Independent Auditor’s Report

To the Directors of

Aéroport de Québec inc.

Opinion

We have audited the financial statements of Aéroport de Québec inc. (hereafter the “Organization”), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Organization’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit 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 Organization’s internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Québec
February 28, 2019

Raymond Chabot Grant Thornton LLP [1]

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

Comprehensive Income

Year ended December 31, 2018

	2018 $	2017 $
Revenues		
Landing and terminal	**13,642,714**	12,759,945
Airport improvement fees	**26,835,102**	24,723,664
Concessions	**3,902,714**	3,634,121
Rentals	**2,747,374**	2,526,105
Parking	**6,884,276**	6,142,056
Services and recoveries	**7,071,475**	6,357,632
Safety and security	**4,945,950**	4,343,690
Other income	**589,272**	36,601
	66,618,877	60,523,814
Expenses		
Employee benefit expenses (Note 14)	**15,144,320**	14,231,210
Rent	**4,134,994**	3,629,498
Goods and services	**18,228,818**	14,861,189
In lieu of taxes (Note 16)	**2,820,471**	3,847,824
Amortization of property, plant and equipment	**14,342,347**	13,769,774
Amortization of deferred revenues relating to property, plant and equipment	**(3,431,601)**	(2,960,890)
Impairment loss of financial assets (Note 17)	**75,012**	25,000
	51,314,361	47,403,605
OPERATING RESULTS	**15,304,516**	13,120,209
Finance income (Note 16)	**1,536,473**	1,332,812
Finance costs (Note 16)	**(5,690,790)**	(5,873,257)
NET REVENUES	**11,150,199**	8,594,764
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Revaluation of net defined benefit pension plan liability	**(57,800)**	(303,100)
COMPREHENSIVE INCOME	**11,092,399**	8,291,664

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

Changes in Net Assets
Year ended December 31, 2018

	Accumulated revenues $	Accumulated other comprehensive income $	Total net assets $
Balances as at January 1, 2018	**127,849,561**	**(2,430,100)**	**125,419,461**
Net revenues	**11,150,199**		**11,150,199**
Revaluation of net defined benefit pension plan liability		**(57,800)**	**(57,800)**
Comprehensive income			**11 092 399**
Balances as at December 31, 2018	**138,999,760**	**(2,487,900)**	**136 511 860**
Balances as at January 1, 2017	119,254,797	(2,127,000)	117,127,797
Net revenues	8,594,764		8,594,764
Revaluation of net defined benefit pension plan liability		(303,100)	(303,100)
Comprehensive income			8,291,664
Balances as at December 31, 2017	127,849,561	(2,430,100)	125,419,461

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

Cash Flows

Year ended December 31, 2018

	2018 $	2017 $
Operating activities		
Net revenues	**11,150,199**	8,594,764
Non-cash items		
Amortization of property, plant and equipment	**14,342,347**	13,769,774
Amortization of transaction costs	**83,695**	83,696
Amortization of deferred revenues relating to property, plant and equipment	**(3,431,601)**	(2,960,890)
Gain on disposal of property, plant and equipment	**(47,265)**	(36,601)
Net defined benefit pension plan liability	**(55,077)**	(56,474)
Net change in working capital items (Note 19)	**1,333,878**	175,718
Cash flows from operating activities	**23,376,176**	19,569,987
Investing activities		
Term deposits	**(120,272,391)**	(140,395,319)
Receipt of term deposits	**135,527,117**	217,701,135
Acquisition of property, plant and equipment	**(52,237,251)**	(98,988,167)
Disposal of property, plant and equipment	**47,265**	83,240
Notes receivable	**542,452**	
Receipt of notes receivable	**142,096**	116 ,667
Cash flows from investing activities	**(37,425,616)**	(21,482,444)
Financing activities		
Repayment of loans	**(2,250,000)**	(2,828,600)
Receipt of grants receivable	**14,802,662**	6,591,596
Repayment of obligation under a direct financing lease	**(421,882)**	(419,156)
Cash flows from financing activities	**12,130,780**	3,343,840
Net increase (decrease) in cash	**(1,918,660)**	1,431,383
Cash, beginning of year	**5,681,571**	4,250,188
Cash, end of year	**3,762,911**	5,681,571

During the year, the Organization paid a total of $12,945,290 ($13,178,660 in 2017) in interest and received a total of $4,005,337 ($5,151,059 in 2017) in interest.

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

Financial Position
December 31, 2018

	2018 $	2017 $
ASSETS		
Current		
Cash	**3,762,911**	5,681,571
Term deposits (Note 17)	**63,008,517**	80,261,602
Accounts receivable (Note 6)	**5,968,258**	6,433,137
Grants receivable (Note 7)	**6,716,066**	18,227,388
Notes receivable (Note 17)	**153,204**	116,667
Supplies in inventory	**1,439,884**	941,558
Prepaid expenses	**1,008,826**	885,358
	82,057,666	112,547,281
Non-current		
Term deposits (Note 17)	**46,498,359**	44,500,000
Notes receivable (Note 17)	**2,222,152**	1,858,333
Grants receivable (Note 7)	**42,444,646**	46,193,755
Property, plant and equipment (Note 8)	**443,374,112**	411,567,998
	534,539,269	504,120,086
	616,596,935	616,667,367
LIABILITIES		
Current		
Accounts payable (Note 9)	**25,420,436**	28,620,297
Deferred revenues	**996,190**	1,010,280
Customer deposits	**283,285**	300,128
Loans (Note 11)	**6,252,028**	6,169,422
Obligation under a direct financing lease (Note 12)	**437,138**	437,138
	33,389,077	36,537,265
Non-current		
Accounts payable (Note 9)	**415,430**	1,901,405
Loans (Note 11)	**324,739,456**	330,907,790
Obligation under a direct financing lease (Note 12)	**929,344**	1,351,226
Deferred revenues relating to property, plant and equipment (Note 13)	**119,372,745**	119,342,692
Customer deposits	**660,560**	631,788
Defined benefit pension plan liability (Note 14)	**578,463**	575,740
	446,695,998	454,710,641
	480,085,075	491,247,906
NET ASSETS		
Accumulated revenues and accumulated other comprehensive income	**136,511,860**	125,419,461
	616,596,935	616,667,367

