec have audited the Corporation's consolidated financial statements in accordance with Canadian generally accepted auditing standards, and the auditors' report states the nature and scope of this audit and provides the auditors' opinion. The auditors may, without restriction, meet with the Audit Committee to discuss any aspect of their audit.

President and Chief Executive Officer,

Mario Albert

Senior Vice-President
and Chief Financial and Risk Officer,

Jean-Jacques Carrier, CPA, CA

Québec City, May 26, 2014

VÉRIFICATEUR GÉNÉRAL DU QUÉBEC

Deloitte.

# INDEPENDENT AUDITORS' REPORT

**To the Minister of Finance**

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Investissement Québec, which comprise the Consolidated Statement of Financial Position as at March 31, 2014, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information included in the accompanying notes.

***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 (IFRS), 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 auditor considers 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 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 Investissement Québec as at March 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Auditor General Act* (R.S.Q., c. V-05.01), we report that, in our opinion, these standards have been applied on a basis consistent with that of the preceding year.

The Acting Auditor General of Québec

Michel Samson, CPA auditor, CA

Michel Samson, CPA auditor, CA

Deloitte LLP[1]

[1]CPA auditor, CA, public accountancy permit No. A118581

Québec City, May 26, 2014

# CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31, 2014 (amounts are in thousands of Canadian dollars)

| | 2014 | 2013 |
|---|---|---|
| **Revenues** | **477,320** | 456,296 |
| **Operating expenses** | | |
| Cost of sales | **436,886** | 407,737 |
| General expenses | **53,253** | 49,137 |
| | **490,139** | 456,874 |
| Share of net income of equity-accounted entities (Note 20) | **(24,077)** | 14,344 |
| **Income from continuing operations** | **(36,896)** | 13,766 |
| **Financial revenues** | | |
| Investment income (Note 6) | **236,871** | 199,284 |
| Benefits conferred by immigrant investors | **107,697** | 115,461 |
| Net change in investments at fair value through profit or loss (Note 6) | **15,815** | (6,932) |
| Net gains on investments and other | **141,371** | 153,522 |
| Other financial revenues (Note 6) | **29,724** | 21,282 |
| | **531,478** | 482,617 |
| **Financial expenses (Note 7)** | | |
| Expenses related to Immigrant Investors activities | **210,019** | 217,497 |
| Net impairment losses on investments | **187,971** | 120,525 |
| Other financial expenses | **7,242** | 4,278 |
| | **405,232** | 342,300 |
| **Income from the portfolio** | **126,246** | 140,317 |
| **Management fees – Economic Development Fund (Note 8)** | **26,500** | 26,500 |
| **Administrative expenses** | **(79,167)** | (77,288) |
| **Operating income from continuing operations** | **36,683** | 103,295 |
| Income (loss) from discontinued operations (Note 9) | **1,221** | (2,051) |
| **NET INCOME** | **37,904** | 101,244 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2014 (amounts are in thousands of Canadian dollars)

| | 2014 | 2013 |
|---|---|---|
| **NET INCOME** | **37,904** | 101,244 |
| **Other comprehensive income (loss)** | | |
| **Items that will not be reclassified to net income:** | | |
| Remeasurement of the defined benefit plan liability (Note 30) | **812** | (2,832) |
| | **812** | (2,832) |
| **Items that will be reclassified subsequently to net income:** | | |
| Available-for-sale financial assets | | |
| Net change in fair value of available-for-sale financial assets | **202,440** | (22,337) |
| Reclassification to net income of realized (gains) losses on available-for-sale financial assets | **(134,478)** | 1,156 |
| | **67,962** | (21,181) |
| Cash flow hedges | | |
| Effective portion of changes in fair value of cash flow hedges | **(1,114)** | 1,241 |
| Net change in fair value of cash flow hedges transferred to net income | **992** | (2,317) |
| | **(122)** | (1,076) |
| Translation differences | | |
| Exchange difference on translation of a subsidiary | **10,174** | 1,413 |
| Share of exchange differences from translation of equity-accounted entities (Note 20) | **27,894** | 6,505 |
| Reclassification to net income of exchange differences from translation of equity-accounted entities (Note 20) | **–** | (1,617) |
| | **38,068** | 6,301 |
| Total other comprehensive income (loss) | **106,720** | (18,788) |
| **COMPREHENSIVE INCOME** | **144,624** | 82,456 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended March 31, 2014 (amounts are in thousands of Canadian dollars)

| | 2014 | 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents (Note 10) | **106,221** | 133,573 |
| Temporary investments (Note 11) | **554,149** | 533,231 |
| Accounts receivable (Note 12) | **87,981** | 86,108 |
| Guarantee fees receivable (Note 13) | **7,849** | 9,331 |
| Inventories (Note 14) | **56,549** | 56,570 |
| Prepaid expenses | **3,402** | 3,887 |
| Notes receivable from the Government of Québec (Note 15) | **853,630** | 541,677 |
| Loans (Note 16) | **245,479** | 112,132 |
| Investments (Note 18) | **45,547** | 111,587 |
| Amounts recoverable from the Government of Québec (Note 39) | **207** | 195 |
| | **1,961,014** | 1,588,291 |
| Guarantee fees receivable (Note 13) | **14,862** | 20,737 |
| Notes receivable from the Government of Québec (Note 15) | **3,734,837** | 3,486,673 |
| Loans (Note 16) | **637,471** | 536,404 |
| Investments (Note 18) | **1,200,114** | 1,033,935 |
| Interests in equity-accounted entities (Note 20) | **336,128** | 430,949 |
| Amounts recoverable from the Government of Québec (Note 39) | **29,930** | 44,864 |
| Property, plant and equipment (Note 21) | **159,856** | 167,277 |
| Biological assets (Note 22) | **74,133** | 70,819 |
| Intangible assets (Note 23) | **73,538** | 65,571 |
| Other assets | **496** | 532 |
| | **6,261,365** | 5,857,761 |
| **TOTAL ASSETS** | **8,222,379** | 7,446,052 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Bank overdrafts | **535** | 3,110 |
| Bank loans (Note 24) | **–** | 3,126 |
| Accounts payable and accrued liabilities (Note 25) | **77,871** | 72,344 |
| Employee benefit liability | **10,617** | 9,132 |
| Current portion of long-term debt (Note 26) | **838,841** | 528,521 |
| Non-interest-bearing advances from the Government of Québec (Note 39) | **481,317** | 415,317 |
| Provisions (Note 28) | **1,300** | 1,302 |
| Other liabilities (Note 31) | **922** | 157 |
| | **1,411,403** | 1,033,009 |
| Long-term debt (Note 26) | **3,731,622** | 3,477,964 |
| Deferred grants (Note 27) | **14,304** | 14,118 |
| Provisions (Note 28) | **12,400** | 11,732 |
| Guarantee liability (Note 29) | **110,937** | 126,627 |
| Defined benefit liability (Note 30) | **34,893** | 34,771 |
| Deferred benefits conferred by immigrant investors | **217,324** | 208,670 |
| Other liabilities (Note 31) | **11,202** | 5,491 |
| | **5,544,085** | 4,912,382 |
| **Equity** | | |
| Share capital (Note 32) | **3,073,340** | 3,073,340 |
| Deficit | **(638,572)** | (677,288) |
| Accumulated other comprehensive income | **243,526** | 137,618 |
| | **2,678,294** | 2,533,670 |
| **TOTAL LIABILITIES AND EQUITY** | **8,222,379** | 7,446,052 |

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

On behalf of the Board of Directors,

Michel Tremblay, FSA, FCIA, CFA
Interim Chair of the Board of Directors

Michel Beauséjour, FCPA, FCA
Chair of the Audit Committee

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2014 (amounts are in thousands of Canadian dollars)

| | | | ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) | | | |
|---|---|---|---|---|---|---|
| | Share capital | Deficit | Available-for-sale financial assets | Cash flow hedge | Translation difference | Total equity |
| **Balance as at April 1, 2012** | 3,073,340 | (775,700) | 170,860 | 1,442 | (18,728) | **2,451,214** |
| Net income for the year | – | 101,244 | – | – | – | **101,244** |
| Other comprehensive income (loss) | – | (2,832) | (21,181) | (1,076) | 6,301 | **(18,788)** |
| **Balance as at March 31, 2013** | **3,073,340** | **(677,288)** | **149,679** | **366** | **(12,427)** | **2,533,670** |
| Net income for the year | – | 37,904 | – | – | – | **37,904** |
| Other comprehensive income (loss) | – | 812 | 67,962 | (122) | 38,068 | **106,720** |
| **Balance as at March 31, 2014** | **3,073,340** | **(638,572)** | **217,641** | **244** | **25,641** | **2,678,294** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2014 (amounts are in thousands of Canadian dollars)

| | 2014 | 2013 |
|---|---|---|
| **Cash flows related to operating activities** | | |
| Income from continuing operations | **36,683** | 103,295 |
| Adjustments for: | | |
| Share of net income of equity-accounted entities (Note 20) | **24,077** | (14,344) |
| Amortization of property, plant and equipment and intangible assets (Notes 21, 23 and 27) | **17,746** | 16,531 |
| Impairment losses and write-offs related to property, plant and equipment and intangible assets (Notes 21, 23 and 27) | **11,113** | 2,516 |
| Investment income (Note 6) | **(236,871)** | (199,284) |
| Financial revenues | **(17,500)** | (9,255) |
| Financial expenses | **3,809** | 2,645 |
| Benefits conferred by immigrant investors | **(107,697)** | (115,461) |
| Net change in investments at fair value through profit or loss (Note 6) | **(15,815)** | 6,932 |
| Net gains on investments and other | **(141,371)** | (153,522) |
| Interest on notes from immigrant investors | **107,700** | 107,809 |
| Impairment losses on investments | **187,971** | 120,525 |
| Employee benefits | **2,406** | 1,876 |
| Net change in fair value of biological assets (Note 22) | **(3,324)** | (5,083) |
| Other items, net | **2,638** | (125) |
| | **(128,435)** | (134,945) |
| Dividends received | **90,946** | 42,815 |
| Interest received | **173,440** | 196,583 |
| Change in assets and liabilities related to operating activities (Note 34) | **4,605** | (20,070) |
| Cash flows related to operating activities of continuing operations | **140,556** | 84,383 |
| Cash flows related to operating activities of discontinued operations | **(218)** | (218) |
| | **140,338** | 84,165 |
| **Cash flows related to investing activities** | | |
| Net increase in temporary investments | **(26,253)** | (139,833) |
| Decrease in loans and guarantee fees receivable | **199,264** | 309,795 |
| Increase in loans | **(464,446)** | (367,093) |
| Decrease in notes receivable from the Government of Québec | **457,451** | 549,913 |
| Increase in notes receivable from the Government of Québec | **(1,002,091)** | (1,046,739) |
| Acquisitions of investments and interests in equity-accounted entities | **(262,833)** | (380,106) |
| Disposals of investments and interests in equity-accounted entities | **320,545** | 411,705 |
| Decrease in amounts recoverable from government | **8,310** | 7,553 |
| Additions to property, plant and equipment and intangible assets | **(24,117)** | (34,731) |
| Other investing activities | **1,556** | 1,211 |
| Cash flows related to investing activities of continuing operations | **(792,614)** | (688,325) |
| Cash flows related to investing activities of discontinued operations | **(142)** | (1,741) |
| | **(792,756)** | (690,066) |
| **Cash flows related to financing activities** | | |
| Bank loans | **(3,126)** | (2,729) |
| Increase in long-term debt | **1,118,800** | 1,155,600 |
| Repayment of long-term debt | **(546,400)** | (686,400) |
| Advances from the Government of Québec | **66,000** | 46,500 |
| Guarantee disbursements | **(7,275)** | (8,223) |
| Interest paid | **(65)** | (57) |
| Other financing activities | **287** | 670 |
| Cash flows related to financing activities of continuing operations | **628,221** | 505,361 |
| **Impact of exchange rate changes on cash and cash equivalents** | **(580)** | (1,514) |
| **Net decrease in cash and cash equivalents** | **(24,777)** | (102,054) |
| Cash and cash equivalents, beginning of year | **130,463** | 232,517 |
| **Cash and cash equivalents, end of year** | **105,686** | 130,463 |
| Cash and cash equivalents related to continuing operations include: | | |
| Cash and cash equivalents (Note 10) | **106,221** | 133,573 |
| Bank overdrafts | **(535)** | (3,110) |
| | **105,686** | 130,463 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

## 1. INCORPORATING LEGISLATION AND NATURE OF ACTIVITIES

As of April 1, 2011, the Société générale de financement du Québec (SGF) and Investissement Québec (IQ) were amalgamated under the *Act respecting Investissement Québec* (R.S.Q., c. I-16.0.1), creating a new joint stock company incorporated under the name Investissement Québec (the Corporation). The Corporation's mission is to contribute to Québec's economic development in accordance with the economic policy set by the Government of Québec by stimulating investment and fostering employment in every region of Québec.

To achieve its mission, the Corporation supports the creation and development of businesses of all sizes through customized financial solutions and investments that are complementary to partner offers. In accordance with the mandate it received from the government, the Corporation is also active in foreign investment prospecting and strategic financing operations. In pursuing its mission, the Corporation provides financial services.

The amalgamation took place on April 1, 2011 as a combination of businesses under common control, for which the net assets transferred were recorded at their net carrying amount on the same date. Under the Act, the balance of IQ's assets and liabilities as at April 1, 2011 that were not amalgamated into the Corporation were transferred to the Economic Development Fund (EDF), which was established within the Ministère du Développement Économique, de l'Innovation et de l'Exportation on April 1, 2011. The EDF's accounts are separate from any other accounts, including those of the Corporation. Pursuant to its mission, the Corporation administers financial assistance programs developed or designed by the government as well as mandates entrusted by the government. The government is responsible for these programs and mandates, which are part of the EDF, and for the EDF's revenues and losses. However, the Corporation is responsible towards the government for administering these programs and mandates.

The Corporation's head office is located at 1200, route de l'Église, bureau 500, Québec (Québec) Canada.

As a government-owned enterprise, Investissement Québec and its wholly owned subsidiaries are not subject to income tax in Québec or Canada.

## 2. BASIS OF PREPARATION

### A) STATEMENT OF COMPLIANCE

These consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Corporation's consolidated financial statements were approved for publication by the Board of Directors on May 26, 2014.

### B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, except for the following items of the Consolidated Statement of Financial Position:

- Derivative financial instruments and separately recognized embedded derivatives, which are measured at fair value;
- Financial instruments at fair value through profit or loss, which are measured at fair value;
- Available-for-sale financial assets, which are measured at fair value;
- Biological assets, which are measured at fair value less costs to sell;
- The defined benefit liability, which is the present value of the defined benefit obligation, net of the fair value of plan assets.

The specific accounting treatment of transactions is described under Significant Accounting Policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

### C) FUNCTIONAL CURRENCY AND REPORTING CURRENCY

Financial information is reported in Canadian dollars, which is the Corporation's functional currency.

### D) USE OF ESTIMATES

The following estimates and assumptions had the most significant impact on the amounts recognized in the consolidated financial statements:

**i) Impairment of assets**
As described in Note 20, the Corporation measured the recoverable amount of interests in equity-accounted entities that were showing objective evidence of impairment. The recoverable amount of these interests was determined based on the higher of value in use and fair value less costs to sell. Value in use was measured using significant estimates and assumptions, including the amount of future cash flows and applicable discount rates. Fair value less costs to sell is the amount obtainable from the sale of an asset or a cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

As presented in Notes 7 and 20, as at March 31, 2014, impairment losses totalling $131,898,000 ($45,689,000 as at March 31, 2013) and impairment reversals of $11,199,000 (nil as at March 31, 2013) were recognized in net income.

**ii) Fair value of financial instruments**
When the fair value of financial instruments recognized at fair value in the Consolidated Statement of Financial Position cannot be derived from market prices, it is based on measurement techniques that rely on assumptions of observable inputs (Level 2) or inputs that can be corroborated by market data or unobservable market inputs (Level 3).

As at March 31, 2014, the fair value of Level 2 financial instruments recognized at fair value was $230,483,000 and the fair value of Level 3 financial instruments was $398,552,000. The fair value of Level 2 financial liabilities recognized at fair value was $7,624,000. Note 37 describes the impact that would result from changing the inputs used in the measurement.

**iii) Allowance for losses on loans and guarantees**
The allowance for losses on loans and guarantees is estimated using the value of the estimated future cash flows discounted at the initial effective interest rate of the loan. Future cash flows are estimated, among other factors, by using each borrower's credit rating and expected recovery of the underlying collateral. As at March 31, 2014, the allowance for loan losses stood at $99,713,000.

During the year ended March 31, 2014, the Corporation reviewed the information used to determine the allowance for losses. The Corporation refined its credit rating process to include more specific information related to each financial operation. The methodology now includes a new analysis tool. This change in accounting estimate has been applied prospectively. The impact of this change on the allowance for losses, recognized in "Net impairment losses on investments," was a $4,946,000 reduction to the allowance.

Actual results may differ from these estimates. These estimates and assumptions are periodically reviewed and, if adjustments are necessary, they are recognized prospectively as of the applicable period.

### E) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

**i) Impairment of available-for-sale financial assets**
To determine whether an available-for-sale financial asset shows objective evidence of impairment, management considers such factors as the duration and significance of the impairment loss in relation to the cost of the investment and the issuer's financial position. This analysis relies mainly on management's judgment.

If all declines in value below the cost of an investment had been considered significant and prolonged, the Corporation would have recognized additional impairment losses of $1,146,000 in net income as at March 31, 2014, an amount that would have been reclassified from accumulated other comprehensive income.

**ii) Impairment of assets**
At each reporting date, management determines whether property, plant and equipment, intangible assets and interests in equity-accounted entities show objective evidence of impairment loss or impairment reversal. If objective evidence exists, the recoverable amount of the asset is estimated. In its analysis, management considers such factors as the entity's economic, technological or market environment, budget forecasts or the asset's market capitalization.

**iii) Allowance for losses on loans and guarantees**
At each reporting date, management determines whether loans with a high cumulative balance show, on an individual basis, objective evidence of impairment based on factors indicating that the borrower's financial position has deteriorated, including, among other things, default on payment of interest or principal, financial restructuring, or an adverse change in the borrower's solvency.

Management also makes estimates for a group allowance by grouping together loans by similar credit rating and risk characteristics. This analysis relies mainly on management's judgment. The allowance for losses on guarantees is determined using the same methods as the allowance for losses on loans.

# 3. CHANGES IN ACCOUNTING POLICIES

## A) ADOPTION OF NEW ACCOUNTING STANDARDS

**i) Presentation of financial statements**
The Corporation applied the amendments to IAS 1, *Presentation of Financial Statements,* to its fiscal year beginning on April 1, 2013. These amendments require that items of other comprehensive income that might subsequently be reclassified to net income be presented separately from those that will never be reclassified to net income. The Corporation applied the other comprehensive income presentation changes to the years ended March 31, 2013 and 2014. Application of the IAS 1 amendments had no impact on net income, other comprehensive income or total comprehensive income.

**ii) Consolidated financial statements**
The Corporation applied IFRS 10, *Consolidated Financial Statements,* to its fiscal year beginning on April 1, 2013.

Following application of IFRS 10, the Corporation reviewed how control was determined for all of its interests to reflect the new control model. Under the new standard, an investor controls an investee when the investor is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity. Consequently, this new model requires the Corporation to consolidate the investee if it has de facto control over the investee. Application of IFRS 10 did not result in any changes regarding entities to be consolidated by the Corporation.