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

On behalf of the Board,

Signed:

André Fortin, CPA, CA, ASC, Lawyer
Chair of the Board

Signed:

Lise Lapierre, FCPA, FCA, ASC
Chair of Audit Committee

Notes to Financial Statements

December 31, 2018

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

Aéroport de Québec inc. (AQi) is a not-for-profit corporation without share capital, governed by the *Canada Not-for-profit Corporations Act*. AQi is exempted under the *Income Tax Act*. The corporation is in charge of managing, operating, maintaining and developing the Aéroport international Jean-Lesage de Québec ("YQB") in accordance with a 60-year ground lease signed on October 27, 2000 with the Canadian government, with an option to renew for another 20 years.

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

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

AQi's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are prepared in Canadian dollars, AQi's functional currency.

The financial statements for the year ended December 31, 2018 were approved on February 28, 2019 by the Board of Directors, which also approved their issuance.

3. SIGNIFICANT ACCOUNTING POLICIES

General

AQi's financial statements have been prepared in accordance with IFRS in effect as at December 31, 2018. Significant accounting policies used in the preparation of the financial statements are summarized below.

Note 4 presents a summary of the IFRS standards, amendments and interpretations issued but not yet effective and that have not yet been adopted by AQi

Supplies in inventory

Supplies in inventory are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

Financial instruments

Financial assets and liabilities are recognized when AQi becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all the significant risks and rewards of ownership are transferred. A financial liability is derecognized when it is settled, terminated, cancelled or expired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Except for trade receivables that do not contain a significant financing component and that are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value plus transaction costs.

Financial assets are classified into the following categories:

- Amortized cost;
- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI).

For the periods considered, all financial assets of AQi are classified into the amortized cost category.

The classification is determined by both the Organization's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

All revenues and expenses relating to financial assets recognized in net revenues are presented in finance income or finance costs, except for impairment loss on accounts receivable presented in goods and services.

After initial recognition, these are measured at amortized cost using the effective interest method, minus, if any, an allowance for impairment loss. Discounting is omitted where the effect of discounting is immaterial. Cash, term deposits, accounts receivable, accrued interest receivable, grants receivable and the notes receivable fall into this category of financial instruments.

Impairment requirements of IFRS 9, *Financial Instruments*, use more forward-looking information to recognize expected credit losses. Instruments within the scope of the new requirements included accounts receivable, accrued interest receivable and the notes receivable. Recognition of credit losses is no longer dependent on AQi first identifying a credit loss event. Instead, AQi considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

AQi uses a simplified method to record accounts receivable, accrued interest receivable and notes receivable, and to record the value adjustment for expected credit losses over the life of the asset. These correspond to the expected shortcomings of the contractual cash flows taking into account the potential for default at any time during the life of the financial instrument. AQi uses past experience, external indicators and forward-looking information to calculate expected credit losses using a calculation matrix.

AQi assesses the impairment of accounts receivable on a collective basis since they share credit risk characteristics as they have been grouped by the number of days since they were past due. Refer to Note 17 for a detailed analysis of how the impairment provisions of IFRS 9 are applied.

In the prior year, the impairment of trade receivables was based on the incurred loss model under IAS 39. Individually significant accounts receivable are tested for impairment when they are past due or there is objective evidence that a specific counterparty will fail to fulfil its obligations. Accounts receivable that are not considered to be individually impaired are tested as a group that is determined on the basis of an industry or other known credit risk characteristics. The estimated impairment loss is then based on recent history of the counterparty's delinquency rates for each identified group.

Financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

AQi's financial liabilities include trade payables, accrued interest payable, customer deposits and loans. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Interest expenses are presented in finance costs. Interest income are presented in finance income or in finance costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Direct financing leases

Management exercises judgment when taking into consideration the substance of a lease agreement in order to determine if all the risks and rewards of ownership of the leased asset are transferred. Key factors considered include the lease term in comparison with the economic useful life of the asset, the present value of the minimum lease payments in relation to the asset's fair value and whether AQi will obtain ownership of the asset by the end of the lease term.

Operating leases

All leases for which a significant portion of the risks and benefits is retained by the lessor are recognized as operating leases. Operating lease payments are recognized as expenses on a straight-line basis over the lease term. Related costs, such as maintenance and insurance, are recognized in expenses as they are incurred.

Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost, less depreciation and any subsequent impairment losses. Cost includes expenses directly attributable to the purchase or construction of the item of property, plant and equipment and costs for dismantling or removing the item.

Items of property, plant and equipment in progress are transferred to their respective classes only when they are ready for service, that is the item is in its location, the necessary conditions have been satisfied and management considers that the item is capable of operating in the manner intended.

AQi capitalizes interest on loans and ancillary costs in the cost of property, plant and equipment until management considers that the item of property, plant and equipment is ready for service.

Each part of an investment with a cost that is significant in relation to the total cost of the total investment is amortized separately when the useful life of that part differs from the useful life of the overall investment.

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

	Periods
Buildings	3, 8, 10, 15, 25 and 40 years
Leasehold improvements	5 and 15 years
Runways, roadways and other paved surfaces	3, 8, 15, 25 and 40 years
Machinery and equipment	
Airport terminal	3, 5, 10 and 25 years
Bag room	5, 10 and 25 years
Other	5, 10, 15 and 25 years
Computer equipment	3, 5 and 10 years
Automotive equipment, furniture and fixtures	5, 10 and 20 years

In the case of a lease, the expected estimated useful life is determined according to that of other similar assets owned or the lease term, if the latter is shorter.

Grants for items of property, plant and equipment are recognized when there is reasonable certainty that AQi has satisfied the requirements of the agreements and that collection is likely. Grants are recognized in liabilities and amortized on the same basis as the related property, plant and equipment.

Significant estimates regarding the residual value and estimated useful life are reviewed as required and at least once a year.

Gains (losses) on the disposal of an item of property, plant and equipment correspond to the difference between the disposal revenue and the carrying amount of the item and are recognized in revenues and expenses as other revenues.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment test of property, plant and equipment

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the property, plant and equipment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

All property, plant and equipment are subsequently remeasured to determine whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the recoverable amount of the asset exceeds its carrying amount.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualified asset are recognized in the cost of the asset during the period required to prepare the asset for use.

Other borrowing costs are recognized as expenses in the period during which they are incurred and are presented in financial expenses (refer to Note 16).

Revenue recognition

To determine whether to recognize revenue, AQi follows a five-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognizing revenue when/as performance obligations are satisfied.

Revenues are measured at the fair value of the consideration received or receivable for goods sold and services provided, excluding sales taxes, rebates and discounts.

Revenues from airport activities, consisting primarily of landing fees and general terminal charges, are earned primarily from air carriers and recognized according to the landings.

Revenues from airport improvement fees, revenues from services and recoveries and revenues from safety and security are recognized when departing passengers board their aircraft and are based on the number of passengers who board.

Concession rents are recorded on a straight-line basis over the term of the leases and, in some cases, are calculated as a percentage of concession sales, subject to minimum guaranteed rents. Rents from office and land leases are recognized on a straight-line basis over the term of the leases.

Parking revenues are recognized according to the use of the space.

Interest income is recognized when earned, based on the number of days the investment is held.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Post-employment benefits and short-term employee benefits

Since it was privatized on November 1, 2000, AQi offers a defined contribution pension plan to its employees. Employees in service at the time of privatization participate in a defined benefit pension plan.

Under the terms of the defined contribution plan, AQi pays fixed contributions to an independent entity. AQi has no legal or constructive obligation to pay further contributions. Plan contributions are recognized in expenses in the period during which the corresponding service is provided by the employees.

Under the terms of the defined benefit plan sponsored by AQi, the pension benefit receivable by an employee is based on years of service and final earnings. AQi has a legal obligation to pay benefits even when the assets to be used to finance the defined benefit plan have been set aside.

AQi recognizes its defined benefit obligations and the related costs, net of plan assets, and has adopted the following methods for this purpose:

- The cost of pension and other retirement benefits earned by employees is calculated by the accrued benefit method pro-rated over years of service, based on management's best estimate assumptions, in particular future salary increases and retirement age;
- The service cost and net interest over the defined benefit pension plan net liability portion of the defined benefit cost for the year is recognized in net revenues and expenses and the remeasurements of the net defined benefit pension plan liability portion is recognized in other comprehensive income. Remeasurements include actuarial variances and any change in the effect of limiting the asset.

Short-term employee benefits, in particular vacation entitlement, are current liabilities included in retirement and other employee benefit obligations and are measured at the undiscounted amount that AQi expects to pay as a result of unused rights.

Provisions and contingent liabilities and assets

Provisions are recognized when present obligations, resulting from a past event, will likely result in an outflow of AQi resources embodying economic benefits and the amounts can be reasonably estimated. The outflow maturity or amount may be uncertain. A present obligation results from legal or constructive obligations from past events, such as litigation or onerous contracts.

The measurement of provisions corresponds to the estimated expenses required to settle the present obligation based on the most reliable evidence available at the reporting date, including the risks and uncertainties related to the present obligation. Provisions are discounted when the time value of money is significant.

A reimbursement that AQi is virtually certain to receive from a third party in respect of the obligation is recognized as a separate asset. However, the asset cannot be greater than the provision.

Provisions are reviewed at each reporting date and adjusted to reflect best estimates at that date.

4. NEW OR REVISED STANDARDS OR INTERPRETATIONS

New standards adopted as at January 1, 2018

IFRS 9, Financial Instruments

The International Accounting Standards Board (IASB) released IFRS 9, *Financial Instruments*, representing the completion of its project to replace IAS 39, *Financial Instruments*: *Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included accounts receivable, accrued interest receivable and the notes receivable.

Recognition of credit losses is no longer dependent on AQi first identifying a credit loss event. Instead, the Organization considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

When adopting IFRS 9, AQi has applied transitional relief and opted not to restate prior periods. No difference arose from the adoption of IFRS 9 in relation to classification, measurement and impairment.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18, *Revenue*, IAS 11, *Construction Contracts,* and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities.

When adopting IFRS 15, AQi applied the retrospective method without restatement. AQi's management has assessed the impact of the new standard and has concluded that the accounting policies applied prior to the coming into force of the new standard comply with the requirements of IFRS 15. Adoption of IFRS 15 did not result in any changes to the classification and measurement of revenue from contracts with customers.

Future accounting changes

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by AQi. Information on those expected to be relevant to AQi's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in AQi's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments neither adopted nor listed below are not expected to have a material impact on AQi's financial statements.

IFRS 16, Leases

IFRS 16 will replace IAS 17 and three related interpretations, what represents the completion of the IASB's long-term project on the recognition of leases. Leases will be accounted for in the statement of financial situation as an asset for right of use and a lease obligation.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. AQi's management is in the process of assessing the impact of IFRS 16 on its financial statements.

5. MANAGEMENT'S SIGNIFICANT JUDGMENTS AND ESTIMATES

Management's significant judgments in applying the accounting policies

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses. Future results are likely to differ from the estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions is provided below.