**iii) Joint arrangements and investments in associates and joint ventures**
The Corporation applied IFRS 11, *Joint Arrangements,* and IAS 28, *Investments in Associates and Joint Ventures,* to its fiscal year beginning on April 1, 2013.

Following application of IFRS 11, a joint arrangement must now be classified as either a joint operation or a joint venture depending on the Corporation's rights to the assets and obligations for the liabilities. The standard also eliminates joint arrangement reporting choices by requiring equity accounting to be applied to interests in joint ventures and by requiring joint operators to recognize the assets and liabilities related to their interests in the joint operations. The application of IFRS 11 had no impact on the Corporation's consolidated financial statements.

The scope of IAS 28 now includes investments in joint ventures. The amendments to IAS 28 had no impact on the Corporation's consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**iv) Disclosure of interests in other entities**

The Corporation applied IFRS 12, *Disclosure of Interests in Other Entities,* to its fiscal year beginning on April 1, 2013.

IFRS 12 is a new standard that addresses the disclosure requirements applicable to the Corporation's interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. With these disclosures, users can evaluate the nature of, and the risks associated with, the Corporation's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. Application of IFRS 12 has resulted in a more detailed disclosure of its interests. The information is presented in Note 20 to the consolidated financial statements.

**v) Fair value measurement**

The Corporation applied IFRS 13, *Fair Value Measurement,* to its fiscal year beginning on April 1, 2013.

IFRS 13 replaces the fair value measurement guidance previously provided in individual IFRS standards with a single source of fair value measurement guidance. It clarifies the definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurement. In accordance with the transitional provisions, the Corporation has applied the fair value measurement guidance prospectively and has not provided any comparative information related to the new disclosure requirements. Other than additional disclosures, the application of IFRS 13 had no significant impact on the amounts recognized in the Corporation's consolidated financial statements.

**vi) Employee benefits**

The Corporation applied the amendments to IAS 19, *Employee Benefits,* to its fiscal year beginning on April 1, 2013.

IAS 19 was amended to enhance, among other things, disclosure requirements and require the calculation of the net interest on the net defined benefit asset or liability using the discount rate used to measure the defined benefit obligation. The net interest on the defined benefit asset or liability replaces the interest cost on the defined benefit obligation and the expected return on plan assets that had previously been used. The amended IAS 19 was adopted retrospectively as of April 1, 2013, in accordance with the transitional provisions of the standard.

These amendments had no significant impact on the Corporation's consolidated financial statements.

**vii) Disclosures: Offsetting Financial Assets and Financial Liabilities**

The Corporation applied the amendments to IFRS 7, *Financial Instruments: Disclosures,* to its fiscal year beginning on April 1, 2013. These amendments require entities to disclose information about rights to set-off and related arrangements (such as guarantee arrangements) for financial instruments subject to enforceable master netting arrangements or similar agreements.

Since the Corporation does not have any netting arrangements, the application of these amendments had no impact on its disclosures.

## B) ACCOUNTING STANDARDS ISSUED BUT NOT YET IN EFFECT

A number of new standards, interpretations and amendments to existing standards issued by the International Accounting Standards Board (IASB), which are mandatory but were not yet effective for the period ended March 31, 2014, have not been applied in preparing these consolidated financial statements. The standards that apply to the Corporation are as follows:

| Standard/interpretation | Applicable to the fiscal year beginning on |
|---|---|
| IFRS 9, *Financial Instruments* | April 1, 2018 |
| Amendments to IAS 19, *Employee Benefits* | April 1, 2015 |
| Amendments to IAS 32, *Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)* | April 1, 2014 |
| Amendments to IAS 36, *Impairment of Assets* (Disclosure regarding the recoverable amount of non-financial assets) | April 1, 2014 |
| Amendments for investment entities | April 1, 2014 |

### i) IFRS 9, Financial Instruments

IFRS 9 replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement,* regarding the classification and measurement of financial assets. The standard eliminates, among other things, the existing IAS 39 categories, i.e., investments held to maturity, available-for-sale assets, and loans and receivables. Upon initial recognition, financial assets will be classified into one of two categories: financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses resulting from the remeasurement of financial assets measured at fair value will be recognized in net income. However, with respect to investments in equity instruments not held for trading, IFRS 9 stipulates that, upon initial recognition, the entity may make an irrevocable choice to present changes in the fair value of these investments in other comprehensive income. The election must be made for each equity instrument.

IFRS 9 also includes guidance on the classification and measurement of financial liabilities. This guidance is consistent with the guidance in IAS 39, except for certain items, in particular financial liabilities measured at fair value under the fair value option. Changes in fair value attributable to changes in credit risk must be recognized in other comprehensive income with the remaining changes being recognized in net income. However, if this requirement creates or enlarges an accounting mismatch in net income, the entire change in fair value is to be recognized in net income. The amounts presented in other comprehensive income must not be subsequently reclassified to net income.

IFRS 9 also includes a new expected loss model to determine when financial instrument impairment is to be recognized. The current incurred loss model requires a loss event to occur before a provision can be taken. The new expected credit loss model is designed to recognize credit losses on a more timely basis. Consequently, credit losses expected over the next 12 months would be recognized on all financial instruments recognized at amortized cost from the date they are originated or purchased. Full lifetime expected credit losses would be recognized when a financial instrument deteriorates significantly in credit quality. This is a significantly lower threshold for recognition than under the current incurred loss model that, in practice, has resulted in provisioning only when financial assets are close to default.

IFRS 9 also includes new general hedge accounting rules, which will align hedge accounting more closely with risk management. These new rules do not fundamentally change the types of hedging relationships or the requirement to measure and recognize hedge ineffectiveness; however, they will provide more hedging strategies to be used for risk management to qualify for hedge accounting and introduce more judgment in assessing the effectiveness of a hedging relationship.

The Corporation has not yet evaluated the impact of this standard on its consolidated financial statements or determined whether it will be early adopted.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
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**ii) Amendments to IAS 19, Employee Benefits**
IAS 19 was amended to reduce the complexity and difficulty in accounting for certain employee or third-party contributions to defined benefit plans, particularly when those contributions are independent of the number of years of employee service.

The Corporation has not yet evaluated the impact of this standard on its consolidated financial statements or determined whether it will be early adopted.

**iii) Amendments to IAS 32, Financial Instruments: Presentation**
The amendments to IAS 32 state that an entity has a legally enforceable right to set-off if that right is not contingent on a future event and if it is enforceable both in the normal course of business and in the event of default. The amendments also clarify how to determine whether a settlement system provides for net settlement or gross settlement that is equivalent to net settlement.

The Corporation has not yet evaluated the impact of this standard on its consolidated financial statements.

**iv) Amendments to IAS 36, Impairment of Assets**
The amendments to IAS 36 require disclosure about the recoverable amount of impaired assets and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less disposal costs. The purpose of these amendments is to clarify the IASB's original intention to limit the scope of these disclosures to the recoverable amount of impaired assets that are based on fair value less costs of disposal.

The Corporation has not yet evaluated the impact of this standard on its consolidated financial statements.

**v) Amendments for investment entities (Amendments to IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosure of Interests in Other Entities, and IAS 27, Separate Financial Statements)**
The *Investment Entities* document applies to a specific category of entities that meet the definition of an investment entity. The amendments set out an exception to the IFRS 10 consolidation rules and require investment entities to measure certain subsidiaries at fair value through profit or loss instead of consolidating them. The amendments also specify the reporting obligations of the investment entities.

These amendments will have no impact on the Corporation's consolidated financial statements given that the Corporation does not qualify as an investment entity.

# 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently by all the entities consolidated in these financial statements of the Corporation.

## A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the Corporation's financial statements and those of its subsidiaries and its interests in associates and joint arrangements.

**i) Subsidiaries**
Subsidiaries are companies controlled by the Corporation. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions were eliminated for purposes of preparing the consolidated financial statements.

The Corporation's subsidiaries, which are wholly owned, are as follows:

- Albecour inc. [1]
- Gestion forestière du Saint-Maurice inc.
- Gestion forestière Lacroix inc.
- Gestion La Madeleine inc.
- IQ FIER inc.
- Ressources Québec inc. [2]
- Temrex Forest Products, Limited Partnership
- Rexforêt inc.
- C.D.M.V. inc.
- Centre d'insémination porcine du Québec (C.I.P.Q.) inc.
- IQ Immigrants Investisseurs inc.

(1) The reporting date of this subsidiary is December 31, which is different from the Corporation's year-end, and is aligned with that of its partners from Aluminerie Alouette inc.

(2) Includes the subsidiaries SOQUEM inc. and Mine Arnaud inc.

**ii) Investments in associates**

Associates are companies over which the Corporation has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is deemed to exist when the Corporation holds, directly or indirectly, 20% or more of the voting power of an entity.

These interests, except for those designated as at fair value through profit or loss, are accounted for using the equity method and are initially recognized at cost. The Corporation's interest includes the goodwill that is identified upon acquisition, net of any accumulated impairment losses. Goodwill identified upon acquisition is measured in the same way as in a business combination.

The consolidated financial statements include the Corporation's share of total revenues and expenses and changes in equity of equity-accounted entities, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence commences until the date that significant influence ceases. When the Corporation's share in the losses exceeds its interest in an equity-accounted entity, the carrying amount of that interest is reduced to nil, and the Corporation ceases to recognize its share in future losses unless the Corporation has an obligation to participate in the losses or to make payments on behalf of the company.

Gains and losses arising from transactions entered into with equity-accounted entities are recognized in proportion to the interest in the associate that is not related to the Corporation.

**iii) Joint arrangements**

A joint arrangement is an enterprise over which two or more parties have joint control by way of contractual arrangement. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint arrangements are classified and recognized as follows:

- Joint operation: When the Corporation has rights to the assets and obligations for the liabilities related to the arrangement, the Corporation recognizes its assets, liabilities, revenues and expenses, including its share of any assets, liabilities, revenues and expenses related to its interest in a joint operation.

  The Corporation owns interests in the following material joint operations as at March 31, 2014 and 2013:

| | Location | Interest |
|---|---|---|
| Aluminerie Alouette inc. | Québec, Canada | 6.67% |
| Projet Sept-Îles | Québec, Canada | 61.77% |

  The joint operations are active in the mineral extraction and processing sector.

- Joint venture: When the Corporation has rights to the net assets of the arrangement, the Corporation recognizes its interest in the joint venture using the equity method, as described in point ii).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

### iv) Business combination

Business acquisitions are accounted for using the acquisition method. The consideration transferred by the Corporation to obtain control of a subsidiary is the sum, at the acquisition date, of the fair values of the assets transferred, the liabilities incurred and equity units issued by the Corporation, including the fair value of any assets or liabilities resulting from a contingent consideration arrangement.

The Corporation recognizes an obligation to pay a contingent consideration as a liability and recognizes as an asset the right to the return of a previously transferred consideration if specified conditions are met. A contingent consideration is initially recognized at fair value on the acquisition date. A contingent consideration classified as equity is not remeasured and its subsequent settlement is recognized in equity. A contingent consideration classified as an asset or liability is subsequently recognized as either a financial instrument or a provision.

The Corporation measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

Transaction costs, other than those associated with issuances of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

### B) FOREIGN CURRENCY

Transactions in foreign currencies are translated into the respective functional currencies of the Corporation's entities at the exchange rates in effect on the transaction dates and as follows:

- Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect on that date; and

- Revenues and expenses are translated during the year at the exchange rate in effect at the time of the transaction or at the average exchange rate for the period.

Foreign exchange gains or losses are recognized in net income, except for foreign exchange gains and losses on available-for-sale equity securities that are included in other comprehensive income. Foreign exchange gains and losses are reported on a net basis.

### i) Foreign operations

A foreign operation is a subsidiary, associate or joint arrangement whose activities are presented in a functional currency other than that of the Corporation. The assets and liabilities of foreign operations are translated into Canadian dollars using the end-of-period exchange rate.

Revenues and expenses are translated using the exchange rate in effect on the transaction dates or at the average exchange rate for the period.

Translation differences are recognized in the cumulative translation differences of other comprehensive income.

Upon the disposal of a foreign operation, meaning the disposal of the Corporation's total interest in a subsidiary or of an interest in a subsidiary, an associate or a jointly controlled entity that has a foreign operation, the cumulative amount of translation differences is reclassified from equity to net income as a gain or loss on the disposal. Upon the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of that cumulative amount is reallocated to non-controlling interests. In any other partial disposal of a foreign operation, such as the partial reduction of an interest in an associate or jointly controlled entity, the proportionate share is reclassified to net income.

## C) CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Upon initial recognition, all financial assets and liabilities, including derivative financial instruments, are measured at fair value plus directly attributable transaction costs, excluding financial instruments at fair value through profit or loss, for which the transaction costs are expensed as incurred.

All financial instruments must be classified according to their characteristics based on management's intention or based on choice of category in certain circumstances. Upon initial recognition, all financial assets are classified either as at fair value through profit or loss, as held to maturity, as available for sale, or as loans and receivables, whereas financial liabilities are classified as at fair value through profit or loss or as other financial liabilities. Subsequent measurements of financial instruments depend on their classification.

The Corporation has classified its financial instruments as follows:

| Type of financial instrument | Category |
|---|---|
| Cash and cash equivalents | Loans and receivables / Designated as at fair value through profit or loss |
| Temporary investments | Loans and receivables / Designated as at fair value through profit or loss |
| Accounts receivable | Loans and receivables / Classified as at fair value through profit or loss |
| Guarantee fees receivable | Loans and receivables |
| Notes receivable from the Government of Québec | Loans and receivables |
| Loans | Loans and receivables |
| Investments | Available for sale / Classified and designated as at fair value through profit or loss |
| Bank overdrafts | Other financial liabilities |
| Bank loans | Other financial liabilities |
| Accounts payable and accrued liabilities | Other financial liabilities |
| Advances from the Government of Québec | Other financial liabilities |
| Long-term debt | Other financial liabilities |
| Guarantee liability | Other financial liabilities |
| Other financial liabilities / Derivative financial instruments | Classified as at fair value through profit or loss |

A financial asset is derecognized when the contractual rights to the cash flows from that financial asset expire or when the Corporation transfers the contractual rights to receive the cash flows from that financial asset in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. Any right created or maintained by the Corporation over the transferred financial assets is recognized separately in assets or liabilities.

A financial liability is derecognized when the Corporation's contractual obligations are discharged, cancelled or have expired.

Financial assets and liabilities are offset, and the net amount is reported in the Consolidated Statement of Financial Position if, and only if, the Corporation has a legal right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### i) Loans and receivables

After initial recognition, loans and receivables such as cash and cash equivalents, temporary investments, accounts receivable, guarantee fees receivable, notes receivable from the Government of Québec and loans are measured at amortized cost using the effective interest method, less any impairment losses. Income from loans and receivables is recognized under "Investment income" and "Other financial revenues" in net income.

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***Loans***

Analysis fees to offset loan origination fees assumed by the Corporation are deferred and amortized using the effective interest method.

Every year the Corporation reviews the quality of credit and when it has deteriorated to the point where there is no reasonable assurance that a loan will be collected in full (principal and interest), the loan is considered impaired. Indications of loan impairment include evidence that the borrower is experiencing significant financial difficulties, the likelihood of bankruptcy or other financial restructuring and a measurable decrease in estimated future cash flows due to unfavourable changes in the borrower's creditworthiness or economic conditions that correlate with payment defaults. Interest ceases to be recognized and the carrying amount of these loans is reduced to the estimated realizable value. Impairment losses are recognized under "Net impairment losses on investments" in net income. Interest on the impaired asset continues to be recognized through an accretion of the discount. When a subsequent event causes the amount of impairment to decrease, the decrease in impairment loss is reversed through "Net impairment losses on investments" in net income.

The carrying value of loans restructured as low-interest loans and non-interest-bearing loans is reduced to the present value of net cash flows receivable under the new provisions, at the effective interest rate inherent to the loan. The decrease in carrying value resulting from restructuring is charged to the provision for losses in net income. The increase in the carrying value due to the passage of time is recorded as interest income under "Investment income" in net income.

Foreclosed assets are presented as impaired loans and recorded at fair value at the time of foreclosure. The reduction in the net carrying value of the loans is then recognized in net income. Any subsequent reduction is charged to the provision for losses.

***Allowance for losses***

The allowance for loan losses is reported in the Corporation's Consolidated Statement of Financial Position as a reduction to the value of the loans. In the Corporation's opinion, this allowance reflects the most accurate estimate of amounts required to cover losses on the loans in its portfolio.

Corporate clients are classified into risk categories that are based on solvency and credit criteria and that take business and economic conditions into consideration. This classification is updated regularly. Loans considered impaired are covered by an allowance for losses equal to the balance of the loan less the estimated realizable value of the collateral. When a company is winding up, has ceased repaying the Corporation and for which a turnaround is unlikely, the loans considered impaired are written off.

Other loans are covered by a group allowance to provide for incurred but unidentified losses, calculated by applying an allowance rate to the balance of loans.

The allowance rate for each category is based on a statistical analysis using market inputs. The losses are subsequently adjusted to reflect qualitative factors such as management's judgment regarding credit quality given the current macroeconomic business conditions, portfolio-specific matters, model factors and the level of impaired loans for which a specific provision has not yet been made.

Companies that have high cumulative loan balances or that have special characteristics are subject to a specific analysis of the allowance for losses, regardless of their risk category.

**ii) Financial instruments at fair value through profit or loss**

A financial asset held for trading is classified as at fair value through profit or loss. However, it may be designated as at fair value through profit or loss, when it is initially recognized, if one of the following conditions is met: 1) the financial instrument contains one or more embedded derivatives that would otherwise be recognized separately, 2) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would result from measuring financial assets or liabilities or recognizing gains or losses on them on different bases, or 3) the financial asset and financial liability are part of a group of financial assets, financial liabilities or both that is managed, and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy. This designation is irrevocable.

The Corporation designated the following financial assets as at fair value through profit or loss:

- Cash and cash equivalents and temporary investments, which are managed and evaluated on a fair value basis in accordance with a documented risk management and investment strategy;

- Asset-backed term notes (ABTN), which contain a number of embedded derivatives that must be recognized separately;

- Investments in venture capital entities whose main economic activity is investing to increase the value of their investments. Investments held by these organizations, including interests in associates and joint ventures, were designated as at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with a documented risk management and investment strategy.

Financial assets at fair value through profit or loss are measured at fair value, and changes in fair value are recorded under "Net change in investments at fair value through profit or loss" in the net income of the period in which they arise.

**iii) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the previous categories. Investments in equity securities and certain debt securities (i.e., listed bonds) are classified as available-for-sale financial assets. The Corporation has elected to account for these asset operations at the transaction date. Subsequent to initial recognition, these investments are measured at fair value, with changes in value, other than impairment losses and translation differences on available-for-sale debt securities, being recognized in other comprehensive income. Upon disposal of an investment, the cumulative gain or loss recognized in other comprehensive income, determined on an average cost basis, is transferred to net income under "Net gains on investments and other."

Available-for-sale financial assets are measured at each period-end to determine whether there is objective evidence of impairment. When determining whether there is objective evidence of impairment, the Corporation considers the duration and significance of the decline in fair value relative to its cost, as well as the issuer's financial position and outlook. An impairment loss is recognized by transferring the cumulative losses recognized in other comprehensive income to net income under "Net impairment losses on investments."

Impairment losses on equities classified as available for sale, recognized in net income, may not be reversed. Impairment losses on debt securities classified as available for sale, recognized in net income, must be reversed through net income if, in a subsequent period, the fair value of the securities increases and such an increase can be objectively linked to an event occurring after the loss was recognized.

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### iv) Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The corresponding interest expense is reported in net income under "Other financial expenses."

***Bank overdrafts, bank loans, accounts payable and accrued liabilities, advances from the Government of Québec and long-term debt***

Subsequent to initial recognition, bank overdrafts, bank loans, accounts payable and accrued liabilities, advances from the Government of Québec and long-term debt are measured at amortized cost using the effective interest method. The corresponding interest expense is reported in net income under "Other financial expenses" and "Expenses related to Immigrant Investors activities."

Issuance expenses, discounts and premiums are recognized in the carrying value of bank loans and long-term debt and are amortized using the effective interest method.

***Notes payable to immigrant investors***

Any difference between the fair value of the notes payable to immigrant investors and the cash consideration is deferred to the Consolidated Statement of Financial Position in "Deferred benefits conferred by immigrant investors." This amount is then gradually recognized in net income as revenue under "Benefits conferred by immigrant investors" as the Corporation incurs the expenses that it is contractually committed to incur with those amounts.

***Guarantees***

The Corporation initially recognizes a receivable for the guarantee fees receivable from guarantee contracts under "Guarantee fees receivable" in the Consolidated Statement of Financial Position, that is, the present value of guarantee fees receivable under contractual provisions. The Corporation initially recognizes its unconditional commitment to stand ready to perform in accordance with the terms of the guarantee contract under "Guarantee liability" in the Consolidated Statement of Financial Position, that is, the present value of guarantee fees receivable at contractual rates. Contractual rates correspond to the market rates on the date the contract is signed.

Subsequent to initial recognition, the receivable and initial guarantee liability are measured at amortized cost using the effective interest method.

Interest income from guarantee fees receivable is reported in net income under "Investment income." The initial guarantee liability is recognized in net income over the term of the guarantee contract in "Investment income," and the increase in carrying value due to the passage of time is recorded as an interest expense in net income under "Other financial expenses."

Since the carrying value of guarantees is not an indicator of the maximum obligation that the Corporation could be required to pay to a third party, the Corporation continues to consider guarantees as off-balance-sheet financial instruments.

The allowance for doubtful accounts for guarantee fees receivable is determined in the same manner as the one for impaired loans.

A provision for losses is recognized in addition to the initial guarantee liability, if necessary. This provision is determined using the same methods as the allowance for loan losses. As soon as the provision for losses becomes greater than the unamortized balance of the initial guarantee liability, the guarantee liability must be adjusted according to the potential obligation to perform under the guarantee commitment. In the Corporation's opinion, the guarantee liability reflects the most accurate estimate of the foreseeable losses on the guarantee contracts in its portfolio.

Guarantee claims are recognized when the disbursement is approved by the Corporation, provided the conditions are met. Disbursements are then applied against the guarantee liability, and the balance of the guarantees is reduced by the same amount. Where the Corporation is virtually certain of recovery, the disbursements are recognized as assets in accordance with accounting policies applicable to the loans.

Analysis fees to offset guarantee contract origination fees assumed by the Corporation are deferred and amortized using the effective interest method.

### D) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Corporation may use derivative financial instruments to reduce the risks of fluctuations in foreign currencies, interest rates and commodity prices. According to Corporation policy, derivative financial instruments are not used for trading or speculative purposes. Subsequent to initial recognition, derivative financial instruments are recognized at fair value.

The Corporation has designated certain derivative financial instruments as hedging instruments in cash flow hedges or fair value hedges. At the inception of a hedging relationship, the Corporation documents the relationship between the hedging instrument and the hedged item, its risk management objective, its strategy for establishing the hedge, and the methods to be used to measure hedge effectiveness. The Corporation is required to demonstrate that the relationship is highly effective, both at hedge inception and throughout the hedging period, so that it may continue to apply hedge accounting.

**i) Cash flow hedges**
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognized in other comprehensive income and reported in the Consolidated Statement of Changes in Equity. Any gain or loss in fair value related to the ineffective portion is immediately recognized in net income. The effective portion of the hedge relationship accumulated in other comprehensive income is transferred to net income in the period in which the hedged item affects net income. If the hedging instrument no longer meets hedge accounting criteria, or if it matures or is sold, cancelled or exercised, or if the Corporation cancels the designation, hedge accounting ceases to be used on a prospective basis. Any accumulated gain or loss previously recognized in other comprehensive income is maintained until the forecasted transaction affects net income. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in net income.

**ii) Fair value hedges**
For derivative financial instruments designated as fair value hedges, changes in the fair value of a derivative financial hedging instrument accounted for in net income are largely offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When the fair value hedge ceases, the carrying amount of the hedged item is no longer adjusted and the hedged item's cumulative fair value adjustments are recorded in net income using the same accounting policy as for the hedged item.

The change in fair value of derivative financial instruments not designated as hedging instruments is recognized in net income under "Net change in investments at fair value through profit or loss."

**iii) Separable embedded derivatives**
An embedded derivative is accounted for separately from its host contract if, and only if, the following three conditions are met: the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative is a separate instrument that meets the definition of a derivative financial instrument, and the hybrid contract is not recorded at fair value.

Embedded derivatives recognized separately from a supply contract are reported under "Accounts payable and accrued liabilities" in the Consolidated Statement of Financial Position. Other separately recognized embedded derivatives, such as conversion options and warrants, are reported with the host contract under "Investments" in the Consolidated Statement of Financial Position. Subsequent to initial recognition, separable embedded derivatives are measured at fair value. Changes in fair value are recognized in net income under "Cost of sales" and "Net change in investments at fair value through profit or loss."

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### E) REVENUES

**i) Revenues from continuing operations**

Revenues from the sale of goods in the normal course of business are measured at the fair value of the consideration received or receivable, net of returns and rebates. Revenues are recognized when there is objective evidence that the risks and rewards incidental to ownership have been transferred, i.e., generally when the goods have been delivered, the associated costs incurred or to be incurred and possible return of goods can be reliably estimated, there is no continuing involvement with the goods, the amount of revenue can be reliably measured, and recovery of the consideration is probable. The timing of the transfer of the risks and rewards varies depending on the nature of the continuing operations. Service revenue is recognized based on the stage of completion of the transaction at the end of the reporting period and when the outcome can be reliably estimated.

**ii) Financial revenues**

Income from dividends on investments is recognized when the Corporation's right to receive payment is established, provided it is probable that the economic benefits will flow to the Corporation and the amount of the revenue can be reliably estimated.

Interest income is recognized using the effective interest method.

Income from guarantee fees is recognized as described in Note 4C). Other financial revenues include analysis fees and interest on cash and temporary investments.

### F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank overdrafts, as the case may be, and temporary investments with maturities of three months or less from the acquisition date.

### G) TEMPORARY INVESTMENTS

Temporary investments consist of investments with maturities of three months to twelve months from the acquisition date.

### H) INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is based on the average cost method and includes costs of purchase, production or conversion as well as the costs incurred to bring the inventories to their present location and condition. The cost of finished goods and work in progress inventories includes an appropriate portion of production costs based on normal production capacity. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and the estimated costs needed to make the sale or the replacement cost.

### I) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated amortization and accumulated impairment losses.

Cost includes expenses that are directly attributable to the acquisition of the asset. The cost of assets produced by the Corporation includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site, and the borrowing costs on qualifying assets.

Capitalization of borrowing costs for construction of a qualified asset commences when the work begins and ceases when the activities needed to prepare the asset for its intended use are substantially complete.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Amortization is calculated over the depreciable amount, which is the cost of the asset less its residual value. The Corporation records amortization on a straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Buildings | 15 to 30 years |
| Material and equipment | 4 to 25 years |
| Roads and bridges | 14 to 20 years |
| Other | 1 to 20 years |

Land and property, plant and equipment under construction or development are not amortized. The amortization methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted prospectively, if necessary.

### J) BIOLOGICAL ASSETS

Biological assets related to forest products include harvestable timber. Harvestable timber is measured at fair value less costs to sell, with any change recognized in net income for the year. Costs to sell include all costs that would be needed to sell the asset. Harvested timber is transferred to inventory at its fair value less estimated costs to sell at the date of harvest. Harvestable timber land is recognized separately as property, plant and equipment.

### K) INTANGIBLE ASSETS

Intangible assets that have finite useful lives are recognized at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated over the cost of the asset less its residual value on a straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Electricity purchase agreement | 15 to 25 years |
| Licences and other | 3 to 20 years |

The cost of the electricity purchase agreement for which the value is below market cost is amortized on a straight-line basis over the term of the agreement, i.e., 15 years starting in 2002. The cost of the right to obtain a block of electricity acquired in 2002 is amortized on a straight-line basis over the term of the agreement, i.e., 25 years starting in 2002.

Depreciation methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted prospectively, if necessary.

#### i) Mining properties and exploration and evaluation assets

Mining properties are acquired interests in the licences or mining exploration claims that include the rights to explore for, exploit, extract and sell all minerals extracted from those claims.

All costs prior to exploration, consisting of the costs incurred prior to obtaining the legal rights to perform exploration and evaluation activities, are expensed as incurred.

After obtaining the legal exploration right, the exploration and evaluation costs are capitalized until the mining property becomes commercially viable or is sold or abandoned. Those costs consist of expenditures associated with geological and geophysical studies, fees related to the initial search for mineral deposits with economic potential, such as drilling, sampling, etc. The administrative expenses related to exploration and evaluation work are recognized in net income. Exploration and evaluation assets are recorded at historical cost less any impairment loss recognized.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Where the extraction of a mineral resource has been demonstrated to be technically feasible and commercially viable for a given prospect, the Corporation ceases capitalizing exploration and evaluation costs for that prospect, tests the recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets in mining development property, plant and equipment or intangible assets, according to the nature of the assets.

### L) GOVERNMENT ASSISTANCE

The Corporation is eligible for government grants to acquire property, plant and equipment. These grants are presented as "Deferred grants" in the Consolidated Statement of Financial Position where there is reasonable assurance that they will be received and that the Corporation will meet the conditions. This government assistance is systematically recognized in net income using the same method, periods and rates as the associated property, plant and equipment.

The Corporation is also eligible for government assistance to offset the expenses incurred for the losses and shortfalls of certain programs. This government assistance is initially recognized at fair value and reported in "Amounts recoverable from the Government of Québec." Every year, the Corporation measures the recoverable value of these amounts and recognizes changes to the net income of the period in which the expenses are incurred in "Net impairment losses on investments."

### M) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of property, plant and equipment, intangible assets with finite useful lives and interests in equity-accounted entities are reviewed on each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs to sell. To determine value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (cash-generating units).

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the group (group of units) proportionately.

Impairment losses recognized in prior periods are measured at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized. Reversals of impairment losses are also recognized in net income. A reversal of an impairment loss on a cash-generating unit is allocated to the assets of the unit, except for goodwill, proportionately to the carrying amounts of those assets.

Goodwill that forms part of the carrying amount of an interest in an equity-accounted entity is not recognized separately and is therefore not tested for impairment separately. Instead, the entire carrying amount of the interest, including goodwill, is tested for impairment as a single asset when there is objective evidence that it may be impaired. Impairment losses and reversals of impairments on equity-accounted interests are recognized as described above and reported in net income under "Net impairment losses on investments."

## N) ASSETS HELD FOR SALE

A non-current asset is classified as held for sale when its carrying amount will be recovered primarily through sale rather than through continuing use. This condition is met only when the sale is highly probable and the non-current asset (or disposal group) is immediately available for sale in its current condition. Management must be committed to the sale and the sale must be expected to qualify for recognition as a completed sale within one year from the classification date. A non-current asset held for sale must be measured at the lower of its carrying amount or fair value less costs to sell and should not be amortized as long as it is classified as such. Impairment losses arising from this classification and subsequent gains or losses on remeasurement are recognized in net income under "Net gains on investments and other." Reversals of recognized impairment losses may not exceed the cumulative amount of such impairment losses.

## O) DISCONTINUED OPERATIONS

A discontinued operation is a component of the Corporation's business that represents a business segment or major geographical area that has been disposed of or that is held for sale. Classification as a discontinued operation occurs upon disposal or at an earlier date when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income and comparative statement of cash flows are restated as if the operation had been discontinued from the start of the comparative period.

## P) PROVISIONS

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. When the impact of discounting is material, the amount is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a financial expense.

### i) Provision for site restoration

A provision is recognized for the future obligations of the cost to dismantle and remove items of property, plant and equipment and to restore the site. The value of the obligation is added to the carrying amount of the item of property, plant and equipment and amortized over its useful life. Adjustments to estimated future cash flows subsequent to reviews of the estimated amount or timing of undiscounted cash outflows or a change of discount rate are recognized as changes in the provision and the associated items of property, plant and equipment.

### ii) Litigation

Litigation is monitored regularly, on a case by case basis, by the Corporation's management and with the assistance of external counsel for the most significant or complex cases. A provision is recognized when it becomes probable that a present obligation arising from a past event requires a settlement whose amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure required to settle the obligation at the reporting date.

## Q) EMPLOYEE BENEFITS

### i) Salaries and short-term benefits

Obligations for salaries and short-term benefits are measured on an undiscounted basis and recognized when the related service is provided. A liability is recognized for the amount that the Corporation expects to pay as short-term cash bonuses if the Corporation has a present legal or constructive obligation to make these payments in consideration of past services rendered by the employee and the obligation can be reliably estimated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
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**ii) General and mandatory plans**

The Corporation's employees participate in general and mandatory pension plans. These are defined benefit plans, administered by the Commission administrative des régimes de retraite et d'assurances, that include guarantees to pay pension and death benefits that are indexed annually. Defined contribution plan accounting is applied to these plans because the Corporation's obligations are limited to its employer contributions.

The employer's share in these plans is expensed in the period in which the services are rendered by the employees.

**iii) Defined benefit plans**

The cost of pension benefits and other retirement benefits provided in exchange for services rendered during the year is calculated at each reporting date using the projected unit credit method based on management's best estimate of economic and demographic assumptions.

The Corporation's net obligation for the defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods; that amount is discounted to determine its present value. Unrecognized past service costs and the fair value of plan assets must be deducted.

The discount rate is the market yield, at the reporting date, on high-quality corporate bonds whose maturity dates approximate those of the Corporation's obligations and whose currency denominations match the currency in which the benefits are expected to be paid.

Past service costs arising from a plan amendment or curtailment are recognized in net income at the earlier of the following two dates: a) the date when the plan amendment or curtailment occurs, b) the date on which the entity recognizes related restructuring costs or the corresponding termination benefits.

Remeasurements, which include actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognized immediately in the Consolidated Statement of Financial Position with a debit or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are recognized immediately in the deficit and will not be reclassified to net income.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, as determined at the start of the fiscal year and taking into account any changes in the net defined benefit liability (asset) during the period attributable to contribution and benefit payments.

The Corporation recognizes the actuarial gains and losses of its defined benefit plans immediately in the other comprehensive income that is reported in the Deficit item of the Consolidated Statement of Changes in Equity.

**iv) Other long-term liabilities**

The Corporation's net obligation for long-term benefits other than pension plans is the amount of future benefits earned by employees in return for their services during the current and prior periods; these benefits are recognized at their present value, with the fair value of related assets being deducted from the obligation. Any actuarial gain or loss is recognized in net income during the period in which the gain or loss occurs.

### R) LEASES

Leases are classified as finance leases when substantially all of the risks and rewards incidental to ownership of the asset are transferred to the Corporation under the terms of the lease; other leases are classified as operating leases. All of the Corporation's leases are classified as operating leases.

Assets leased under operating leases are not recognized in the Corporation's Consolidated Statement of Financial Position. Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense and amortized on a straight-line basis over the term of the lease. Related expenses, such as maintenance and insurance, are expensed as incurred.

## 5. STATEMENT OF INCOME BY FUNCTION

| | 2014 | 2013 |
|---|---|---|
| **REVENUES** | | |
| Sale of goods | **469,023** | 448,095 |
| Sale of services | **34,531** | 34,407 |
| Net investment income | **531,478** | 482,617 |
| Other | **266** | 294 |
| | **1,035,298** | 965,413 |
| **EXPENSES** | | |
| Cost of goods and services sold | **436,886** | 407,737 |
| Financial expenses | **405,232** | 342,300 |
| | **842,118** | 750,037 |
| General administrative expenses | **105,688** | 100,866 |
| Storage expenses | **15,667** | 14,918 |
| Selling expenses | **11,065** | 10,641 |
| | **132,420** | 126,425 |
| Share of net income of equity-accounted entities | **(24,077)** | 14,344 |
| **Operating income from continuing operations** | **36,683** | 103,295 |
| Income (loss) from discontinued operations | **1,221** | (2,051) |
| **Net income** | **37,904** | 101,244 |

Personnel-related expenses included in cost of sales, general expenses and administrative expenses are as follows:

| | 2014 | 2013 |
|---|---|---|
| Salaries and other short-term benefits | **81,950** | 79,624 |
| Contributions to defined contribution plans (Note 30) | **4,975** | 4,395 |
| Expenses related to defined benefit plans (Note 30) | **4,477** | 6,018 |
| | **91,402** | 90,037 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
Year ended March 31, 2014
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

# 6. FINANCIAL REVENUES

## INVESTMENT INCOME

| | 2014 | 2013 |
|---|---|---|
| Interest on loans | **48,199** | 45,148 |
| Interest on impaired loans | **8,673** | 1,673 |
| Interest on guarantee fees receivable | **5,051** | 5,719 |
| Interest on notes receivable from the Government of Québec | **108,027** | 108,120 |
| Interest on available-for-sale investments | **3,609** | 3,923 |
| Dividends on available-for-sale investments | **42,122** | 10,394 |
| Interest on other investments | **616** | 642 |
| Guarantee fees | **20,574** | 23,665 |
| | **236,871** | 199,284 |

## NET CHANGE IN INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2014 | 2013 |
|---|---|---|
| **Financial assets designated as at fair value through profit or loss** | | |
| ABTN | **7,786** | 13,136 |
| Investments in venture capital organizations | **1,281** | 650 |
| Investments in venture capital organizations of associates and joint ventures | **1,597** | (9,381) |
| | **10,664** | 4,405 |
| **Financial assets classified as held for trading** | | |
| Derivative financial instruments | **5,151** | (11,337) |
| | **15,815** | (6,932) |

## OTHER FINANCIAL REVENUES

| | 2014 | 2013 |
|---|---|---|
| Analysis fees | **5,242** | 4,783 |
| Interest on cash and cash equivalents and temporary investments | **7,294** | 9,255 |
| Foreign exchange gain on financial instruments | **10,058** | – |
| Other | **7,130** | 7,244 |
| | **29,724** | 21,282 |

# 7. FINANCIAL EXPENSES

### EXPENSES RELATED TO IMMIGRANT INVESTORS ACTIVITIES

| | 2014 | 2013 |
|---|---|---|
| Interest on notes from immigrant investors | **107,700** | 107,809 |
| Fees to financial intermediaries | **48,074** | 53,382 |
| Non-repayable financial contributions | **54,245** | 56,306 |
| | **210,019** | 217,497 |

### NET IMPAIRMENT LOSSES ON INVESTMENTS

| | 2014 | 2013 |
|---|---|---|
| Impairment of available-for-sale investments | **5,485** | 46,516 |
| Impairment of interests in equity-accounted entities (Note 20) | **131,898** | 45,689 |
| Reversal of impairment of interests in equity-accounted entities (Note 20) | **(11,199)** | – |
| Losses on loans and guarantees | **56,963** | 11,719 |
| Losses on amounts recoverable from the Government of Québec | **6,612** | 11,598 |
| Change in provision on commitments | **(335)** | 3,780 |
| Other | **(1,453)** | 1,223 |
| | **187,971** | 120,525 |

### OTHER FINANCIAL EXPENSES

| | 2014 | 2013 |
|---|---|---|
| Interest on long-term debt | **461** | 424 |
| Interest on guarantee liability | **4,730** | 4,002 |
| Foreign exchange gain on financial instruments | **–** | (1,828) |
| Other | **2,051** | 1,680 |
| | **7,242** | 4,278 |

# 8. MANAGEMENT FEES – ECONOMIC DEVELOPMENT FUND

Under the *Act respecting Investissement Québec,* the government sets the remuneration that the Corporation will receive for administering financial assistance programs and the mandates entrusted to it by the government under the EDF. The Corporation debits this remuneration from the EDF. Pursuant to decree 317-2014 dated March 26, 2014, the remuneration has been set at $26.5 million for the year ended March 31, 2014 ($26.5 million as at March 31, 2013).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
Year ended March 31, 2014
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## 9. DISCONTINUED OPERATIONS

The $1,221,000 net gain recognized in discontinued operations as at March 31, 2014 (net loss of $2,051,000 as at March 31, 2013) is the result of the adjustment to the provisions taken for the shutdown and restoration costs for sites of operations discontinued by the Corporation.