Judgment, assumption and estimation uncertainty

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below.

Main sources of uncertainty in estimates

- Useful lives of depreciable assets:

  Management examines the useful life of depreciable assets at each reporting date based on the expected useful lives of the assets. The carrying amounts are detailed in Note 8. Actual results may, however, be different for various reasons, such as early wear, insufficient capacity, regulatory changes, etc.

- Defined benefit pension plan liability:

  Management undertakes an annual assessment of the defined benefit liability with the assistance of independent actuaries. Actual results may differ as a result of estimation uncertainty regarding standard inflation rates, mortality rates and future salary increases.

- Allowance for doubtful accounts:

  Management uses judgment in establishing the allowance for doubtful accounts based on, among others, the age of overdue accounts, debtors' current ability to pay, debtors' payment history and the general condition of the economy or the debtors' industry.

- Provisions and contingent liabilities:

  Judgment is used to determine whether a past event resulted in a liability that should be presented as a contingent liability. The quantification of this liability involves judgments and estimates. Those judgments are based on various factors such as the nature of the claim or conflict, legal procedures and the potential amount payable, legal advice obtained, prior experience and the probability of a loss. Several of these factors are a source of uncertainty regarding estimates.

Judgments relating to the accounting policies applied

- Leases:

  The exact nature of a lease may not always be obvious and management must, therefore, use judgment in determining to what extent the risks and rewards of ownership are transferred to AQi.

- Revenue from contracts with customers:

  Following the entry into force of IFRS 15, *Revenue from Contracts with Customers*, significant judgments had to be made as to the interpretation of certain sections of the standard, mainly related to the revenues from airport improvement fees. Management has used its judgment to determine whether the revenue presentation should be gross or net of the management fees charged by the airlines. One of the elements that strengthen AQi's position is that the service contract is with airlines and not with passengers, management believes that the amount expected to be received is net from management fees and not the gross amount paid by passengers. The net presentation is therefore the one that is considered the most relevant in these circumstances.

6. ACCOUNTS RECEIVABLE

	2018 $	2017 $
Current		
Trade receivables, gross	**4,950,973**	4,932,253
Allowance for doubtful accounts	**(325,421)**	(352,337)
Trade receivables, net	**4,625,552**	4,579,916
Accrued interest receivable	**1,123,594**	1,491,728
Commodity taxes receivable	**219,112**	361,493
	5,968,258	6,433,137

All amounts are receivable in the short term. The net carrying amount of trade receivables and accrued interest receivable is considered to be a reasonable approximation of their fair value.

Trade receivables are presented in the financial statements net of an allowance for impairment of $325,421 ($352,337 as at December 31, 2017). The amount of the impairment loss related to the trade receivables is $75,012 for the year ($25,000 in 2017).

The above comparative information on impairment relates to the basis of valuation of IAS 39 using the incurred loss model, whereas for the current year the expected loss model of IFRS 9 will be applied.

7. GRANTS RECEIVABLE

AQi obtained $36,245,589 in grants for the refection of the airport terminal completed in 2008. Of this amount, a $15,000,000 grant is used to repay the series B bonds. As at December 31, 2018, an amount of $11,500,000 has been used for this purpose ($10,500,000 in 2017). The grant receivable bears interest at a rate of 4.77% and is applicable to debt service in quarterly instalments of $250,000 until April 2022.

AQi also obtained a $50,000,000 grant for the extension and the refection of the airport terminal. This grant is used to repay the series D bonds. As at December 31, 2018, an amount of $9,893,327 has been used for this purpose ($6,973,904 in 2017). The grant receivable bears interest at a rate of 2.8% and is applicable to debt service in quarterly instalments of $1,023,419 until May 2030.

Furthermore, AQi obtained a $54,341,972 ($3,461,654 in 2018; $16,466,868 in 2017; $8,011,666 in 2016; $5,279,074 in 2015; $10,243,425 in 2014; $10,879,285 in 2013) total grant to finance the construction of some projects. Of this amount, a total of $48,787,933 ($14,802,662; $6,591,596 in 2017; $7,953,674 in 2016; $9,586,232 in 2015; $3,637,899 in 2014; $6,215,870 in 2013) was received.

Grants received and receivable are recognized under “Deferred revenues relating to property, plant and equipment”.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements $	Runways, roadways and other paved surfaces $	Machinery and equipment $	Computer equipment $	Automotive equipment $	Furniture and fixtures $	Projects in progress $	Total $
Cost								
Balance as at January 1, 2018	**129,554,801**	**125,204,300**	**43,410,303**	**14,841,120**	**13,988,259**	**4,373,051**	**167,340,415**	**498,712,249**
Acquisitions and reclassifications	**224,600**	**2,652,613**	**847,198**	**2,092,914**	**1,818,131**	**60,056**	**38,452,949**	**46,148,461**
Disposals and write-offs					**(222,898)**			**(222,898)**
Balance as at December 31, 2018	**129,779,401**	**127,856,913**	**44,257,501**	**16,934,034**	**15,583,492**	**4,433,107**	**205,793,364**	**544,637,812**
Accumulated amortization								
Balance as at January 1, 2018	**23,209,867**	**22,050,769**	**20,734,079**	**10,567,715**	**7,225,462**	**3,356,359**		**87,144,251**
Amortization	**3,823,656**	**5,069,641**	**2,288,687**	**1,701,471**	**1,083,566**	**375,326**		**14,342,347**
Disposals and write-offs					**(222,898)**			**(222,898)**
Balance as at December 31, 2018	**27,033,523**	**27,120,410**	**23,022,766**	**12,269,186**	**8,086,130**	**3,731,685**		**101,263,700**
Carrying amount as at December 31, 2018	**102,745,878**	**100,736,503**	**21,234,735**	**4,664,848**	**7,497,362**	**701,422**	**205,793,364**	**443,374,112**
Cost								
Balance as at January 1, 2017	127,868,336	106,723,104	39,890,671	14,239,484	12,874,579	4,241,127	91,821,550	397,658,851
Acquisitions and reclassifications	1,686,465	18,481,196	3,749,190	601,636	1,340,577	131,924	75,518,865	101,509,853
Disposals and write-offs			(229,558)		(226,897)			(456,455)
Balance as at December 31, 2017	129,554,801	125,204,300	43,410,303	14,841,120	13,988,259	4,373,051	167,340,415	498,712,249
Accumulated amortization								
Balance as at January 1, 2017	19,404,498	17,350,216	18,726,967	8,952,881	6,418,606	2,931,125		73,784,293
Amortization and reclassifications	3,805,369	4,700,553	2,209,890	1,614,834	1,013,894	425,234		13,769,774
Disposals and write-offs			(202,778)		(207,038)			(409,816)
Balance as at December 31, 2017	23,209,867	22,050,769	20,734,079	10,567,715	7,225,462	3,356,359		87,144,251
Carrying amount as at December 31, 2017	106,344,934	103,153,531	22,676,224	4,273,405	6,762,797	1,016,692	167,340,415	411,567,998