## 10. CASH AND CASH EQUIVALENTS

| | 2014 | 2013 |
|---|---|---|
| Cash | **33,414** | 29,166 |
| Temporary investments with maturities of three months or less from the purchase date: | | |
| Bankers' acceptances, 0.04% to 1.13%, maturing in April and May 2014 | **20,578** | 34,731 |
| Term deposit, rate of 1.15%, maturing in June 2014 | **4,500** | 11,420 |
| Bearer notes | **–** | 6,698 |
| Deposit certificates | **–** | 1,960 |
| Promissory notes, 1.10% to 1.16%, maturing in April 2014 | **15,695** | 30,144 |
| Treasury bills, 0.88% to 1.05%, maturing from April to June 2014 | **16,274** | 18,432 |
| Fixed-rate bonds, 1.15% to 1.24%, maturing in April and May 2014 | **4,453** | 1,022 |
| Commercial paper, 1.00% to 1.15%, maturing in April and May 2014 | **11,307** | – |
| | **106,221** | 133,573 |

## 11. TEMPORARY INVESTMENTS

| | 2014 | 2013 |
|---|---|---|
| Bankers' acceptances, 1.06% to 1.35%, maturing from April to September 2014 | **66,399** | 6,495 |
| Bearer notes, 1.14% to 1.43%, maturing from April 2014 to March 2015 | **46,190** | 50,432 |
| Deposit certificates, 1.40% to 1.63%, maturing from May to October 2014 | **47,000** | 26,035 |
| Promissory notes, 1.00% to 1.16%, maturing from April 2014 to March 2015 | **58,658** | 15,467 |
| Treasury bills, 1.00% to 1.23%, maturing from May 2014 to March 2015 | **86,114** | 115,067 |
| Variable-rate financial institution bonds, 3-month CDOR plus 0.30%, maturing in September 2014 | **4,005** | 14,800 |
| Fixed-rate bonds, 0.98% to 1.56%, maturing from April 2014 to March 2015 | **243,189** | 304,935 |
| Commercial paper, rate of 1.18%, maturing in June 2014 | **2,594** | – |
| | **554,149** | 533,231 |

## 12. ACCOUNTS RECEIVABLE

| | 2014 | 2013 |
|---|---|---|
| Trade accounts receivable | **54,895** | 55,755 |
| Trade accounts receivable – related parties | | |
| Due from joint ventures | **247** | 247 |
| Due from associates | **2,231** | 2,091 |
| Other accounts receivable | **30,608** | 28,015 |
| | **87,981** | 86,108 |

## 13. GUARANTEE FEES RECEIVABLE

| | 2014 | 2013 |
|---|---|---|
| Guarantee fees receivable | **27,905** | 34,359 |
| Allowance for losses (Note 17) | **5,194** | 4,291 |
| | **22,711** | 30,068 |
| Less current portion, net of the allowance | **7,849** | 9,331 |
| | **14,862** | 20,737 |

Scheduled receipts of guarantee fees, under contractual provisions, are as follows:

| | 2014 | 2013 |
|---|---|---|
| Under 1 year | **10,363** | 11,135 |
| 1 to 2 years | **6,238** | 7,814 |
| 2 to 3 years | **4,747** | 5,989 |
| 3 to 4 years | **3,467** | 4,604 |
| 4 to 5 years | **2,387** | 3,334 |
| Over 5 years | **4,686** | 6,612 |
| | **31,888** | 39,488 |

Receipts of guarantee fees receivable past due under contractual provisions but for which a specific provision has not been made are as follows:

| | 2014 | 2013 |
|---|---|---|
| Under 30 days | **185** | 1,010 |
| 30 to 90 days | **1,110** | 311 |
| Over 90 days | **19** | 236 |
| | **1,314** | 1,557 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
Year ended March 31, 2014
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

# 14. INVENTORIES

| | 2014 | 2013 |
|---|---|---|
| Finished goods | **42,205** | 44,522 |
| Raw materials | **7,040** | 5,292 |
| Consumable and spare parts | **4,698** | 4,368 |
| Work in progress | **1,057** | 971 |
| Other | **1,549** | 1,417 |
| | **56,549** | 56,570 |

As at March 31, 2014, inventories recorded to cost of sales totalled $408,691,000 ($388,303,000 as at March 31, 2013). This amount includes an impairment loss of $593,000 ($58,000 as at March 31, 2013). In estimating net realizable value, the Corporation uses values available on the market when the estimates are made. The Corporation did not record any reversals of previously recognized inventory impairments.

# 15. NOTES RECEIVABLE FROM THE GOVERNMENT OF QUÉBEC

The IQ Immigrants Investisseurs inc. subsidiary is responsible for receiving and managing capital from immigrant investors and using the investment income to administer the business assistance program in partnership with financial intermediaries. Pursuant to decree 8-2008, capital received from immigrant investors is invested in notes receivable from the government's consolidated fund with a yield equivalent to five-year Québec bonds.

| | 2014 | 2013 |
|---|---|---|
| Notes receivable from the Government of Québec, interest rates of 1.76% to 3.64%, maturing from April 2014 to March 2019, notional value of $4.9 billion | **4,588,467** | 4,028,350 |
| Less current portion | **853,630** | 541,677 |
| | **3,734,837** | 3,486,673 |

The notes receivable mature as follows:

| | 2014 | 2013 |
|---|---|---|
| Under 1 year | **853,630** | 541,677 |
| 1 to 2 years | **812,225** | 828,557 |
| 2 to 3 years | **830,326** | 788,896 |
| 3 to 4 years | **1,078,216** | 812,129 |
| 4 to 5 years | **1,014,070** | 1,057,091 |
| | **4,588,467** | 4,028,350 |

# 16. LOANS

| | 2014 | 2013 |
|---|---|---|
| **Loans** | | |
| Interest-bearing [1] [2] [3] | | |
| Fixed-rate | **206,564** | 166,837 |
| Variable-rate | **653,413** | 474,848 |
| Non-interest-bearing | **7,287** | 7,315 |
| | **867,264** | 649,000 |
| Impaired | **115,399** | 72,768 |
| | **982,663** | 721,768 |
| **Allowance for losses (Note 17)** | | |
| Interest-bearing loans | **(25,137)** | (25,378) |
| Non-interest-bearing loans | **(1,299)** | (412) |
| Impaired loans | **(73,277)** | (47,442) |
| | **(99,713)** | (73,232) |
| | **882,950** | 648,536 |
| Less current portion, net of the allowance | **245,479** | 112,132 |
| | **637,471** | 536,404 |

(1) The following table shows the loans, net of the allowance for losses, by contractual maturity date, as well as the effective return on interest-bearing loans as at March 31:

**2014**

| | Under 1 year | From 1 year to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| Interest-bearing loans | **118,061** | **424,897** | **291,882** | **834,840** |
| Non-interest-bearing loans | **115** | **5,873** | **–** | **5,988** |
| Impaired loans | **3,610** | **18,559** | **19,953** | **42,122** |
| | **121,786** | **449,329** | **311,835** | **882,950** |
| Return at weighted effective rate | **7.65%** | **6.62%** | **6.44%** | |

**2013**

| | Under 1 year | From 1 year to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| Interest-bearing loans | 56,968 | 299,534 | 259,805 | 616,307 |
| Non-interest-bearing loans | 6,317 | 466 | 120 | 6,903 |
| Impaired loans | 1,888 | 17,034 | 6,404 | 25,326 |
| | 65,173 | 317,034 | 266,329 | 648,536 |
| Return at weighted effective rate | 7.11% | 6.93% | 6.54% | |

(2) Including the carrying values of loans restructured during the year, which would have otherwise been impaired, for an amount of $652,000, as at March 31, 2014 ($11,000,000 as at March 31, 2013).

(3) Including the loans granted to associates totalling $33,600,000 under market conditions as at March 31, 2014 ($32,400,000 as at March 31, 2013).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
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Scheduled principal collections on loans, according to contractual provisions, are as follows:

| | 2014 | 2013 |
|---|---|---|
| Under 1 year | **244,849** | 132,618 |
| 1 to 2 years | **202,692** | 126,953 |
| 2 to 3 years | **119,045** | 144,570 |
| 3 to 4 years | **172,401** | 71,553 |
| 4 to 5 years | **81,972** | 91,517 |
| Over 5 years | **162,890** | 149,878 |
| | **983,849** | 717,089 |

Loans past due under contractual provisions but not impaired are as follows:

| | 2014 | 2013 |
|---|---|---|
| Under 30 days | **3,484** | 1,828 |
| 30 to 90 days | **4,988** | 650 |
| Over 90 days | **926** | 620 |
| | **9,398** | 3,098 |

## 17. ALLOWANCE FOR LOSSES

| | Loans | Guarantee fees receivable | Guarantee liability | Other | Total |
|---|---|---|---|---|---|
| **Balance as at April 1, 2012** | 74,225 | 3,935 | 69,348 | 4,603 | **152,111** |
| Provision for losses | 1,983 | 1,197 | 8,539 | 1,223 | **12,942** |
| Recoveries | 4,219 | 1 | 124 | – | **4,344** |
| Write-offs | (7,195) | (842) | – | (97) | **(8,134)** |
| Guarantee disbursements that did not create an asset | – | – | (8,347) | – | **(8,347)** |
| Unamortized balance of initial guarantee liability reclassified to allowance for losses | – | – | 1,035 | – | **1,035** |
| **Balance as at March 31, 2013** | **73,232** | **4,291** | **70,699** | **5,729** | **153,951** |
| Provision for losses | 50,120 | 3,090 | 3,753 | (1,453) | **55,510** |
| Recoveries | 708 | – | 70 | – | **778** |
| Write-offs | (24,347) | (2,187) | – | (613) | **(27,147)** |
| Guarantee disbursements that did not create an asset | – | – | (7,344) | – | **(7,344)** |
| Unamortized balance of initial guarantee liability reclassified to allowance for losses | – | – | 2,309 | – | **2,309** |
| **Balance as at March 31, 2014** | **99,713** | **5,194** | **69,487** | **3,663** | **178,057** |

The Corporation may require clients to provide collateral and suretyships. Collateral generally consists of the universality of the corporate client's property, including land, buildings, equipment, machinery and furniture. As at March 31, 2014, the allowance takes into account collateral and suretyships totalling $298,497,000 for loans ($135,415,000 as at March 31, 2013) and $162,886,000 for guarantees ($31,676,000 as at March 31, 2013).

# 18. INVESTMENTS

| | 2014 | 2013 |
|---|---|---|
| **Financial assets designated as at fair value through profit or loss** | | |
| ABTN | **94,369** | 87,411 |
| Investments in venture capital organizations | **9,241** | 10,419 |
| Investments in venture capital organizations of associates and joint ventures (1) | **346,094** | 303,834 |
| | **449,704** | 401,664 |
| **Financial assets classified as held for trading** | | |
| Derivative financial instruments | **28,803** | 10,134 |
| **Available-for-sale financial assets** | | |
| Publicly traded participating shares | **608,088** | 552,399 |
| Private corporation shares and units | **16,302** | 57,627 |
| Bonds and other debt securities | **142,764** | 123,698 |
| | **767,154** | 733,724 |
| Total investments | **1,245,661** | 1,145,522 |
| Less current portion, net of the allowance | **45,547** | 111,587 |
| | **1,200,114** | 1,033,935 |

Investments denominated in U.S. dollars totalled C$65,108,000 as at March 31, 2014 (C$103,279,000 as at March 31, 2013) and investments denominated in other currencies totalled C$25,082,000 as at March 31, 2014 (C$45,058,000 as at March 31, 2013).

(1) At all times during the yield waiver period, certain other limited partners have a call option on certain units held by the Corporation, at the initial cost paid plus 6% return per year from their purchase date. As of the third fiscal year following the yield waiver period, these other limited partners also have a call option on units held by the Corporation at a cost equal to the higher of fair value or carrying value.

## ASSET-BACKED TERM NOTES

The Corporation holds variable-rate term notes, the notional value of which breaks down as follows:

| | 2014 | 2013 |
|---|---|---|
| **MAV 2** | | |
| Synthetic assets | | |
| Class A-1 | **52,693** | 51,129 |
| Class A-2 | **32,448** | 32,408 |
| Class B | **5,890** | 5,883 |
| Class C | **2,821** | 2,771 |
| Ineligible assets | **476** | 3,132 |
| | **94,328** | 95,323 |
| **MAV 3** | | |
| Traditional assets | **31** | 43 |
| Ineligible assets | **10,649** | 10,331 |
| | **10,680** | 10,374 |
| Other restructured ABTNs | **3,896** | 3,896 |
| | **108,904** | 109,593 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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As at March 31, 2014, the Corporation performed a valuation of the variable-rate term notes. In the course of this valuation, it reviewed its assumptions to reflect new information made available and changes in credit market conditions. The Corporation believes that there is a sufficiently active secondary market to use the posted values in establishing the fair values of the class A-1, A-2, B and C notes. As for vehicles made up exclusively of traditional assets and ineligible assets, fair value is based on a price hierarchy that is defined according to market indices, broker quotes and recent transactions.

Following this new valuation, the Corporation recognized an increase in value of $7,786,000 as at March 31, 2014 ($13,136,000 as at March 31, 2013). This increase in fair value for the year mainly reflects the increased value of the class A-1, A-2, B and C notes on the secondary markets.

The estimated fair value of ABTN investments is not likely to be indicative of the final value of the notes. Although the Corporation considers that the recorded estimated fair values are reasonable, changes to the main assumptions, particularly changes in the fair value of the underlying assets, changes in the liquidity of the A-1, A-2, B and C notes in the secondary markets, and the impact of a significant and prolonged economic slowdown could have a significant impact on the fair value of the new notes in coming years. The respective market values of the class A-1, A-2, B and C notes are the most significant factor in the Corporation's valuation process. Possible changes in these values would result in changes in the estimated fair value of ABTN investments. A 10% change in the average market value of the A-1, A-2, B and C notes would increase (or decrease) fair value by approximately $8,712,000 as at March 31, 2014 ($7,915,000 as at March 31, 2013).

The change in ABTN balances in the Consolidated Statement of Financial Position and the composition of "Net change in investments at fair value through profit or loss" in the Consolidated Statement of Income are as follows:

| | Notional value | Allowance for impairment | Total |
|---|---|---|---|
| **Balance as at April 1, 2012** | 112,753 | (38,180) | **74,573** |
| Repayment of capital | (610) | – | **(610)** |
| Net change in fair value (Note 6) | – | 13,136 | **13,136** |
| Write-offs | (3,140) | 3,140 | **–** |
| Foreign exchange gain (loss) | 590 | (278) | **312** |
| **Balance as at March 31, 2013** | **109,593** | **(22,182)** | **87,411** |
| Repayment of capital | (2,538) | – | **(2,538)** |
| Net change in fair value (Note 6) | – | 7,786 | **7,786** |
| Write-offs | (822) | 822 | **–** |
| Foreign exchange gain (loss) | 2,671 | (961) | **1,710** |
| **Balance as at March 31, 2014** | **108,904** | **(14,535)** | **94,369** |

# 19. ASSETS HELD FOR SALE

No assets were held for sale as at March 31, 2014 and 2013.

On April 2, 2012, a subsidiary of the Corporation sold 49.96% of its interest in Aluminerie Alouette inc. for US$186.0 million. This transaction resulted in a $97.9 million gain being recognized in "Net gains on investments and other" during the year ended March 31, 2013.

As at March 31, 2012, the main classes of assets held for sale and liabilities related to assets held for sale, in respect of the April 2, 2012 transaction, were as follows:

| | |
|---|---|
| **Assets held for sale** | |
| Cash and cash equivalents | 1,113 |
| Accounts receivable | 1,682 |
| Inventories | 12,576 |
| Prepaid expenses | 867 |
| Property, plant and equipment | 94,179 |
| Intangible assets | 4,771 |
| | 115,188 |
| **Liabilities related to assets held for sale** | |
| Accounts payable and accrued liabilities | 4,342 |
| Provisions | 2,111 |
| Long-term debt | 4,868 |
| Deferred grants | 8,059 |
| Defined benefit liability | 7,645 |
| | 27,025 |
| **Accumulated other comprehensive income related to groups of assets held for sale** | |
| Cash flow hedges | 720 |
| Translation differences | 3,697 |
| Actuarial gains and losses | 4,072 |
| | 8,489 |

# 20. INTERESTS IN EQUITY-ACCOUNTED ENTITIES

The following table breaks down the Corporation's share of interests in equity-accounted entities recognized in net income and in the Consolidated Statement of Financial Position:

| | 2014 | 2013 |
|---|---|---|
| **Share of net income of equity-accounted entities** | | |
| Joint ventures | **(5,302)** | 18,229 |
| Associates | **(18,775)** | (3,885) |
| | **(24,077)** | 14,344 |
| **Share of other comprehensive income** | | |
| Share of exchange differences from translation of equity-accounted entities | | |
| Joint ventures | **26,504** | 6,037 |
| Associates | **1,390** | 468 |
| Reclassification to net income of exchange differences from translation of equity-accounted entities | **–** | (1,617) |
| | **27,894** | 4,888 |
| **Interest in equity-accounted entities** | | |
| Joint ventures | **217,083** | 325,633 |
| Associates | **119,045** | 105,316 |
| | **336,128** | 430,949 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

### A) JOINT VENTURES

The Corporation owns interests in the following material joint ventures:

| | Location | Year-end | 2014 | 2013 |
|---|---|---|---|---|
| CEPSA Química Bécancour Inc. | Québec, Canada | December 31 | **49.0%** | 49.0% |
| CEPSA Química Montréal L.P. | Québec, Canada | December 31 | **49.0%** | 49.0% |
| ParaChem Chemicals L.P. | Québec, Canada | December 31 | **49.0%** | 49.0% |

These joint ventures are structured as private enterprises for which there are no quoted market prices. The Corporation has a residual interest in the net assets. These interests are strategic investments for the Corporation in the petrochemical industry.