An amount of $5,194,359 ($4,568,428 in 2017) representing interest on loans in the course of the construction period was charged to property, plant and equipment cost during the year.

The interest rate used to capitalize borrowing costs included in property, plant and equipment was 2.11% (2.36% in 2017).

9. ACCOUNTS PAYABLE

	2018 $	2017 $
Current and non-current		
Trade payables	**3,912,102**	1,993,569
Trade payables relating to property, plant and equipment	**19,401,154**	25,579,944
Salaries, vacation and employee benefits	**1,354,537**	1,737,010
Accrued interest payable	**1,168,073**	1,211,179
	25,835,866	30,521,702

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

10. CONTINGENT AMOUNTS

Contingent liabilities

Some claims or legal actions have been instituted against AQi during the current and prior years. Management estimates that these claims are unwarranted and that there is little likelihood AQi will be required to settle them. This assessment is consistent with that of independent external legal advisors.

11. LOANS

Loans consist of the following financial liabilities:

	Current 2018 $	Current 2017 $	Current 2018 $	Current 2017 $
Series A bonds, 5.12%, interest payable quarterly and principal payable in quarterly instalments of $562,500, maturing in April 2029	**2,250,000**	2,250,000	**21,375,000**	23,625,000
Series B bonds, 4.77%, payable from a grant receivable in quarterly instalments of $250,000, plus interest, maturing in April 2022	**1,000,000**	1,000,000	**2,500,000**	3,500,000
Series C bonds, 4.36%, net of transaction costs of $904,761, interest payable quarterly and principal payable at the maturity date in May 2045			**174,095,239**	174,059,174
Series D bonds, 2.8%, payable from a grant receivable in quarterly instalments of $1,023,419, principal and interest, maturing in May 2030	**3,002,028**	2,919,422	**37,104,645**	40,106,674
Series E bonds, 3.42%, net of transaction costs of $159,381, interest payable quarterly and principal payable at the maturity date in May 2025			**39,840,619**	39,816,998
Series F bonds, 3.25%, net of transaction costs of $176,047, interest payable quarterly and principal payable at the maturity date in June 2026			**49,823,953**	49,799,944
Total carrying amount	**6,252,028**	6,169,422	**324,739,456**	330,907,790

Under the credit agreements, AQi is subject to certain conditions. As at December 31, 2018 and throughout the year, these conditions were met.

Series A, C, E and F bonds are grafted to a provident fund for debt service and an operation and maintenance reserve fund. This reserve consists of non-current term deposits.

Furthermore, AQi may use a bank loan and term loans with financial institutions, totalling $2,000,000 and $5,000,000 respectively and bearing interest at prime rate (3.95%). These loans are renegotiable annually. Also, AQi has a term loan for an authorized amount of $10,000,000. This term loan could be increased by increments of $10,000,000 up to a maximum of $50,000,000 and it bears interest at the banker's acceptance rate plus a premium. It is renegotiable in September 2020. As at December 31, 2018, these loans are unused.

12. OBLIGATION UNDER A DIRECT FINANCING LEASE

	2018	2017
	$	$
Obligation under a direct financing lease, 4.01%, secured by computer equipment with a net carrying amount of $1,195,740, payable in monthly instalments of $0.5640 for each passenger enplaned/deplaned, principal and interest, maturing in September 2021	**1,366,482**	1,788,364

The fair value of the direct financing lease liability is not significantly different from the carrying amount and is classified within level 2 of the fair value hierarchy.

The future minimum lease payments under the direct financing lease as at December 31, 2018 are summarized as follows:

	Less than a year	**1 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**
Payment under the direct financing lease	**496,749**	**1,042,402**		**1,539,151**
Finance costs	**(59,611)**	**(113,058)**		**(172,669)**
	437,138	**929,344**		**1,366,482**

13. DEFERRED REVENUES RELATING TO PROPERTY, PLANT AND EQUIPMENT

			2018
	Cost	**Unamortized amortization**	**Unamortized cost**
	$	**$**	**$**
Buildings and leasehold improvements, runways, roadways and other paved surfaces, machinery and equipment	**140,587,561**	**21,214,816**	**119,372,745**

			2017
	Cost	Accumulated amortization	Unamortized cost
	$	$	$
Buildings and leasehold improvements, runways, roadways and other paved surfaces, machinery and equipment	137,125,907	17,783,215	119,342,692

14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Expenses recognized as employee benefits are detailed as follows:

	2018 $	2017 $
Salaries	**12,241,598**	11,249,331
Employee benefits	**2 ,083,705**	2,017,567
Defined benefit pension plan	**203,000**	209,800
Defined contribution pension plan	**526,872**	632,827
Retirement and termination allowances	**89,145**	121,685
Employee benefit expenses	**15,144,320**	14,231,210

Defined benefit pension plan

The defined benefit plan is registered with the Office of the Superintendent of Financial Institutions under number 57205, in accordance with the *Pension Benefits Standards Act, 1985*.