The following table presents the summarized financial information of the petrochemical joint ventures that are individually material for the Corporation. Since these companies operate in the same industry and have similar risk and return characteristics, the summarized financial information has been combined. This financial information reflects the amounts stated in the financial statements of each joint venture (and not the Corporation's share of those amounts), taking into account adjustments for differences in accounting policies and fair value adjustments made at the time of acquisition:

| | 2014 | 2013 |
|---|---|---|
| Current assets (1) | **546,385** | 524,910 |
| Non-current assets | **365,655** | 353,128 |
| Current liabilities (2) | **(165,056)** | (140,263) |
| Non-current liabilities | **(17,267)** | (17,975) |
| Net assets | **729,717** | 719,800 |
| Ownership interest held by the Corporation | **49.0%** | 49.0% |
| Corporation's share of net assets | **357,561** | 352,702 |

(1) This amount includes cash and cash equivalents of $94,709,000 as at March 31, 2014 ($80,570,000 as at March 31, 2013).
(2) As at March 31, 2014, there were no financial liabilities, excluding accounts payable and accrued liabilities as well as provisions ($88,000 as at March 31, 2013).

| | 2014 | 2013 |
|---|---|---|
| Revenues | **1,684,977** | 1,690,284 |
| Interest income | **18** | 1,810 |
| Amortization of property, plant and equipment and intangible assets | **(41,425)** | (25,808) |
| Interest expense | **(361)** | (307) |
| Income tax expense | **(5,851)** | (4,401) |
| Net income | **(10,631)** | 37,202 |
| Corporation's share of net income | **(5,209)** | 18,229 |
| Other comprehensive income | **54,090** | 12,321 |
| Share of exchange differences from translation of equity-accounted entities | **26,504** | 6,037 |
| Comprehensive income | **43,459** | 49,523 |
| Corporation's share of comprehensive income | **21,295** | 24,266 |
| Dividends paid to the Corporation | **10,187** | 7,265 |

The following table presents a reconciliation of the summarized financial information presented on the previous page with the carrying value of the Corporation's interests in its joint ventures accounted for using the equity method:

| | 2014 | 2013 |
|---|---|---|
| Corporation's share of net assets | **357,561** | 352,702 |
| Impairment losses | **115,000** | – |
| Carrying value in the statement of financial position | **242,561** | 352,702 |

During the year ended March 31, 2014, the Corporation measured the recoverable amount of one of its material joint ventures that was showing objective evidence of impairment due to difficult market conditions and to changes having an adverse effect on the entity. The Corporation estimated the recoverable amount of this interest based on value in use. Value in use was estimated by discounting future cash flows. The estimated discounted future cash flows vary between $111,000,000 and $222,000,000 and the pre-tax discount rates used vary between 14.3% and 16.0%. A change in discounted cash flows from $151,000,000 to $189,000,000, representing best reasonable alternative estimate assumptions and discounted using pre-tax discount rates of 16.0% and 14.3%, respectively, resulted in potential losses of between $100,000,000 and $121,000,000, showing that the measurement is subject to major sources of uncertainty. An impairment loss of $115,000,000 as at March 31, 2014 (nil as at March 31, 2013) was recognized in net income under "Net impairment losses on investments" in respect of the interests in material joint ventures.

The Corporation also holds interests in joint ventures that are not individually material. These interests are in the following joint ventures:

| | Location | Year-end | 2014 | 2013 |
|---|---|---|---|---|
| Kruger Wayagamack inc. | Québec, Canada | December 31 | **49.0%** | 49.0% |
| Pétromont and Company, Limited Partnership | Québec, Canada | December 31 | **50.0%** | 50.0% |
| 8668396 Canada Inc. | Québec, Canada | March 31 | **50.0%** | 0.0% |

The Corporation's carrying value and shares in the summarized financial information of interests in immaterial joint ventures are as follows:

| | 2014 | 2013 |
|---|---|---|
| Carrying value of interests held in immaterial joint ventures | **(25,478)** | (27,069) |
| Share of: | | |
| net income from continuing operations | **(93)** | – |
| net income after taxes from discontinued operations | **1,555** | (791) |
| Share of comprehensive income | **1,462** | (791) |

The Corporation did not recognize losses totalling $4,850,000 as at March 31, 2014 ($8,542,000 as at March 31, 2013) since it has no obligations related to those losses. Unrecognized cumulative losses totalled $43,822,000 as at March 31, 2014 ($38,972,000 as at March 31, 2013).

These joint ventures are not subject to any restrictions that limit their ability to repay the loans and advances made by the Corporation. The Corporation has not made any capital commitments with respect to its investments in joint ventures nor has it made any commitments jointly with other venturers. The Corporation has guaranteed the lease commitments of its joint ventures in an amount of $10,969,000 as at March 31, 2014 ($10,081,000 as at March 31, 2013) and an unused bank line of credit of $5,417,000 as at March 31, 2014 ($4,978,000 as at March 31, 2013). The Corporation did not incur any contingent liabilities relating to its joint ventures.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
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### B) ASSOCIATES

The Corporation holds interests in associates that are not individually material. The Corporation has interests in the following associates:

| | Location | Year-end | 2014 | 2013 |
|---|---|---|---|---|
| Congebec Logistic Inc. | Québec, Canada | December 31 | **31.5%** | 31.5% |
| Specialized Packaging Group L.P. | Québec, Canada | May 31 | **35.0%** | 35.0% |
| Groupe Le Massif inc. | Québec, Canada | November 30 | **29.2%** | 29.2% |
| Acceo Holding Inc. | Québec, Canada | December 31 | **28.7%** | 28.7% |
| Groupe Varitron inc. | Québec, Canada | August 31 | **28.3%** | 28.3% |
| MédiaMed Technologies inc. | Québec, Canada | December 31 | **28.6%** | 29.3% |
| ALT Canada Investment Partnership, L.P. (1) | Québec, Canada | December 31 | **12.4%** | 12.4% |
| Abilis Solutions Inc. | Québec, Canada | October 31 | **23.7%** | 23.7% |
| Stornoway Diamond Corporation | Québec, Canada | April 30 | **33.0%** | 35.4% |
| A.R. Global Vision Ltd. | Québec, Canada | January 31 | **25.9%** | 25.9% |
| Groupe Solotech inc. | Québec, Canada | February 28 | **25.0%** | 0.0% |
| OSI Consultant Group Inc. | Québec, Canada | December 31 | **30.3%** | 0.0% |
| AGF Group Inc. (1) | Québec, Canada | March 31 | **7.7%** | 0.0% |

(1) Although the Corporation holds less than 20% of the voting rights of certain associates, it has concluded that it exercises significant influence over these entities due to its veto rights on important decisions regarding their relevant operations.

The Corporation's carrying value and shares in the summarized financial information of interests in immaterial associates are as follows:

| | 2014 | 2013 |
|---|---|---|
| Carrying value of interests held in associates | **119,045** | 105,316 |
| Share of: | | |
| net income from continuing operations | **(20,068)** | (3,360) |
| net income after taxes from discontinued operations | **1,293** | (525) |
| other comprehensive income | **1,390** | (1,149) |
| Share of comprehensive income | **(17,385)** | (5,034) |

Stornoway Diamond Corporation is the only associate held by the Corporation that is publicly traded. Its share price as at March 31, 2014 was $1.18 per share (Level 1 input according to the fair value hierarchy), for a total fair value of $68,312,000 ($37,360,000 as at March 31, 2013).

The Corporation did not recognize losses totalling $499,000 as at March 31, 2014 (nil as at March 31, 2013) since it has no obligations related to these losses. Unrecognized cumulative losses totalled $499,000 as at March 31, 2014 (nil as at March 31, 2013).

The associates are not subject to any restrictions that limit their ability to repay the loans and advances made by the Corporation. The Corporation's share of these associates' capital commitments was $8,128,000 as at March 31, 2014 ($9,256,000 as at March 31, 2013). The Corporation did not incur any contingent liabilities relating to its associates.

During the year ended March 31, 2014, the Corporation measured the recoverable amount of some of its interests that were showing objective evidence of impairment due to delays in carrying out their business plans. The Corporation estimated the recoverable amount of each of these interests using value in use. As at March 31, 2014, value in use is based on an orderly liquidation value (the recoverable amount was established by discounting expected cash flows using a pre-tax discount rate of between 10.5% and 16.7% as at March 31, 2013). Impairment losses totalling $16,898,000 as at March 31, 2014 ($45,689,000 as at March 31, 2013) were recognized in net income under "Net impairment losses on investments" related to the interests in associates.

During the year ended March 31, 2014, the Corporation measured the recoverable amount of some of its interests that were showing objective evidence of impairment reversal given a rise in market price and the results of a feasibility study. Value in use was estimated by discounting cash flows using a discount rate of 13.5%. An impairment reversal of $11,199,000 as at March 31, 2014 was recognized in net income under "Net impairment losses on investments" with respect to this interest in an associate.

## 21. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Material and equipment | Roads and bridges | Assets under construction | Other | Total |
|---|---|---|---|---|---|---|---|
| Cost | 30,816 | 38,028 | 163,130 | 13,616 | 1,640 | 29,949 | **277,179** |
| Accumulated amortization | – | 14,715 | 62,048 | 4,156 | – | 21,399 | **102,318** |
| **Balance as at April 1, 2012** | 30,816 | 23,313 | 101,082 | 9,460 | 1,640 | 8,550 | **174,861** |
| Amortization for the year | – | (1,446) | (10,386) | (702) | – | (2,232) | **(14,766)** |
| Acquisitions | 85 | 800 | 4,597 | – | 1,675 | 3,083 | **10,240** |
| Impairment loss | (2,220) | – | – | – | – | – | **(2,220)** |
| Foreign exchange impact | 3 | 179 | 1,151 | – | 39 | – | **1,372** |
| Disposals | (902) | (2) | – | – | – | (1,036) | **(1,940)** |
| Other changes | – | (728) | 1,509 | – | (888) | (163) | **(270)** |
| | (3,034) | (1,197) | (3,129) | (702) | 826 | (348) | **(7,584)** |
| Cost | 27,782 | 38,383 | 172,024 | 13,616 | 2,466 | 31,381 | **285,652** |
| Accumulated amortization | – | 16,267 | 74,071 | 4,858 | – | 23,179 | **118,375** |
| **Balance as at March 31, 2013** | **27,782** | **22,116** | **97,953** | **8,758** | **2,466** | **8,202** | **167,277** |
| Amortization for the year | – | (1,445) | (11,268) | (699) | – | (2,402) | **(15,814)** |
| Acquisitions | – | 337 | 8,759 | – | – | 3,036 | **12,132** |
| Impairment loss | – | – | (10,530) | – | – | – | **(10,530)** |
| Foreign exchange impact | 16 | 931 | 6,523 | – | 207 | – | **7,677** |
| Disposals | – | – | (55) | – | – | (413) | **(468)** |
| Other changes | – | (20) | 102 | – | (102) | (398) | **(418)** |
| | 16 | (197) | (6,469) | (699) | 105 | (177) | **(7,421)** |
| Cost | 27,798 | 40,227 | 182,595 | 13,616 | 2,571 | 33,167 | **299,974** |
| Accumulated amortization | – | 18,308 | 91,111 | 5,557 | – | 25,142 | **140,118** |
| **Balance as at March 31, 2014** | **27,798** | **21,919** | **91,484** | **8,059** | **2,571** | **8,025** | **159,856** |

During the year ended March 31, 2014, the Corporation did not recognize any impairment loss on certain parcels of land ($2,220,000 as at March 31, 2013 after the allowable cut and forest cover stage were revised downwards following the implementation of a new forest management plan).

During the year ended March 31, 2014, given delays in reaching production objectives, the Corporation determined that the recoverable amount of certain material and equipment was below cost. Recoverable amount is value in use. The Corporation used a 13.7% discount rate to estimate the value in use of these assets and, accordingly, recognized an impairment loss of $10,530,000 on these assets.

Amortization expense and impairment losses were recognized in the following items of the Consolidated Statement of Income:

| | 2014 | 2013 |
|---|---|---|
| Cost of sales | **23,356** | 14,156 |
| General expenses | **1,826** | 1,581 |
| Administrative expenses | **1,162** | 1,249 |
| | **26,344** | 16,986 |

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As at March 31, 2014, assets under construction consisted of buildings in the amount of $339,000 ($326,000 as at March 31, 2013) and of $2,232,000 in material and equipment ($2,140,000 as at March 31, 2013). Amounts incurred up to March 31, 2014 for construction of assets do not include any capitalized borrowing costs.

# 22. BIOLOGICAL ASSETS

| | Forest territories |
|---|---|
| **Balance as at April 1, 2012** | **65,649** |
| Acquisitions | 180 |
| Disposals | (93) |
| Change in fair value less costs to sell | 5,083 |
| **Balance as at March 31, 2013** | **70,819** |
| Acquisitions | 12 |
| Disposals | (22) |
| Change in fair value less costs to sell | 3,324 |
| **Balance as at March 31, 2014** | **74,133** |

Harvestable timber consists of 455,158 hectares (455,158 in 2013), of which 81% represents softwood plantations (81% in 2013) and of which 19% represents hardwood plantations (19% in 2013), and is broken down into the following stages of forest cover:

| | 2014 | 2013 |
|---|---|---|
| Mature forest (age class: 70 years or older) | **26.0%** | 26.0% |
| Intermediate forest (age class: 50 to 70 years) | **14.0%** | 14.0% |
| Young forest (age class: 10 to 30 years) | **10.0%** | 10.0% |
| Regenerating | **32.0%** | 32.0% |
| Unproductive and non-forested | **18.0%** | 18.0% |

The merchantable volume of standing trees is approximately 24,392,000 $m^3$ (24,392,000 $m^3$ in 2013). During the year, the Corporation harvested 140,099 $m^3$ (131,854 $m^3$ in 2013) and sold timber rights for 108,060 $m^2$ (nil in 2013). According to the last forest management plan prepared by management, the annual cut capacity is 445,138 $m^3$ (444,650 $m^3$ in 2013). According to management, the Corporation's cut methods and forest management can maintain the annual cut capacity at a stable level. During the 2013-2014 annual felling period, the Corporation reforested with 481,274 plants (578,082 plants in 2013) and performed pre-commercial thinning work on 12,403 hectares (977 hectares in 2013).

As at March 31, 2014, the fair value less costs to sell of the harvested agricultural products was $6,601,000 ($5,606,000 as at March 31, 2013).

### A) FAIR VALUE MEASUREMENT

The fair value was determined by a forest engineer, a valuation expert who is independent of the Corporation, using a discounted cash flow method. The fair value of harvestable timber was determined based on existing forest cutting plans, lumber prices and cutting costs, using the following significant assumptions:

- A discount rate of 6% (6% in 2013) based on the implied rates of return of recent transactions;
- A market value for standing trees of \$8.77/$m^3$ to \$14.31/$m^3$ (\$7.51/$m^3$ to \$14.25/$m^3$ in 2013), based in particular on selling prices and felling costs in effect as at March 31, 2014;
- An accelerated liquidation of mature wood inventories at a rate of 689,187 $m^3$ (689,187 $m^3$ in 2013) per year for 10 years, or until depletion of harvestable inventories.

Estimated fair value would be greater or lesser if:

- the discount rate were lower (higher);
- the merchantable volume of standing trees per cubic metre were higher (lower);
- the mature wood inventories were liquidated at a faster (slower) rate over a shorter (longer) period.

The fair value of harvestable timber was classified in Level 3 of the fair value hierarchy as it relies on valuation techniques based on significant unobservable market inputs.

This fair value was compared and adjusted based on an analysis of recent sales of comparable properties from 2000 to today.

### B) FINANCIAL RISKS

In the normal course of operations, the Corporation is exposed to a certain number of risks related to its harvestable timber plantations. The Corporation's operations are governed by enacted laws and regulations concerning, in particular, environmental protection. The Corporation has established environmental policies and procedures in accordance with applicable environmental and other laws. The Corporation has obtained ISO-14001 certification (environmental management). Management assesses environmental risks on a continuing basis in order to ensure that existing systems allow for proper management of these risks.

The Corporation is exposed to risks arising from changes in lumber prices and sales volumes. Where practicable, the Corporation manages this risk by coordinating its cut volumes with market supply and demand. Management regularly evaluates market trends in order to ensure that its price structure follows market trends and that planned cut volumes are consistent with expected demand.

Harvestable timber plantations are exposed to the risk of damage caused by climate change, disease, forest fires and other forces of nature. The Corporation has implemented a procedure for monitoring and mitigating these risks, including regular inspections of the health of its forests and analyses of the industry's known parasites and diseases.

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# 23. INTANGIBLE ASSETS

| | Mining properties | Licences and other | Electricity purchase agreement | Total |
|---|---|---|---|---|
| Cost | 29,414 | 28,987 | 8,434 | **66,835** |
| Accumulated amortization | – | 18,905 | 3,840 | **22,745** |
| **Balance as at April 1, 2012** | 29,414 | 10,082 | 4,594 | **44,090** |
| Amortization for the year | – | (1,799) | (444) | **(2,243)** |
| Internally-generated acquisitions | 9,607 | – | – | **9,607** |
| Other acquisitions | 12,000 | 2,505 | – | **14,505** |
| Write-off and impairment loss | (597) | – | – | **(597)** |
| Reversal of impairment loss | 193 | – | – | **193** |
| Other changes | (22) | (30) | 68 | **16** |
| | 21,181 | 676 | (376) | **21,481** |
| Cost | 50,595 | 31,492 | 8,573 | **90,660** |
| Accumulated amortization | – | 20,734 | 4,355 | **25,089** |
| **Balance as at March 31, 2013** | **50,595** | **10,758** | **4,218** | **65,571** |
| Amortization for the year | – | (1,941) | (469) | **(2,410)** |
| Internally-generated acquisitions | 10,186 | 57 | 413 | **10,656** |
| Other acquisitions | – | 484 | – | **484** |
| Write-off and impairment loss | (583) | – | – | **(583)** |
| Disposals | – | (418) | – | **(418)** |
| Other changes | 12 | (125) | 351 | **238** |
| | 9,615 | (1,943) | 295 | **7,967** |
| Cost | 60,210 | 30,651 | 9,744 | **100,605** |
| Accumulated amortization | – | 21,836 | 5,231 | **27,067** |
| **Balance as at March 31, 2014** | **60,210** | **8,815** | **4,513** | **73,538** |

Amortization expense, impairment reversals and impairment losses were recognized in the following items of the Consolidated Statement of Income:

| | 2014 | 2013 |
|---|---|---|
| Cost of sales | **746** | 721 |
| General expenses | **1,637** | 1,269 |
| Administrative expenses | **610** | 657 |
| | **2,993** | 2,647 |

The following table summarizes the financial information on the Corporation's mining resource exploration and evaluation activities:

| | 2014 | 2013 |
|---|---|---|
| Total assets | **122,654** | 102,355 |
| Total liabilities | **34,796** | 31,850 |
| Operating expenses | **(919)** | (36,845) |
| Cash flows related to: | | |
| Operating activities | **(3,240)** | (4,085) |
| Investing activities | **(30,558)** | (32,168) |

## 24. BANK LOANS

As at March 31, 2014, the Corporation had no bank loans. As at March 31, 2013, the Corporation had a secured bank loan bearing interest at prime rate plus 3%. This bank loan was secured by a movable hypothec without delivery on trade accounts receivable, the net carrying amount of which totalled $21,288,000, and on inventories, the net carrying amount of which totalled $24,737,000.

As at March 31, 2014, the Corporation had bank lines of credit in amounts authorized but not used totalling $253,182,000 ($219,963,000 as at March 31, 2013) bearing interest at a prime rate of 3%, renewable annually. It also issued letters of credit totalling $118,510,000 as at March 31, 2014 ($114,417,000 as at March 31, 2013).