AQi offered a defined benefit plan to its full-time employees who were employed before November 1, 2000. The required employee contributions vary between 10.1% and 19.4% of the employee's salary, subject to a maximum. AQi pays the necessary contributions to finance the plan for current services and cover the shortfall. The employee annuity corresponds to a salary percentage for the five highest-paid consecutive years of service recognized for eligibility purposes. The standard retirement age is 65. However, there is an optional retirement age for participants 60 years and older who have at least two years of recognized service for eligibility purposes, and for participants 55 years and older who have at least 30 years of recognized service for eligibility purposes.

AQi is subject to certain risks related to employee benefits, including investment performance, the discount rate used to measure defined benefit pension plan obligations, participant life expectancy and future inflation. The plan's administrator is the employer and its responsibility is to determine the investment policy and analyze regulatory changes, benefits, the funding and financial situation of the defined benefit contributory plan. The plan's administrator retained the services of an independent investment manager to manage the plan's assets.

For recognition purposes, AQi measures its defined benefit pension plan obligations and the fair value of its plan assets as at December 31 of each year. The most recent complete actuarial valuation on a funding basis was performed December 31, 2017 and the results have been extrapolated until December 31, 2018.

Balancing contributions required based on the 2017 actuarial valuation amount to $171,200 ($185,700 in 2017).

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

	2018 $	2017 $
Defined benefit pension plan obligations as at January 1	**10,010,700**	9,458,800
Current service cost	**137,100**	140,400
Financial cost	**351,900**	361,900
Employees' contributions	**71,200**	77,400
Actuarial gaps		
Actuarial loss (gain) from the experience of the plan	**57,900**	(33,200)
Actuarial loss (gain) from changes in financial assumption	**(663,600)**	310,400
Benefits paid	**(341,000)**	(305,000)
Defined benefit pension plan obligations as at December 31	**9,624,200**	10,010,700

14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS (Continued)

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

	2018 **%**	2017 %
Discount rate	**3.8**	3.5
Increase rate of compensation	**2.4**	2.7
Inflation	**1.4**	1.7

The duration of the defined benefit obligation is 13.7 years.

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

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

	2018 **$**	2017 $
Fair value of plan assets as at January 1	**11,423,560**	10,379,186
Asset increase		
Employer's contributions	**258,077**	266,274
Employees' contributions	**71,200**	77,400
Performance of plan assets, excluding interest income	**(677,400)**	665,700
Interest income	**399,600**	393,000
	51,477	1,402,374
Asset decrease		
Administration fees	**44,000**	53,000
Benefits paid	**341,000**	305,000
	385,000	358,000
Fair value of plan assets as at December 31	**11,090,037**	1,423,560

Plan assets are held in balanced-strategy mutual fund units.

Plan assets recognized at fair value are classified according to a hierarchy that reflects the importance of the data used to determine the valuations. The fair value measurement hierarchy includes three levels. Level 1 uses (unadjusted) pricing data quoted on active markets for assets to which the pension plan has access. The plan assets are level 1.

The defined benefit pension plan expense for the period presented in the statement of comprehensive income under "Employee benefit expenses" is detailed as follows:

	2018 **$**	2017 $
Current service cost	**137,100**	140,400
Net interest	**21,900**	16,400
Administration fees	**44,000**	53,000
Defined benefit pension plan expense	**203,000**	209,800

AQi plans on making contributions of $239,531 ($264,255 in 2017) to the pension plan over the next year.

14. PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS (Continued)

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

	2018 $	2017 $
Fair value of plan assets	**11,090,037**	11,423,560
Defined benefit pension plan obligations	**9,624,200**	10,010,700
Excess	**1,465,837**	1,412,860
Effect of the asset ceiling for defined benefit pension plan obligations	**(2,044,300)**	(1,988,600)
Defined benefit pension plan liability	**(578,463)**	(575,740)

Actuarial assumptions may have a significant impact on employee benefits related amounts.

The following table illustrates how changes that could have reasonably been made to the significant actuarial assumptions used as at December 31, 2018 could have influenced the defined benefit pension plan obligations on that date.

		2018 $	2017 $
		Impact on the defined benefit pension plan obligation	Impact on the defined benefit pension plan obligation
Discount rate	3.55% (instead of 3.80%)	**326,400**	361,200
Salary increase rate	2.15% (instead of 2.40%)	**(3,300)**	(12,000)
Inflation	1.15% (instead of 1.40%)	**(198,500)**	(217,800)

15. LEASES AND OTHER COMMITMENTS

Operating lease as lessee

AQi leases airport facilities under a lease agreement with Transport Canada since November 1, 2000. The rent is determined based on an escalating percentage that varies according to different income levels. Income does not include interest payable since it is lower than interest receivable. The income levels and agreed-upon percentages are as follows:

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

Operating leases as lessor

AQi leases airport land and buildings to sub-lessees. Income from the sub-leases is $2,747,374 ($2,526,105 in 2017).

Other commitments

AQi has entered into service agreements expiring at various dates until April 2023 which call for a total lease payment of $32,319,082. Minimum lease payments for the next five years are $9,056,683 in 2019, $5,597,459 in 2020, $5,819,160 in 2021, $5,937,341 in 2022 and $5,908,439 in 2023.

Moreover, AQi has agreed to pay $51,864,469 in the course of the next year for construction contracts.