## 25. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2014 | 2013 |
|---|---|---|
| Trade accounts payable and accrued liabilities | **73,576** | 71,101 |
| Other | **4,295** | 1,243 |
| | **77,871** | 72,344 |

## 26. LONG-TERM DEBT

| | 2014 | 2013 |
|---|---|---|
| Non-interest-bearing notes – immigrant investors, maturing from April 2014 to March 2019, face value of $4.8 billion (effective rates of 1.76% to 3.64%) (1) | **4,564,313** | 4,000,564 |
| Due to the Economic Development Fund, non-interest bearing and repayable no later than 2033 (effective rate of 8.4%) | **3,602** | 3,323 |
| Due to the Economic Development Fund, non-interest bearing and repayable no later than 2017 (effective rate of 9.2%) | **2,159** | 1,977 |
| Other | **389** | 621 |
| | **4,570,463** | 4,006,485 |
| Less current portion | **838,841** | 528,521 |
| | **3,731,622** | 3,477,964 |

(1) Repayment of the principal is guaranteed by the Government of Québec.

Contractual principal repayments on the long-term debt are as follows:

| | 2014 | 2013 |
|---|---|---|
| Under 1 year | **852,590** | 536,632 |
| 1 to 2 years | **841,727** | 857,790 |
| 2 to 3 years | **874,063** | 842,927 |
| 3 to 4 years | **1,156,968** | 876,863 |
| 4 to 5 years | **1,118,400** | 1,157,586 |
| Over 5 years | **4,002** | 3,323 |
| | **4,847,750** | 4,275,121 |

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# 27. DEFERRED GRANTS

| | |
|---|---|
| **Balance as at April 1, 2012** | **14,019** |
| Grants received during the period | 682 |
| Amortization for the year | (478) |
| Write-off | (108) |
| Other | 3 |
| **Balance as at March 31, 2013** | **14,118** |
| | |
| Grants received during the period | **351** |
| Amortization for the year | **(478)** |
| Other | **313** |
| **Balance as at March 31, 2014** | **14,304** |

No conditions are attached to government grants received by certain subsidiaries of the Corporation for the acquisition of property, plant and equipment and intangible assets.

# 28. PROVISIONS

| | Site restoration | Provision on commitments | Litigation and other | Total |
|---|---|---|---|---|
| **Balance as at April 1, 2012** | 8,276 | – | 366 | **8,642** |
| Provisions taken | 70 | 3,780 | 26 | **3,876** |
| Provisions used | (489) | – | (78) | **(567)** |
| Provisions reversed | 616 | – | (63) | **553** |
| Impact of accretion | 525 | – | 5 | **530** |
| **Balance as at March 31, 2013** | **8,998** | **3,780** | **256** | **13,034** |
| | | | | |
| Provisions taken | 1,904 | – | 2 | **1,906** |
| Provisions used | (1,031) | – | – | **(1,031)** |
| Provisions reversed | – | (335) | – | **(335)** |
| Impact of accretion | 121 | – | 5 | **126** |
| **Balance as at March 31, 2014** | **9,992** | **3,445** | **263** | **13,700** |
| | | | | |
| **Balance as at March 31, 2013** | | | | |
| Current | 1,302 | – | – | **1,302** |
| Non-current | 7,696 | 3,780 | 256 | **11,732** |
| | **8,998** | **3,780** | **256** | **13,034** |
| | | | | |
| **Balance as at March 31, 2014** | | | | |
| Current | 1,300 | – | – | **1,300** |
| Non-current | 8,692 | 3,445 | 263 | **12,400** |
| | **9,992** | **3,445** | **263** | **13,700** |

***Site restoration***

Provisions taken for the retirement of capital assets stem mainly from the Corporation's obligation to decontaminate and replace assets used in production and to restore industrial sites such that they are compliant with applicable laws and regulations. The Corporation believes that the undiscounted payments that will be needed to fulfil its obligation over a period of 1 to 23 years, which is the estimated period of the useful lives of the assets to be replaced, total $11,236,000 as at March 31, 2014 ($9,736,000 as at March 31, 2013). The undiscounted payments required to settle these obligations are as follows:

| | |
|---|---|
| 2015 | **1,316** |
| 2016 | **2,347** |
| 2017 | **1,079** |
| 2018 | **4,063** |
| 2019 and thereafter | **2,431** |
| | **11,236** |

Cash flow discount rates are as follows:

| | |
|---|---|
| 2015 | **2.05% – 3.87%** |
| 2016 | **2.05% – 3.86%** |
| 2017 | **2.05% – 3.89%** |
| 2018 | **2.05% – 4.13%** |
| 2019 and thereafter | **2.05% – 4.16%** |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
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# 29. GUARANTEES, NET OF THE GUARANTEE LIABILITY

| | 2014 | 2013 |
|---|---|---|
| **Guarantees** | | |
| Loan | **357,951** | 408,946 |
| Financial commitment | **128,458** | 131,857 |
| | **486,409** | 540,803 |
| **Guarantee liability** | | |
| Unamortized balance of initial guarantee liability | | |
| Loan guarantees | **(30,836)** | (41,698) |
| Financial commitment guarantees | **(10,614)** | (14,230) |
| | **(41,450)** | (55,928) |
| Allowance for losses (Note 17) | | |
| Loan guarantees | **(47,526)** | (48,824) |
| Financial commitment guarantees | **(21,961)** | (21,875) |
| | **(69,487)** | (70,699) |
| **Guarantee liability** | **(110,937)** | (126,627) |
| **Guarantee, net of the guarantee liability** | **375,472** | 414,176 |

| Guarantee balances mature as follows: | 2014 | 2013 |
|---|---|---|
| Under 1 year | **111,174** | 76,385 |
| 1 to 2 years | **42,328** | 48,350 |
| 2 to 3 years | **43,465** | 39,078 |
| 3 to 4 years | **56,307** | 58,867 |
| 4 to 5 years | **44,263** | 74,551 |
| Over 5 years | **188,872** | 243,572 |
| | **486,409** | 540,803 |

Guarantees denominated in U.S. dollars totalled $1,589,000 as at March 31, 2014 ($3,900,000 as at March 31, 2013), and the unamortized balance of the initial guarantee liability denominated in U.S. dollars totalled $100,000 ($400,000 as at March 31, 2013).

# 30. EMPLOYEE BENEFITS

***Defined contribution plans***

The Corporation's employees participate in the Government and Public Employees Retirement Plan (RREGOP), the Retirement Plan for Senior Officials (RPSO) or the Pension Plan of Management Personnel (PPMP). Government pension plans are defined benefit plans and have retirement and death coverage. However, Investissement Québec's obligations under these government plans are limited to employer contributions and, accordingly, these plans are considered to be defined contribution plans for the purpose of these consolidated financial statements. The Corporation also offers its employees other pension plans with employer contributions based on a percentage of participating employees' salary.

The Corporation's contributions to defined contribution plans amounted to $4,975,000 as at March 31, 2014 ($4,395,000 as at March 31, 2013) and were charged to net income.

***Defined benefit plans***

The Corporation offers contributory and non-contributory defined benefit pension plans to its employees based on years of service and average final earnings. The Corporation also offers other employee benefits, consisting mainly of group insurance plans that are not, however, funded. The Corporation expects to pay $2,893,000 in contributions ($3,986,000 as at March 31, 2013) to all these plans over the coming year.

The defined benefit plans are administered by pension funds that are legally separate from the Corporation. The boards of directors of the pension funds are composed of representatives of employers and employees (or former employees). The boards are required by law and by their articles of association to act in the best interest of the funds and of all relevant stakeholders in the plans, i.e., active employees, inactive employees, retirees and employers. The boards of the pension funds are responsible for the investment policies applicable to fund assets.

The defined benefit plans expose the Corporation to actuarial risks such as investment risk, interest rate risk, and longevity risk.

**Investment risk**

The present value of the liability for the defined benefit plans is calculated using a discount rate based on high quality corporate bond yields; if the return on plan assets is below this rate, a deficit will be created. As at March 31, 2014, the plans had a balanced investment strategy in equity securities and debt instruments. Due to the long-term nature of the plans' liabilities, it is considered appropriate that a reasonable portion of the plans' assets should be invested in equity securities in order to maximize return.

**Interest rate risk**

A decrease in the bond interest rate will increase the liability of the plans; however, this will be partially offset by an increase in the return on debt securities investments of the plans.

**Longevity risk**

The present value of the defined benefit plans' liability is calculated using the best estimate of the mortality of plan participants both during and after employment. An increase in the life expectancy of the plan participants will increase the liability of the plans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
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| | Pension plans | Other plans | 2014 | 2013 |
|---|---|---|---|---|
| **Defined benefit obligations** | | | | |
| **Balance, beginning of year** | 86,887 | 10,740 | **97,627** | 106,090 |
| Disposal (Note 19) | – | – | **–** | (16,974) |
| Current service cost for the period | 3,263 | 424 | **3,687** | 3,620 |
| Contributions paid by plan participants | 734 | – | **734** | 744 |
| Financial cost | 3,668 | 465 | **4,133** | 3,950 |
| Benefits paid | (2,449) | (198) | **(2,647)** | (3,862) |
| Remeasurements | | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 5,511 | 875 | **6,386** | – |
| Actuarial gains and losses arising from changes in financial assumptions | (4,667) | (1,408) | **(6,075)** | 1,915 |
| Actuarial gains and losses arising from plan experience | (556) | (13) | **(569)** | 167 |
| Past service cost | – | (1,068) | **(1,068)** | 1,961 |
| Other | 534 | (18) | **516** | 16 |
| **Balance, end of year** | 92,925 | 9,799 | **102,724** | 97,627 |
| **Fair value of the assets of the plans** | | | | |
| **Balance, beginning of year** | 65,208 | – | **65,208** | 68,711 |
| Disposal (Note 19) | – | – | **–** | (9,329) |
| Interest income | 2,404 | – | **2,404** | 3,548 |
| Employer contributions | 3,881 | – | **3,881** | 3,593 |
| Contributions paid by plan participants | 734 | – | **734** | 744 |
| Benefits paid | (2,449) | – | **(2,449)** | (3,701) |
| Return on assets of the plans, excluding amounts included in interest income | 7,636 | – | **7,636** | 1,651 |
| Other | – | – | **–** | (9) |
| **Balance, end of year** | 77,414 | – | **77,414** | 65,208 |
| **Effect of the asset ceiling** | | | | |
| **Balance, beginning of year** | 2,400 | – | **2,400** | – |
| Remeasurement of the impact of the limitation of the asset ceiling of the plans | 7,082 | – | **7,082** | 2,400 |
| Interest on the effect of the asset ceiling | 101 | – | **101** | – |
| **Balance, end of year** | 9,583 | – | **9,583** | 2,400 |

| | Pension plans | Other plans | 2014 | 2013 |
|---|---|---|---|---|
| **Defined benefit liability** | | | | |
| Defined benefit obligations | | | | |
| Funded plans | (69,609) | – | **(69,609)** | (65,884) |
| Unfunded plans | (23,316) | (9,799) | **(33,115)** | (31,743) |
| Fair value of the assets of the plans | 77,414 | – | **77,414** | 65,208 |
| Effect of the asset ceiling | (9,583) | – | **(9,583)** | (2,400) |
| Other | – | – | **–** | 48 |
| | (25,094) | (9,799) | **(34,893)** | (34,771) |

The plans' assets consist of the following:

| | 2014 | 2013 |
|---|---|---|
| Canadian equity funds | **30.9%** | 29.2% |
| Foreign equity funds | **34.0%** | 32.0% |
| Bond funds | **33.2%** | 33.3% |
| Other | **1.9%** | 5.5% |
| | **100.0%** | 100.0% |

The fair values of the shares and bonds are based on quoted prices in an active market.

The Corporation reviews the investment portfolios held by the plans as well as the funds' management performance each quarter. During the review, the Corporation ensures that the investments of the plans comply, in all material respects, with the target weightings set out in the policies of the plans.

The target weighting of the reference portfolio set out in the plan's investment policy is as follows:

- Canadian bonds – long-term 39.0%
- Canadian equity, large capitalization 25.5%
- Canadian equity, small capitalization 5.0%
- Foreign equity 30.5%

The Corporation's risk management process has not changed from previous years.

The defined benefit pension plans' expense consists of the following:

| | | | 2014 | 2013 |
|---|---|---|---|---|
| | Pension plans | Other plans | Total | Total |
| Current service cost | 3,263 | 424 | **3,687** | 3,645 |
| Net interest | 1,365 | 465 | **1,830** | 402 |
| Past service cost | – | (1,068) | **(1,068)** | 1,971 |
| Other | – | 28 | **28** | – |
| | 4,628 | (151) | **4,477** | 6,018 |

The defined benefit pension plans' expense was recognized in the following items of the Consolidated Statement of Income:

| | 2014 | 2013 |
|---|---|---|
| Cost of sales | **1,458** | 1,034 |
| General expenses | **429** | 418 |
| Administrative expenses | **2,590** | 4,566 |
| | **4,477** | 6,018 |

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The following gains (losses) were recognized in other comprehensive income:

| | | | 2014 | 2013 |
|---|---|---|---|---|
| | Pension plans | Other plans | Total | Total |
| Remeasurement of net defined benefit liability | 7,348 | 546 | **7,894** | (432) |
| Effect of the asset ceiling of the plans | (7,082) | – | **(7,082)** | (2,400) |
| | 266 | 546 | **812** | (2,832) |

The weighted averages of the main actuarial assumptions were as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Pension plans | Other plans | Pension plans | Other plans |
| Discount rate | **4.43%** | **4.48%** | 4.17% | 4.13% |
| Rate of compensation increase | **3.10%** | **3.14%** | 3.31% | 3.31% |
| Rate of increase of healthcare costs | **n/a** | **4.82%** | n/a | 5.10% |

Assumptions regarding average longevity at retirement age are based on mortality tables. The average longevities at retirement age that underlie the values of the defined benefit plan liabilities are as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Pension plans | Other plans | Pension plans | Other plans |
| For current retirees | | | | |
| Men | **22** | **19** | 21 | 17 |
| Women | **25** | **24** | 27 | 23 |
| For active members (future retirees) | | | | |
| Men | **28** | **27** | 26 | 25 |
| Women | **30** | **30** | 27 | 27 |

As at March 31, 2014, the average duration of the defined benefit obligation is 17 years (17 years as at March 31, 2013).

A change of 1%, or of one year in the case of mortality, in one of the actuarial assumptions as at March 31, 2014, assuming all other variables remain unchanged and applying the same methodology as that used to establish the defined benefit obligation, would have the following impact on the defined benefit obligation:

| | PENSION PLANS | | OTHER PLANS | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate | **(13,180)** | **17,345** | **(1,433)** | **1,838** |
| Rate of compensation increase | **2,907** | **(2,644)** | **19** | **(19)** |
| Rate of increase of healthcare costs | **n/a** | **n/a** | **1,571** | **1,252** |
| Mortality | **1,545** | **(1,545)** | **297** | **289** |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another, as some of the assumptions may be correlated.

## 31. OTHER LIABILITIES

| | 2014 | 2013 |
|---|---|---|
| Deferred revenues | **3,779** | 3,816 |
| Commitment liability | **82** | 201 |
| Derivative financial instruments | **7,624** | 929 |
| Other | **639** | 702 |
| | **12,124** | 5,648 |
| Less current portion | **922** | 157 |
| | **11,202** | 5,491 |

## 32. SHARE CAPITAL

Authorized, par value of $1,000 per share:
4,000,000 common shares, voting, totalling $4 billion.

| | 2014 | 2013 |
|---|---|---|
| Issued and fully paid: | | |
| 3,073,340 common shares | **3,073,340** | 3,073,340 |

## 33. CAPITAL MANAGEMENT

The Corporation's capital management objectives are as follows:

- Have sufficient financial flexibility to support its portfolio of businesses and other investments;
- Contribute to the development of businesses in Québec through investments and financing.

In managing its capital, the Corporation considers the risk and liquidity characteristics of its investments and financing. To maintain or adjust its capital structure, the Corporation may issue new shares, issue or repay debts and acquire or sell assets to improve its flexibility and financial performance.

The Corporation's capital is made up of the bank loans and long-term debt of its subsidiaries and of its equity. The Corporation is not subject to any external capital requirement except for certain restrictive covenants of its subsidiaries' borrowings (see Note 24).

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# 34. ADDITIONAL CASH FLOW INFORMATION

Changes in assets and liabilities related to operating activities were as follows:

| | 2014 | 2013 |
|---|---|---|
| Accounts receivable | **(4,519)** | (9,889) |
| Inventories | **1,409** | 2,371 |
| Prepaid expenses | **544** | (326) |
| Accounts payable and accrued liabilities | **7,171** | (12,226) |
| | **4,605** | (20,070) |

As at March 31, 2014, property, plant and equipment in the amounts of $63,000 ($556,000 as at March 31, 2013) and $232,000 ($284,000 as at March 31, 2013), respectively, were included in accounts payable and accrued liabilities and long-term debt.

# 35. CONTINGENCIES

Various judicial and extrajudicial proceedings instituted by or against the Corporation are pending. In the Corporation's opinion, the outcome of these proceedings will not have a significant impact on its financial position or results.

# 36. COMMITMENTS

### A) OPERATING LEASES

The Corporation is committed under non-cancellable operating leases, mainly to rent office space. These leases generally have terms of 1 to 5 years and a renewal option thereafter. Minimum lease payments are as follows:

| | 2014 | 2013 |
|---|---|---|
| Under 1 year | **1,680** | 1,634 |
| 1 to 5 years | **2,909** | 4,787 |
| Over 5 years | **–** | 1 |
| | **4,589** | 6,422 |

As at March 31, 2014, an amount of $6,907,000 ($6,715,000 as at March 31, 2013) was recognized for operating leases under "Administrative expenses" in net income.

### B) FINANCING AND INVESTMENT COMMITMENTS

The Corporation's financing commitments, entered into in the normal course of business, are shown in the table on the following page and are grouped into two categories. The first consists of financing agreements authorized by the Corporation that have not yet been accepted by clients. The second consists of financing agreements accepted by clients, i.e., amounts not disbursed on loans, shares and units; amounts for which disbursement has not been authorized for financial contributions; and amounts that have not yet been used for guarantees. In addition, under agreements with partners, the Corporation has made a commitment to invest, in the form of limited partnership units, in the FIER-Regions, in the mutual fund of FIER Partners, in the Support Funds and in other venture capital organizations.

The total value of these commitments does not necessarily represent the Corporation's future cash requirements, as several will expire or may be cancelled without resulting in an outflow of cash.

Commitments are detailed as follows:

| | 2014 | 2013 |
|---|---|---|
| **Financing commitments** | | |
| Authorized agreements | | |
| Loans | **18,702** | 44,776 |
| Guarantees | **11,936** | 16,162 |
| Financial contributions | **1,930** | 2,305 |
| | **32,568** | 63,243 |
| Agreements accepted by clients | | |
| Loans [(1)(2)(3)] | **229,828** | 273,724 |
| Guarantees | **125,774** | 148,296 |
| Financial contributions | **129,143** | 135,976 |
| | **484,745** | 557,996 |
| **Investment commitments** | | |
| Subscription of shares and contribution agreement | **334** | – |
| Units of limited partnerships | | |
| Regional FIER entities | **–** | 1,272 |
| FIER Partners, limited partnership | **28,406** | 34,467 |
| Support Funds | **–** | 2,000 |
| Venture capital organizations | **108,404** | 166,243 |
| | **137,144** | 203,982 |
| | **654,457** | 825,221 |

(1) Including an amount of $9.1 million as at March 31, 2014 ($14.7 million as at March 31, 2013) for which the fixed contractual interest rates range from 3.49% to 12.80% (3.40% to 14.00% as at March 31, 2013) with terms ranging from October 2014 to November 2037 (April 2014 to November 2037 as at March 31, 2013).

(2) Including an amount of $120.7 million with variable interest rates as at March 31, 2014 ($159.0 million as at March 31, 2013).

(3) Including an amount of $100.0 million with undetermined interest rates as at March 31, 2014 ($100.0 million as at March 31, 2013).

### C) LONG-TERM COMMITMENTS

Under non-cancellable contracts, the Corporation has made a commitment to acquire, over the coming years, property, plant and equipment totalling $15,746,000 as at March 31, 2014 ($15,272,000 as at March 31, 2013) and raw materials and other items totalling $12,915,000 as at March 31, 2014 ($9,976,000 as at March 31, 2013).

### D) SALES OF BUSINESSES

When a business is sold in whole or in part, in addition to any potential indemnification arising from the failure to perform covenants or from non-compliance with a declaration of guarantee, the Corporation may agree to provide a guarantee against any claim resulting from past activities. In general, the terms and conditions and amount of such indemnification are limited by the agreement. The Corporation did not recognize an amount in the Consolidated Statement of Financial Position for these sales because it is not probable that an outflow of resources will be required to settle the obligation and such amount cannot be reliably estimated.

### E) OTHER COMMITMENTS

As at March 31, 2014, the Corporation has made a commitment to pay fees totalling $45,900,000 ($39,819,000 as at March 31, 2013) to financial intermediaries for canvassing immigrant investors, targeting companies for referral and closing immigrant investor files.

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# 37. FINANCIAL INSTRUMENTS

## A) CARRYING VALUE OF FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments are recognized in the Consolidated Statement of Financial Position at fair value or amortized cost depending on their classification. The carrying values of financial instruments, broken down by category, are as follows:

**2014**

| | Classified as at fair value through profit or loss | Designated as at fair value through profit or loss | Available-for-sale financial assets | Loans and receivables | Other financial liabilities | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | – | 16,793 | – | 89,428 | – | 106,221 |
| Temporary investments | – | – | – | 554,149 | – | 554,149 |
| Accounts receivable | 322 | – | – | 87,659 | – | 87,981 |
| Guarantee fees receivable | – | – | – | 22,711 | – | 22,711 |
| Notes receivable from the Government of Québec | – | – | – | 4,588,467 | – | 4,588,467 |
| Loans | – | – | – | 882,950 | – | 882,950 |
| Investments | 28,803 | 449,704 | 767,154 | – | – | 1,245,661 |
| | 29,125 | 466,497 | 767,154 | 6,225,364 | – | 7,488,140 |
| **Financial liabilities** | | | | | | |
| Bank overdrafts | – | – | – | – | 535 | 535 |
| Accounts payable and accrued liabilities | – | – | – | – | 77,871 | 77,871 |
| Long-term debt | – | – | – | – | 4,570,463 | 4,570,463 |
| Advances from the Government of Québec | – | – | – | – | 481,317 | 481,317 |
| Guarantee liability | – | – | – | – | 110,937 | 110,937 |
| Other liabilities | 7,624 | – | – | – | – | 7,624 |
| | 7,624 | – | – | – | 5,241,123 | 5,248,747 |

**2013**

| | Classified as at fair value through profit or loss | Designated as at fair value through profit or loss | Available-for-sale financial assets | Loans and receivables | Other financial liabilities | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | – | 23,795 | – | 109,778 | – | 133,573 |
| Temporary investments | – | – | – | 533,231 | – | 533,231 |
| Accounts receivable | 339 | – | – | 85,769 | – | 86,108 |
| Guarantee fees receivable | – | – | – | 30,068 | – | 30,068 |
| Notes receivable from the Government of Québec | – | – | – | 4,028,350 | – | 4,028,350 |
| Loans | – | – | – | 648,536 | – | 648,536 |
| Investments | 10,134 | 401,664 | 733,724 | – | – | 1,145,522 |
| | 10,473 | 425,459 | 733,724 | 5,435,732 | – | 6,605,388 |
| **Financial liabilities** | | | | | | |
| Bank overdrafts | – | – | – | – | 3,110 | 3,110 |
| Bank loans | – | – | – | – | 3,126 | 3,126 |
| Accounts payable and accrued liabilities | – | – | – | – | 72,344 | 72,344 |
| Long-term debt | – | – | – | – | 4,006,485 | 4,006,485 |
| Advances from the Government of Québec | – | – | – | – | 415,317 | 415,317 |
| Guarantee liability | – | – | – | – | 126,627 | 126,627 |
| Other liabilities | 929 | – | – | – | – | 929 |
| | 929 | – | – | – | 4,627,009 | 4,627,938 |

### B) FAIR VALUE OF FINANCIAL INSTRUMENTS AND HIERARCHY OF FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value is an exit price, regardless of whether that price is directly observable or estimated using another valuation technique. Given the role that judgment plays in applying many acceptable valuation and estimation techniques for calculating fair value, these techniques are not necessarily comparable among different entities. Fair value is based on market conditions at a given point in time and therefore does not necessarily reflect the future fair value of the instruments. It should not be interpreted as a realizable amount if the instruments were to be settled immediately.

The fair value of a financial instrument on initial recognition is generally the transaction price and takes into account factors specific to the transaction and to the asset or liability. Thus the transaction price might not represent the fair value of an asset or a liability at initial recognition in certain cases.

The Corporation uses quoted market prices (bid/ask prices), when available, to determine the fair value of financial instruments. When markets are non-existent or considered not sufficiently liquid, the Corporation determines initial fair value using valuation techniques that rely, wherever possible, on observable market inputs. These valuation techniques consist particularly of discounted cash flows analyses, pricing models, and other valuation methods commonly used in the market.

When financial instruments accounted for at fair value are subsequently measured, quoted prices in an active market represent the best evidence of fair value, and when they are available, the Corporation uses them to measure financial instruments. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. When there are several active markets, the Corporation determines the fair value of a financial instrument using the quoted price in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Moreover, the Corporation considers whether it can enter into a transaction for the asset or liability at the price in that market at the measurement date. The fair value of a financial asset traded in an active market generally reflects the bid price and that of a financial liability traded in an active market, the ask price. If the market for a financial instrument is not active, the Corporation establishes fair value using a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Such valuation techniques include, among other things, using available information on recent market transactions, reference to the current fair value of a comparable financial instrument, discounted cash flow analysis and all other valuation techniques commonly used by market participants where it has been demonstrated that the technique provides reliable estimates.

In cases where fair value is determined using pricing models, the Corporation makes assumptions about the amount, the timing of estimated future cash flows and the estimated discount rates used. These assumptions are based mainly on observable factors in external markets such as risk-free yield curves, volatility factors and credit risk. For loans and receivables, pricing models are based on certain unobservable market assumptions such as the determination of future variable repayments. Replacing these assumptions with others could result in a different fair value.

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The Corporation implemented an investment financial valuation policy. This policy sets out guidelines for analyzing new investments, reinvestments, realizations, annual valuations of portfolio investments or any other valuations required as part of the Corporation's activities. The policy ensures consistent application of generally accepted valuation principles and thus ensures that the fair value of these investments is established according to accepted standards in the valuation industry. While the policy primarily covers ongoing portfolio reviews, the same principles are used for new investments, reinvestments or timely valuations.

Application of the policy falls under the authority of the Investment Support and Management Division, subject to the approval of the Financial and Risk Management Division.

The fair values of financial instruments are classified using a hierarchy that reflects the significance of the inputs used in the valuations. The hierarchy that applies when determining fair value requires the use of observable market inputs whenever they exist. A financial instrument whose fair value was measured using a significant unobservable input is classified in the lowest level of the hierarchy. The fair value hierarchy consists of the following levels:

- Level 1: Fair value is based on observable, unadjusted quoted market prices in active markets for identical assets or liabilities.

- Level 2: Fair value relies on valuation techniques based on inputs consisting of quoted prices of similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or market-corroborated inputs.

- Level 3: Fair value relies on valuation techniques based on significant unobservable market inputs.

The Corporation recognizes transfers between levels of the fair value measurement hierarchy at the end of the fiscal year in which the change occurred.

No transfers between hierarchy levels took place during fiscal years 2014 and 2013.

The Corporation determined that the carrying values of cash and cash equivalents, accounts receivable, bank overdrafts, bank loans, accounts payable and accrued liabilities, and advances from the Government of Québec approximated their fair values due to the short maturities of these instruments.

The following table shows the carrying values and estimated fair values of the financial instruments that appear in the Consolidated Statement of Financial Position. Fair value is established using the valuation methods and assumptions described below and is classified according to the valuation hierarchy described on the previous page. The table does not provide information about the fair value of financial instruments not measured at fair value in the Statement of Financial Position when the carrying value is a reasonable approximation of fair value.

**2014**

| | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents designated as at fair value through profit or loss [1] | 16,793 | 16,793 | 15,805 | 988 | – |
| Temporary investments [2] | 554,149 | 554,149 | – | 554,149 | – |
| Accounts receivable classified as at fair value through profit or loss [1] | 322 | 322 | – | 322 | – |
| Guarantee fees receivable [3] | 22,711 | 24,848 | – | – | 24,848 |
| Notes receivable from the Government of Québec [4] | 4,588,467 | 4,651,348 | – | 4,651,348 | – |
| Loans [5] | 882,950 | 928,410 | – | – | 928,410 |
| Investments: | | | | | |
| ABTN [6] | 94,369 | 94,369 | – | 94,369 | – |
| Investments in venture capital organizations [7] | 9,241 | 9,241 | 25 | – | 9,216 |
| Investments in venture capital organizations of associates [7] | 346,094 | 346,094 | 1,415 | 29 | 344,650 |
| Derivative financial instruments [8] | 28,803 | 28,803 | 419 | – | 28,384 |
| Publicly traded participating shares [9] | 608,088 | 608,088 | 608,088 | – | – |
| Private corporation participating shares [10] | 16,302 | 16,302 | – | – | 16,302 |
| Bonds and other debt securities [11] | 142,764 | 142,764 | 7,989 | 134,775 | – |
| | 7,311,053 | 7,421,531 | 633,741 | 5,435,980 | 1,351,810 |
| **Financial liabilities** | | | | | |
| Long-term debt [12] | 4,570,463 | 4,638,757 | – | 4,638,757 | – |
| Guarantee liability [13] | 110,937 | 94,453 | – | – | 94,453 |
| Other liabilities [14] | 7,624 | 7,624 | – | 7,624 | – |
| | 4,689,024 | 4,740,834 | – | 4,646,381 | 94,453 |

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| | | | | | 2013 |
|---|---|---|---|---|---|
| | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | |
| Cash and cash equivalents designated as at fair value through profit or loss [1] | 23,795 | 23,795 | 12,203 | 11,592 | – |
| Temporary investments [2] | 533,231 | 533,231 | – | 533,231 | – |
| Accounts receivable classified as at fair value through profit or loss [1] | 339 | 339 | – | 339 | – |
| Guarantee fees receivable [3] | 30,068 | 31,258 | – | – | 31,258 |
| Notes receivable from the Government of Québec [4] | 4,028,350 | 4,114,617 | – | 4,114,617 | – |
| Loans [5] | 648,536 | 700,633 | – | – | 700,633 |
| Investments: | | | | | |
| ABTN [6] | 87,411 | 87,411 | – | 87,411 | – |
| Investments in venture capital organizations [7] | 10,419 | 10,419 | 1,856 | – | 8,563 |
| Investments in venture capital organizations of associates [7] | 303,834 | 303,834 | 1,388 | 65 | 302,381 |
| Derivative financial instruments [8] | 10,134 | 10,134 | 1,462 | 408 | 8,264 |
| Publicly traded participating shares [9] | 552,399 | 552,399 | 552,399 | – | – |
| Private corporation participating shares [10] | 57,627 | 57,627 | – | – | 57,627 |
| Bonds and other debt securities [11] | 123,698 | 123,698 | – | 123,698 | – |
| | 6,409,841 | 6,549,395 | 569,308 | 4,871,361 | 1,108,726 |
| **Financial liabilities** | | | | | |
| Long-term debt [12] | 4,006,485 | 4,098,847 | – | 4,098,847 | – |
| Guarantee liability [13] | 126,627 | 118,116 | – | – | 118,116 |
| Other liabilities [14] | 929 | 929 | – | 929 | – |
| | 4,134,041 | 4,217,892 | – | 4,099,776 | 118,116 |

The fair value of financial instruments that appear in the above table was estimated based on the following methods and inputs:

(1) When these financial instruments are traded in an active market, fair value is the price in the principal market or, in the absence of such a market, the most advantageous market. When the fair value of the instrument is not available in an observable active market, fair value is established by using quoted prices of similar instruments in active markets.

(2) The fair value of temporary investments with maturities exceeding three months after the acquisition date is determined using secondary market prices, established as the bid price at the reporting date.

(3) The fair value of guarantee fees receivable is estimated by discounting cash flows at prevailing market interest rates for new receivables with substantially similar terms. For impaired receivables, fair value is deemed to be equivalent to carrying value, in accordance with the valuation methods described in the "Guarantees" heading of Note 4.

(4) The fair value of the notes receivable from the Government of Québec is measured by discounting cash flows using prevailing market interest rates for new notes with substantially similar terms.

(5) The fair value of loans is estimated by discounting cash flows using prevailing market interest rates for new loans with substantially similar terms. For impaired loans, fair value is deemed to be equivalent to carrying value, in accordance with the valuation methods described in the "Loans" heading of Note 4.

(6) The methods and assumptions used to measure the fair value of ABTNs are described in Note 18.

(7) The fair value of investments held by venture capital organizations is measured using the adjusted net asset method based on the fair value of the units held in the underlying funds, as established by those funds in their audited financial statements. Management reviews the documentation obtained from the funds and considers the fair value measurement date of the units obtained and the conditions related to the contractual agreements with its partners, if applicable. If necessary, the fair value of the units is adjusted to reflect the best estimate of the investment's fair value.

(8) The fair value of derivative instruments quoted in an active market is determined using reported bid prices. When evaluation based on the market observable input is not possible, the fair value of the derivative instrument is estimated using a binomial model that considers outflow probabilities, the Black-Scholes valuation model or the value differential between the value of the hybrid instrument and that of the instrument's other components.

(9) The fair value of investments listed in an active market is determined using reported bid prices.

(10) The fair value of investments that are not quoted in an active market is established using practices and methods in accordance with the standards of recognized Canadian organizations. The main valuation methods used include the capitalization of cash flows or earnings, the discounting of cash flows as well as the earnings multiples methods of comparable public corporations. The main parameters of these methods include cash flows, discount rate, discounts for lack of marketability, EBITDA multipliers and other earnings ratios by industry.

(11) The fair value of bonds and other debt securities is determined using secondary market prices, established as the bid price at the reporting date.

(12) The fair value of long-term debt is determined by discounting cash flows using prevailing market interest rates for debts with similar terms and risks.

(13) The fair value of the guarantee liability is estimated by discounting cash flows at prevailing market interest rates for new guarantees with substantially similar terms. For guarantees in the case of insolvent companies or where insolvency seems likely in the short term, fair value is equal to the guarantee liability, in accordance with the valuation methods described in the "Guarantees" heading of Note 4.

(14) The fair value of other financial liabilities is estimated using valuation techniques based on observable market inputs, in particular current market prices, the contractual prices of the underlying instruments and interest rate yield curves.

### C) CHANGE IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS RECOGNIZED AT FAIR VALUE AND CLASSIFIED IN LEVEL 3

The change in fair value of financial instruments recorded at fair value in the Statement of Financial Position and classified in Level 3 is as follows:

| | Private corporation shares | Derivative financial instruments | Investments in venture capital organizations | Total |
|---|---|---|---|---|
| **Balance as at April 1, 2012** | 56,922 | 13,702 | 284,522 | **355,146** |
| Impairment loss recognized in net income | (1,592) | (9,096) | (8,693) | **(19,381)** |
| Gain recognized in comprehensive income | 2,792 | – | – | **2,792** |
| Acquisitions | 5,111 | 3,658 | 62,913 | **71,682** |
| Disposals | (5,606) | – | (27,798) | **(33,404)** |
| **Balance as at March 31, 2013** | **57,627** | **8,264** | **310,944** | **376,835** |
| Gain (loss) recognized in net income | (24) | 9,096 | 1,569 | **10,641** |
| Loss recognized in comprehensive income | (2,461) | – | – | **(2,461)** |
| Acquisitions | 6,650 | 11,123 | 80,901 | **98,674** |
| Disposals | (45,490) | (99) | (130) | **(45,719)** |
| Distributions | – | – | (39,418) | **(39,418)** |
| **Balance as at March 31, 2014** | **16,302** | **28,384** | **353,866** | **398,552** |

Net unrealized gains recognized in net income and charged to the Corporation's Level 3 financial instruments totalled $10,641,000 as at March 31, 2014 ($19,381,000 as at March 31, 2013). As at March 31, 2014, net gains of $10,665,000 (loss of $17,789,000 as at March 31, 2013) were reported under "Net change in investments at fair value through profit or loss," and a loss of $24,000 ($1,592,000 as at March 31, 2013) was reported in net income under "Net impairment losses on investments."

### D) SENSITIVITY OF FINANCIAL ASSETS MEASURED AT FAIR VALUE AND CLASSIFIED IN LEVEL 3

#### i) Private corporation shares

The fair value measurement of private corporation shares is primarily sensitive to the discount rate. Certain parameters used in fair value measurement methods, including the discount rate, are influenced by 1) market conditions prevailing on the measurement date, including interest rates on Canada bonds, credit spreads and changes in comparable public corporations, 2) the particular circumstances of each industry and 3) the particular circumstances of each enterprise. As at March 31, 2014, the weighted average discount rate used to establish fair value was 15.0% (10.8% as at March 31, 2013).

Thus, the following analysis shows the sensitivity of valuations to the discount rates. A 1% change in the rate would affect the fair value of private corporation shares as follows:

| | 1% increase | 1% decrease |
|---|---|---|
| Impact of the change in fair value on net income | **94** | **(82)** |

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**ii) Derivative financial instruments**
The fair value of Level 3 derivative financial instruments is measured using the Black-Scholes model as well as discounted expected cash flow models.

For purposes of applying the Black-Scholes model, expected volatility is estimated based on the volatility of an instrument's underlying shares, derived from the shares' historical prices, and constitutes a significant unobservable input. The weighted average volatility used for purposes of measuring derivative financial instruments was 56.0% as at March 31, 2014 (60.9% as at March 31, 2013). The higher the volatility, the greater the fair value of the financial instrument.

A 1% change in the rate would have the following impact on the fair value of the financial instruments:

| | 1% increase | 1% decrease |
|---|---|---|
| Impact of the change in fair value on net income following a change in the volatility rate | **25** | **(25)** |
| Impact of the change in fair value on net income following a change in the discount rate | **(89)** | **96** |

**iii) Investments in venture capital organizations**
Although not usually traded on a stock market, investments in venture capital organizations expose the Corporation to market risk. The fair value of these investments may fluctuate over time due to, among other things, economic conditions and to the cash flows of businesses in which the Corporation has invested.

Fair value sensitivity was measured using historical changes in fair value.

| | 3% increase | 3% decrease |
|---|---|---|
| Impact of the change in fair value on net income | **10,616** | **(10,616)** |

# 38. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation is exposed to a variety of risks, in particular credit risk, liquidity risk and market risk arising from changes in foreign exchange rates, changes in interest rates and market fluctuations. The strategies, policies and processes used to manage and control risk across the organization help to manage the risk-return trade-off within the limits set by the Corporation.