16. FINANCE INCOME AND EXPENSES

In lieu of taxes

During the year, the Minister of Municipal Affairs and Land Occupancy granted financial assistance of $2,500,000. AQi's management has chosen to allocate this amount against the in lieu of taxes.

Finance income

Finance income for the reporting periods is detailed as follows:

	2018 **$**	2017 $
Interest income on cash	**143,787**	56,102
Interest income on term deposits	**1,230,973**	1,130,582
Interest income on notes receivable	**161,713**	146,128
	1,536,473	1,332,812

Finance costs

Finance costs for the reporting periods are detailed as follows:

	2018 **$**	2017 $
Interest expenses on loans	**6,007,725**	6,237,624
Interest income on the grant receivable relating to a loan	**(400,630)**	(463,063)
Amortization of transaction costs	**83,695**	83,696
	5,690,790	5,858,257

17. FINANCIAL INSTRUMENTS

Classes of financial assets and liabilities

The carrying amount of amounts presented in the statement of financial position relates to the following classes of assets and liabilities:

Financial assets

Financial assets at amortized cost

	Interest rate and maturity	2018 $	2017 $
Courants			
Cash		**3,762,911**	5,681,571
Term deposits	Weighted average rate of 2.31% (1.43% as at December 31, 2017)	**63,008,517**	80,261,602
Accounts receivable, excluding commodity taxes receivable (Note 6)		**5,749,146**	6,071,644
Grants receivable (Note 7)		**6,716,066**	18,227,388
Notes receivable		**153,204**	116,667
		79,389,844	110,358,872
Non-current			
Term deposits	Weighted average rate of 2.37% (2.28% as at December 31, 2017) maturing on various dates until 2026	**46,498,359**	44,500,000
Notes receivable	Residential mortgage rate plus 5.25% and fixed rate of 4.25%	**2,222,152**	1,858,333
Grants receivable (Note 7)		**42,444,646**	46,193,755
		91,165,157	92,552,088
		170,555,001	202,910,960

Notes receivable

The financial assets at amortized cost include a note receivable under an emphyteutic agreement, bearing interest at the rate of a five-year residential mortgage plus 5.25% (8.44%; 7.19% as at December 31, 2017), receivable in monthly instalments of $9,722 ending in January 2033, followed by 333 monthly instalments of $1 until October 30, 2060. The current portion receivable totals $116,667.

The financial assets at amortized cost also include a note receivable under a leasehold improvement funding agreement, bearing interest at the rate of 4.25%, receivable in monthly instalments of $4,807, principal and interest, followed by one final instalment of $107,707, and maturing on May 1, 2028. The current portion receivable totals $36,537.

Financial liabilities

	2018 $	2017 $
Current		
Accounts payable, excluding salaries, vacations and employee benefits payable (Note 9)	**24,065,899**	26,883,287
Customer deposits	**283,285**	300,128
Loans (Note 11)	**6,252,028**	6,169,422
	30,601,212	33,352,837
Non-current		
Accounts payable (Note 9)	**415,430**	1,901,405
Customer deposits	**660,560**	631,788
Loans (Note 11)	**324,739,456**	330,907,790
	356,416,658	366,793,820

The fair value of non-current financial instruments is classified within level 2 of the fair value hierarchy.

17. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement

The valuation methods and techniques used to measure fair value are the same as those used in the previous reporting period. The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

Term deposits, grants receivable, notes receivable and loans

The fair value of the term deposits, grants receivables and notes receivable was determined by discounting the contractual cash flows using market interest rates for similar financial instruments having the same term to maturity and approximates their carrying amount. The fair value of the loans is $345,466,510 ($346,141,229 in 2017) and was determined by discounting the contractual cash flows using market interest rates for similar loans.

Financial instrument risk

AQi is exposed to various financial instrument risks. AQi's financial assets and liabilities are summarized above by category. The main types of risk are the interest rate risk, credit risk and liquidity risk.

AQi's risk management is coordinated by management in close cooperation with the Board of Directors and focuses on actively securing the availability of AQi's short- to medium-term cash flows by minimizing the exposure to financial markets. AQi's financial investments all mature within five years.

AQi does not actively negotiate financial assets for speculative purposes. AQi's main financial risk exposure is as follows.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument fluctuate and result in a loss due to changes in interest rates.

Term deposits, a note receivable under a leasehold improvement funding agreement and grants receivable bear interest at a fixed rate and AQi is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. Since financial instruments are recognized at amortized cost, changes in the fair value have no impact on net revenues and expenses.

The note receivable under an emphyteutic agreement and term loans bear interest at a variable rate and AQi is, therefore, exposed to the risk of cash flow resulting from interest rate fluctuations.

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

In the opinion of management, a 1% fluctuation in interest rates would not have a significant impact on AQi's results.

Credit risk

Credit risk is the risk that one of AQi's debtors be unable to fulfil its obligations.

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

AQi's maximum credit risk exposure is limited to the carrying amount of the financial assets recognized at the reporting date.

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

None of AQi's financial assets are secured by collateral or any other form of credit enhancement.

AQi applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

17. FINANCIAL INSTRUMENTS (Continued)

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 60 months before December 31, 2018 and January 1, 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

AQi takes into account economic perspectives of regions served by its clients as well as economic decisions affecting aviation industry in Canada and worldwide (e.g. merger between two airlines, codeshare agreement or alliance, operations reconversion, etc.).

Therefore AQi adjusted historical loss rates according to expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 120 days from the invoice date and failure to engage with AQi on alternative payment arrangement for instance are considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at December 31, 2018 and January 1, 2018 was determined as follows:

	Accounts receivable past due					
December 31, 2018	**Current**	**More than 30 days**	**More than 60 days**	**More than 90 days**	**More than 120 days**	**Total**
Expected credit loss rate	1%	5%	15%	50%	100%	
Gross carrying amount (a)	$3 ,962,330	$654,314	$40,012	$32,490	$230,835	$4,919,981
Lifetime expected credit losses	$39,623	$32,716	$6,002	$16,245	$230,835	$325,421

	Accounts receivable past due					
January 1, 2018	**Current**	**More than 30 days**	**More than 60 days**	**More than 90 days**	**More than 120 days**	**Total**
Expected credit loss rate	1%	5%	15%	50%	100%	
Gross carrying amount (a)	$3,148,679	$492,781	$171,426	$53,602	$213,450	$4,079,938
Lifetime expected credit losses	$31,487	$24,639	$25,714	$26,801	$213,450	$322,091

(a) The gross carrying amount is equal to the accounts receivable ledger excluding credit notes and unmatched receipts that should not be taken into account when calculating expected credit losses.

	2018 **$**	2017 $
Loss allowance as at January 1 calculated under IAS 39	**352,337**	329,133
Amounts restated through net revenues	**(30,246)**	
Loss allowance at the opening balance as at January 1	**322,091**	
Loss allowance recognized during the year	**105,258**	25,000
Receivables written off during the year	**(101,928)**	(1,796)
Loss allowance as at December 31	**325,421**	352,337

17. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that AQi be unable to meet its commitments. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that AQi has sufficient financing sources to pursue its activities. AQi establishes annual budget and cash estimates to this end.

AQi considers expected cash flows from financial assets when assessing and managing liquidity risk, in particular cash and trade receivables. AQi's cash, term deposits and trade receivables are significantly greater than current cash requirements.

As at December 31, 2018, the contractual maturities of AQi's non-derivative financial liabilities (including any interest payment) are detailed as follows:

				2018
		Current		**Non-current**
	Less than 6 months $	**6 to 12 months $**	**1 to 5 years $**	**Over 5 years $**
Accounts payable, excluding salaries, vacation and employee benefits payable	**21,377,974**	**2,687,925**	**415,430**	
Customer deposits		**283,285**	**660,560**	
Loans	**9,661,736**	**9,620,966**	**74,044,897**	**475,822,288**
	31,039,710	**12,592,176**	**75,120,887**	**475,822,288**

				2017
		Current		Non-current
	Less than 6 months $	6 to 12 months $	1 to 5 years $	Over 5 years $
Accounts payable, excluding salaries, vacation and employee benefits payable	20,433,839	6 474,648	1,901,405	
Customer deposits		300,128	631,788	
Loans	9,743,276	9,702,506	75,655,321	493,485,062
	30,177,115	16,477,282	78,188,514	493,485,062

18. CAPITAL MANAGEMENT

AQi's capital management objectives are to:

- Ensure it has the necessary capital for developing and improving air and airport services to guarantee quality service to passengers;
- Maintain a flexible capital structure enabling AQi to obtain financing to develop its infrastructure and real estate;
- Maintain the necessary cash flows to address the risks most likely to affect its financial situation.

AQi's capital includes net assets, obligation under a direct financing lease and loans totalling $468,869,826 ($464,531,663 as at December 31, 2017).

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

- Produces and presents to the Board of Directors short- and long-term financial forecasts;
- Produces and presents to the Board of Directors quarterly financial statements and the management discussion and analysis, and follows up on financial forecasts;
- Periodically reviews service prices.

19. NET CHANGE IN WORKING CAPITAL ITEMS

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

	2018 **$**	2017 $
Accounts receivable	**464,879**	1,016,764
Supplies in inventory	**(498,326)**	(267,429)
Prepaid expenses	**(123,468)**	(178,377)
Accounts payable, excluding trade payables relating to property, plant and equipment	**1,492,954**	(909,110)
Deferred revenues	**(14,090)**	361,947
Customer deposits	**11,929**	151,923
	1,333,878	175,718

20. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Loans $	Obligation under a direct financing lease $	Grants receivable $	Total $
January 1, 2018	**337,077,212**	**1,788,364**	**(64,421,143)**	**274,444,433**
Cash flows				
Proceeds			**14,802,662**	**14,802,662**
Repayment	**(2,250,000)**	**(421,882)**		**(2,671,882)**
Non-cash items				
Grants obtained			**(3,461,654)**	**(3,461,654)**
Grants awarded for the repayment of loans	**(3,919,423)**		**3,919,423**	
Amortization of transaction costs	**83,695**			**83,695**
December 31, 2018	**330,991,484**	**1,366,482**	**(49,160,712)**	**283,197,254**

	Loans $	Obligation under a direct financing lease $	Grants receivable $	Total $
January 1, 2017	343,661,206	2,207,520	(58,384,961)	287,483,765
Cash flows				
Proceeds			6,591,596	6,591,596
Repayment	(2,828,600)	(419,156)		(3,247,756)
Non-cash items				
Grants obtained			(16,466,868)	(16,466,868)
Grants awarded for the repayment of loans	(3,839,090)		3,839,090	
Amortization of transaction costs	83,696			83,696
December 31, 2017	337,077,212	1,788,364	(64,421,143)	274,444,433

21. RELATED PARTY TRANSACTIONS

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

Transactions with key management personnel

AQi's key management personnel includes the directors and management and their compensation is detailed as follows:

	2018 $	2017 $
Salaries, including bonuses	**2,257,202**	1,740,809
Employee benefit cost	**209,608**	190,966
Post-employment benefits	**281,491**	367,140
Attendance and directors' fees	**333,268**	320,844
Total compensation	**3,081,569**	2,619,759

Transactions related to post-employment benefit plans

The defined benefit and defined contribution plans are related parties. AQi's transactions with the pension plans include plan contributions, which are presented in Note 14. There are no other transactions with the pension plans and no unpaid balances other than contributions for the last month of the fiscal year, which are paid during the subsequent month.