The Corporation manages these risk exposures on an ongoing basis. To mitigate the impact of exchange rate, interest rate and commodity price fluctuations on its income and financial position, the Corporation may use various derivative financial instruments. The Corporation is responsible for determining acceptable risk levels and uses derivative financial instruments only for purposes of managing its risks and existing or expected commitments or obligations, based on its past experience.

## A) CREDIT RISK

Credit risk is the risk that the Corporation could experience a loss as a result of a third party being unable to meet its financial commitments. The Corporation is exposed to credit risk primarily through its lending and financial guarantee operations, its loan and financial guarantee commitments, and its investing activities. The Corporation's main credit risks stem from its cash and cash equivalents, temporary investments, accounts receivable, investments such as ABTNs and certain investments in venture capital organizations, loans and notes receivable from the Government of Québec.

**i) Concentration of credit risk**

Significant concentration of credit risk is the probability of a significant portion of outstanding investments being confined to a subset of the Corporation's portfolio. Such concentration could expose the Corporation to difficulties experienced by a corporate client, an industry, a specific region or a given financial product. The Corporation has set up a reporting system to monitor the portfolio's overall profile and determine how investments are distributed by industry. Overall, the investment portfolio is within the maximum limits for credit risk exposure set by the Corporation. Management believes that the risk of credit concentration does not significantly impact the Corporation.

**ii) Maximum exposure to credit risk**

The maximum exposure to credit risk, without taking into account any guarantee held or other credit enhancements, is as follows:

| | 2014 | 2013 |
|---|---|---|
| **In the Consolidated Statement of Financial Position** | | |
| Cash and cash equivalents | **106,221** | 133,573 |
| Temporary investments | **554,149** | 533,231 |
| Accounts receivable | **87,981** | 86,108 |
| Guarantee fees receivable | **22,711** | 30,068 |
| Notes receivable from the Government of Québec | **4,588,467** | 4,028,350 |
| Loans | **882,950** | 648,536 |
| Investments (1) | **584,454** | 523,506 |
| | **6,826,933** | 5,983,372 |
| **Off-balance-sheet** | | |
| Guarantees | **375,472** | 414,176 |
| Loan commitments – Agreements accepted by clients | **229,828** | 273,724 |
| Guarantee commitments – Agreements accepted by clients | **125,774** | 148,296 |
| Investment commitments | **169,775** | 203,982 |
| | **900,849** | 1,040,178 |
| | **7,727,782** | 7,023,550 |

(1) Includes ABTNs, investments in venture capital organizations, investments in venture capital organizations of associates and joint ventures, and bonds and other debt securities, excluding quoted securities classified in Level 1 of the fair value measurement hierarchy.

***Cash and cash equivalents***

Cash and cash equivalents consists mainly of temporary liquid deposits as well as short-term securities issued or guaranteed by the Government of Canada, Canadian provinces, a Québec municipality or a Canadian financial institution. The maximum credit risk exposure to cash and cash equivalents corresponds to its carrying amount. The Corporation mitigates the credit risk related to these financial instruments by complying with its temporary investment policy, which describes the parameters and limits for credit concentration risk.

***Accounts receivable***

To reduce its risk related to accounts receivable, the Corporation regularly evaluates the financial position of its clients and examines each new client's credit history. The Corporation holds no assets as collateral on accounts receivable. Given the diversity of its clients and their business sectors, the Corporation believes that the credit concentration risk for accounts receivable is negligible. It establishes the allowance for doubtful accounts based on the specific credit risk and historical trends of clients. It records an impairment for accounts receivable only if recovery is not reasonably certain.

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The aging of trade accounts receivable as at March 31 was as follows:

| | 2014 | 2013 |
|---|---|---|
| Current | **58,089** | 55,851 |
| 1 to 60 days past due | **1,089** | 1,011 |
| 61 to 90 days past due | **75** | 689 |
| Over 90 days past due | **2,404** | 7,350 |
| | **61,657** | 64,901 |
| Less the allowance for credit losses | **4,284** | 6,808 |
| | **57,373** | 58,093 |

Changes to the allowance for credit losses are as follows:

| | 2014 | 2013 |
|---|---|---|
| **Balance, beginning of year** | **6,808** | 5,660 |
| (Reversal) impairment loss recognized in net income | **(2,524)** | 1,148 |
| **Balance, end of year** | **4,284** | 6,808 |

The Corporation does not believe that it is exposed to a significant level of credit risk with respect to its clients. As at March 31, 2014, 43% (37% as at March 31, 2013) of trade accounts receivable are guaranteed by an insurer.

***Loans and guarantees***

Decisions to grant credit are based primarily on the results of the risk assessment. In addition to the client's solvency, decisions are based on factors such as available guarantees and whether the transaction is compliant with the Corporation's policies, standards and procedures. Every decision to grant credit stems from different authorities within the Corporation, depending on the size and degree of risk of the credit operation.

Financing operations are systematically monitored, which involves obtaining and analyzing the annual financial statements of each company, producing an annual report that details changes in the situation of each company, periodically reviewing the credit risk rating and updating the value of the collateral in order to determine the allowance for losses.

To do so, the Corporation uses a system to rate companies according to the financial risk they represent. The system makes an initial risk assessment and matches pricing to risk level. In addition, it makes it easier to follow up on financing operations and enables the monitoring of companies in difficulty. Loans are classified based on client credit risk according to the Corporation's rating system:

| | 2014 | 2013 |
|---|---|---|
| **Client credit risk** | | |
| Low | **236,799** | 228,427 |
| Medium | **598,178** | 373,640 |
| High | **47,973** | 46,469 |
| **Total loans** | **882,950** | 648,536 |

The Corporation holds collateral and suretyships for loans and guarantees such that its maximum exposure to credit risk is as follows:

| | 2014 | 2013 |
|---|---|---|
| Loans | **882,950** | 648,536 |
| Collateral and suretyships | **(298,497)** | (247,332) |
| **Maximum exposure to credit risk** | **584,453** | 401,204 |
| Guarantees | **375,472** | 414,176 |
| Collateral and suretyships | **(162,886)** | (31,676) |
| **Maximum exposure to credit risk** | **212,586** | 382,500 |

***Investments***

The Corporation regularly evaluates its counterparties' credit rating. It mitigates the credit risk related to its financial instruments by complying with its investment policies, which set the parameters and limits for credit concentration risk.

**B) LIQUIDITY RISK**

Liquidity risk is associated with the Corporation's ability to obtain the funds needed to honour its financial commitments. Liquidity risk also stems from difficulties the Corporation might experience in liquidating, where appropriate, certain assets acquired in the normal course of business.

The Corporation prepares cash flow forecasts to ensure that it has the necessary funds to meet its obligations. The Corporation considers that the cash flows generated by operating activities and available sources of financing should be sufficient to meet its obligations as they become due.

Accordingly, the Corporation ensures that the largest cash inflows are matched with cash outflows. It maintains a range of sources of financing, including borrowing agreements with financial institutions.

The following table shows the contractual maturities of the financial liabilities and off-balance-sheet obligations. The amounts shown reflect both principal and interest, where applicable.

| | | | | | | 2014 |
|---|---|---|---|---|---|---|
| | Under 1 year | 1 to 3 years | 4 to 5 years | Over 5 years | No fixed maturity | Total |
| **Financial instruments in the Statement of Financial Position** | | | | | | |
| Bank overdrafts | **535** | – | – | – | – | **535** |
| Bank loans | – | – | – | – | – | – |
| Accounts payable and accrued liabilities | **77,871** | – | – | – | – | **77,871** |
| Advances from the Government of Québec | **481,317** | – | – | – | – | **481,317** |
| Long-term debt | **852,590** | **1,715,790** | **2,275,368** | **4,002** | – | **4,847,750** |
| Guarantee liability [1] | – | – | – | – | **110,937** | **110,937** |
| Other liabilities | **923** | **6,801** | **640** | – | – | **8,364** |
| | **1,413,236** | **1,722,591** | **2,276,008** | **4,002** | **110,937** | **5,526,774** |
| **Off-balance-sheet obligations** | | | | | | |
| Commitments [2] | **370,709** | **99,951** | **53,906** | **1,356** | **235,393** | **761,315** |
| Guarantees [1] | – | – | – | – | **375,472** | **375,472** |
| | **370,709** | **99,951** | **53,906** | **1,356** | **610,865** | **1,136,787** |
| | **1,783,945** | **1,822,542** | **2,329,914** | **5,358** | **721,802** | **6,663,561** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

| | | | | | | 2013 |
|---|---|---|---|---|---|---|
| | Under 1 year | 1 to 3 years | 4 to 5 years | Over 5 years | No fixed maturity | Total |
| **Financial instruments in the Statement of Financial Position** | | | | | | |
| Bank overdrafts | 3,110 | – | – | – | – | 3,110 |
| Bank loans | 3,126 | – | – | – | – | 3,126 |
| Accounts payable and accrued liabilities | 72,344 | – | – | – | – | 72,344 |
| Advances from the Government of Québec | 415,317 | – | – | – | – | 415,317 |
| Long-term debt | 536,632 | 1,700,717 | 2,034,449 | 3,323 | – | 4,275,121 |
| Guarantee liability (1) | – | – | – | – | 126,627 | 126,627 |
| Other liabilities | 198 | 121 | 1,208 | – | – | 1,527 |
| | 1,030,727 | 1,700,838 | 2,035,657 | 3,323 | 126,627 | 4,897,172 |
| **Off-balance-sheet obligations** | | | | | | |
| Commitments (2) | 453,258 | 154,428 | 46,787 | – | 235,095 | 889,568 |
| Guarantees (1) | – | – | – | – | 414,176 | 414,176 |
| | 453,258 | 154,428 | 46,787 | – | 649,271 | 1,303,744 |
| | 1,483,985 | 1,855,266 | 2,082,444 | 3,323 | 775,898 | 6,200,916 |

(1) The amounts related to these liabilities and off-balance-sheet obligations do not have specific maturities and may be disbursed at any time.

(2) Commitments include $654.5 million in financing and investment commitments, $28.7 million in long-term commitments, $45.9 million in other commitments and a $32.2 million share in the capital commitments of associates.

### C) MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, exchange rates, and stock market and commodity prices will affect the value of the financial instruments held by the Corporation. The objective in managing market risk is to manage and keep market risk exposures within acceptable parameters while optimizing returns.

#### i) Market risk assessment

Because its investments are classified as available for sale and its financial assets are classified or designated as at fair value through profit or loss, the Corporation is exposed to fluctuations in interest rates, exchange rates and market prices. Market risk is managed through an investment policy, which sets limitations aimed at maximizing portfolio diversification.

To quantify this risk, the Value-at-Risk (VaR) simulation model is a market risk management tool commonly used in the financial sector. VaR is the maximum value of potential losses over a specific time horizon, measured at a set confidence level. The following VaR results simulate potential losses using daily market inputs from the past two years. The confidence level was 99% with a one-day time horizon.

VaR is established for financial assets that are quoted in a market. The assets covered by this market risk assessment amounted to $765,625,000 as at March 31, 2014 ($707,799,000 as at March 31, 2013).

As at March 31, the VaR was as follows:

| | 2014 | 2013 |
|---|---|---|
| Interest rates | **(323)** | (357) |
| Exchange rates | **(1,918)** | (1,266) |
| Quoted market prices | **(15,810)** | (17,944) |
| Diversification (1) | **2,280** | 2,325 |
| | **(15,771)** | (17,242) |

(1) Diversification is the difference between the sum of the VaRs of the various market risks and total VaR, given that the three types of risk are not perfectly correlated.

### ii) Structural interest rate risk

Changes in interest rates cause a fluctuation in the income that is generated mainly by cash and cash equivalents, ABTNs, variable-rate loans and the Corporation's investments as well as the interest expense on some of its borrowings. The impact of this fluctuation for the Corporation depends on several factors, including differences in the maturity dates or remeasurement dates of Consolidated Statement of Financial Position items and off-balance-sheet items.

The following table shows how an immediate and sustained 100-basis-point increase or decrease in the interest rate, assuming that no further hedging is undertaken, would potentially impact net income. The amounts shown do not include the impact of the provision for losses. As at March 31, 2014, net assets exposed to risk totalled $1,127,061,000 ($1,151,448,000 as at March 31, 2013).

Interest rate sensitivity as at March 31 was as follows:

| | 2014 | 2013 |
|---|---|---|
| **100-basis-point increase in interest rate** | | |
| Impact on net income | **11,270** | 12,039 |
| **100-basis-point decrease in interest rate** | | |
| Impact on net income | **(11,270)** | (12,032) |

### iii) Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its sales, purchases and investments denominated in currencies other than its functional currency, the Canadian dollar, and the functional currency of one of its subsidiaries, the U.S. dollar.

The Corporation's exposure to foreign exchange risk was as follows:

| | | | 2014 |
|---|---|---|---|
| | CAD | USD | EUR |
| **Financial assets** | | | |
| Cash and cash equivalents | **193** | **1,482** | **10** |
| Accounts receivable | **491** | **1,228** | **–** |
| Interest receivable on loans | **–** | **102** | **–** |
| Guarantee fees receivable | **–** | **87** | **–** |
| Available-for-sale debt securities | **–** | **475** | **–** |
| Loans and receivables | **–** | **235,153** | **–** |
| Investments at fair value through profit or loss | **–** | **9,094** | **–** |
| ABTN | **–** | **22,858** | **–** |
| | **684** | **270,479** | **10** |
| **Financial liabilities** | | | |
| Accounts payable and accrued liabilities | **1,933** | **480** | **217** |
| Long-term debt | **5,761** | **–** | **–** |
| Other liabilities | **7,066** | **244** | **–** |
| Net exposure | **(14,076)** | **269,755** | **(207)** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

| | | | 2013 |
|---|---|---|---|
| | CAD | USD | EUR |
| **Financial assets** | | | |
| Cash and cash equivalents | 301 | 2,455 | 1,164 |
| Accounts receivable | 497 | 1,758 | 3 |
| Guarantee fees receivable | – | 256 | – |
| Available-for-sale debt securities | – | 48,065 | – |
| Loans and receivables | – | 246,085 | – |
| Investments at fair value through profit or loss | – | 10,390 | – |
| ABTN | – | 21,479 | – |
| | 798 | 330,488 | 1,167 |
| **Financial liabilities** | | | |
| Accounts payable and accrued liabilities | 1,215 | 369 | 35 |
| Long-term debt | 5,300 | – | – |
| Other liabilities | 9,581 | 930 | – |
| Net exposure | (15,298) | 329,189 | 1,132 |

The foreign exchange rate sensitivity is the net amount of foreign exchange rate exposure of the items at the reporting date, less foreign currency hedges. As at March 31, if the Canadian dollar had strengthened or weakened by two standard deviations against the U.S. dollar and the euro, all other variables remaining constant, the impact would have been:

| | 2014 | 2013 |
|---|---|---|
| **Increase by two standard deviations in the value of the Canadian dollar** | | |
| Impact on net income | **(10,191)** | (10,698) |
| Impact on comprehensive income | **(16,002)** | (29,530) |
| **Decrease by two standard deviations in the value of the Canadian dollar** | | |
| Impact on net income | **10,191** | 10,693 |
| Impact on comprehensive income | **16,002** | 29,513 |

The Corporation uses forward contracts to manage its exposure to fluctuating exchange rates related to receipts, in U.S. dollars and euros, of dividends, interest and principal on loans totalling $95,673,000. As at March 31, 2014, these forward contracts provided for the sale of US$92,263,000 (US$99,680,000 and €11,107,000 as at March 31, 2013). Their maturities ranged from 1 to 41 months at US$/C$ rates of 0.9995 to 1.0488.

The Corporation designated certain of these forward contracts as cash flow hedging instruments providing for the sale of US$24,291,000, of which US$1,226,000, US$1,226,000, US$1,226,000 and US$20,613,000 will be sold during the years ending March 31, 2015, 2016, 2017 and 2018, respectively. These forward contracts hedge the Corporation's exposure to the impact of exchange rate fluctuations related to interest and principal payments in U.S. dollars of loans totalling $25,476,000. As at March 31, 2014, the fair value of forward contracts designated as cash flow hedges totalled ($1,710,000). No ineffectiveness was recorded in net income relative to these hedging relationships.

# 39. RELATED PARTIES

The Corporation, which is controlled exclusively by the Government of Québec, is a related party to all the ministries and special funds as well as to all agencies and corporations that are controlled directly or indirectly by the Government of Québec or are subject to either joint control or significant common influence by the Government of Québec. All related party transactions are accounted for on the same basis as though they had been carried out with unrelated parties.

As at March 31, 2014, a subsidiary of the Corporation recognized an amount of $167,783,000 ($63,475,000 as at March 31, 2013) as revenue from the Government of Québec for managing the Forestry Job Creation Program, the Silvicultural Investment Program, and the Community Adjustment Fund, including an amount receivable of $10,971,000 ($5,780,000 as at March 31, 2013). These amounts, including amounts collected from agencies for private forest development totalling $6,915,000 as at March 31, 2014 ($6,915,000 as at March 31, 2013), are reported at their net amount in net income. Except for transactions disclosed separately in the consolidated financial statements, the Corporation did not carry out any other significant transactions with these related parties, either individually or collectively.

### A) AMOUNTS RECOVERABLE FROM THE GOVERNMENT OF QUÉBEC

Under the *Act respecting Investissement Québec,* as of April 1, 2011, losses and shortfalls from certain programs that had existed prior to the amalgamation and that were transferred to the Corporation are obligations of the Corporation. At that date, these programs continue to apply to all financial assistance granted under these programs until the assistance expires. Any losses and shortfalls that may result from the financial assistance granted in accordance with these programs are compensated in part by the Government of Québec. Losses and shortfalls were measured at the amalgamation date. This measurement may be revised until March 31, 2016, when the government establishes the Corporation's remuneration. As at March 31, 2014, the amount recoverable from the Government of Québec was $30,137,000 ($45,059,000 as at March 31, 2013).

### B) ADVANCES FROM THE GOVERNMENT OF QUÉBEC

Investments of the IQ FIER inc. subsidiary as well as investments in certain funds are financed by advances from the Minister of Finance pursuant to decrees. As at March 31, 2014, the balance of advances totalled $481,317,000 ($415,317,000 as at March 31, 2013). These advances do not bear interest and are repayable on demand.

### C) KEY MANAGEMENT PERSONNEL

The Corporation is also related to its key management personnel, which include Board of Director members and senior managers. Their compensation is as follows:

| | 2014 | 2013 |
|---|---|---|
| Short-term employee benefits | **4,939** | 3,281 |
| Other post-employment benefits | **1,017** | 1,637 |
| | **5,956** | 4,918 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
Year ended March 31, 2014
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

# 40. SUBSEQUENT EVENT

On April 9, 2014, the Corporation entered into a binding financing commitment agreement with Stornoway Diamond Corporation for the construction of the Renard diamond project. Under the agreement, the Corporation will provide $120,000,000 in financial commitments.

With this financing transaction, Stornoway Diamond Corporation will be able to raise $972,000,000, which is a greater amount than that required under the latest feasibility study.

As a result of this financing, the Corporation's interest in the associate will decrease from 33.0% to approximately 7.9%.

Management considers that it still has significant influence over the associate's financial and operating policies given the number of votes on the Board of Directors and the combined voting rights held with other related parties over which the Corporation has decision-making authority.

The financial information provided in this document was taken from Investissement Québec's 2013-2014 Annual Report and Sustainable Development Report.

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