Aéroport de Québec inc.

Financial Statements
December 31, 2021

Raymond Chabot Grant Thornton

Independent Auditor's Report

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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, 2021, 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, 2021, and its financial performance and cash flows 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.

Raymond Chabot Grant Thornton LLP [1]

Québec
February 21, 2022

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

Aéroport de Québec inc.
Comprehensive Income
Year ended December 31, 2021

	2021	2020
	$	$
Revenues		
Landing and terminal	**4,811,034**	6,643,341
Airport improvement fees	**4,861,640**	7,676,056
Concessions	**1,446,769**	1,760,479
Rentals	**3,519,626**	3,110,135
Parking	**2,195,398**	2,463,881
Services and recoveries	**2,738,833**	3,107,130
Safety and security	**1,310,725**	1,865,903
Other income	**246,508**	37,202
	21,130,533	26,664,127
Expenses		
Employee benefit expenses (Note 14)	**9,753,387**	9,939,882
Rent		155,522
Goods and services (Note 17)	**6,670,042**	11,344,778
In lieu of taxes	**3,919,478**	4,725,786
Amortization of property, plant and equipment	**21,912,960**	22,663,106
Amortization of deferred revenues relating to property, plant and equipment	**(5,295,620)**	(5,295,429)
Impairment loss on financial assets (Note 7 and Note 18)	**679,547**	53,863
Loss on write-off of property, plant and equipment	**1,880,824**	
	39,520,618	43,587,508
Operating results	**(18,390,085)**	(16,923,381)
Finance income (Note 17)	**1,357,900**	1,673,589
Finance costs (Note 17)	**(12,548,711)**	(11,791,751)
Net income	**(29,580,896)**	(27,041,543)
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Revaluation of net defined benefit pension plan liability	**(11,200)**	355,100
Comprehensive income	**(29,592,096)**	(26,686,443)

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

Aéroport de Québec inc.
Changes in Net Assets
Year ended December 31, 2021

	Accumulated revenues	Accumulated other comprehensive income	Total net assets
	$	**$**	**$**
Balances as at January 1, 2021	**117,343,868**	**(2,107,400)**	**115,236,468**
Net income	**(29,580,896)**		**(29,580,896)**
Revaluation of net defined benefit pension plan liability		**(11,200)**	**(11,200)**
Comprehensive income			**(29,592,096)**
Balances as at December 31, 2021	**87,762,972**	**(2,118,600)**	**85,644,372**
Balances as at January 1, 2020	144,385,411	(2,462,500)	141,922,911
Net income	(27,041,543)		(27,041,543)
Revaluation of net defined benefit pension plan liability		355,100	355,100
Comprehensive income			(26,686,443)
Balances as at December 31, 2020	117,343,868	(2,107,400)	115,236,468

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

Aéroport de Québec inc.
Cash Flows
Year ended December 31, 2021

	2021	2020
	$	$
OPERATING ACTIVITIES		
Net income	**(29,580,896)**	(27,041,543)
Non-cash items		
Amortization of property, plant and equipment	**21,912,960**	22,663,106
Amortization of transaction costs	**122,861**	83,695
Amortization of deferred revenues relating to property, plant and equipment	**(5,295,620)**	(5,295,429)
Gain on disposal of property, plant and equipment	**(1,400)**	(30,236)
Loss on write-off of property, plant and equipement	**1,880,824**	
Loss on write-off of a note receivable (Note 18)	**413,461**	
Net defined benefit pension plan liability	**18,335**	23,925
Net change in working capital items (Note 20)	**(1,553,790)**	6,936,099
Cash flows from operating activities	**(12,083,265)**	(2,660,383)
INVESTING ACTIVITIES		
Term deposits	**(91,923,303)**	(32,053,125)
Receipt of term deposits	**55,275,832**	52,137,834
Acquisition of property, plant and equipment	**(3,172,984)**	(16,488,363)
Disposal of property, plant and equipment	**1,400**	34,000
Receipt of notes receivable	**116,667**	161,732
Cash flows from investing activities	**(39,702,388)**	3,792,078
FINANCING ACTIVITIES		
Loans	**50,000,000**	
Repayment of loans	**(2,250,000)**	(2,250,000)
Transaction costs	**(671,966)**	
Receipt of grants receivable		3,632,455
Repayment of lease liability	**(10,767)**	(183,741)
Cash flows from financing activities	**47,067,267**	1,198,714
Net increase (decrease) in cash	**(4,718,386)**	2,330,409
Cash, beginning of year	**9,204,002**	6,873,593
Cash, end of year	**4,485,616**	9,204,002

During the year, the Organization paid a total of $12,347,666 ($11,757,198 in 2020) in interest and received a total of $1,513,343 ($2,234,982 in 2020) in interest.

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

Aéroport de Québec inc.
Financial Position
December 31, 2021

	2021	2020
	$	$
ASSETS		
Current		
Cash	**4,485,616**	9,204,002
Term deposits (Note 18)	**57,204,579**	24,657,108
Accounts receivable (Note 7)	**5,475,519**	4,540,313
Grants receivable (Note 8)	**4,062,502**	4,472,683
Notes receivable (Note 18)	**116,667**	165,660
Supplies in inventory	**1,852,578**	1,712,092
Prepaid expenses	**702,532**	660,366
	73,899,993	45,412,224
Non-current		
Term deposits (Note 18)	**40,000,000**	35,900,000
Notes receivable (Note 18)	**1,391,667**	1,872,802
Grants receivable (Note 8)	**27,579,216**	31,343,354
Property, plant and equipment (Note 9)	**429,605,654**	451,864,182
	498,576,537	520,980,338
	572,476,530	566,392,562
LIABILITIES		
Current		
Accounts payable (Note 10)	**14,466,600**	16,217,285
Deferred revenues	**2,765,712**	3,057,943
Customer deposits	**55,000**	135,744
Loans (Note 12)	**6,014,138**	6,424,319
Lease liability (Note 15)	**118,830**	279,953
	23,420,280	26,115,244
Non-current		
Loans (Note 12)	**355,582,312**	312,145,555
Lease liability (Note 15)	**608,567**	458,211
Deferred revenues relating to property, plant and equipment (Note 13)	**106,344,785**	111,640,405
Customer deposits	**667,614**	617,614
Defined benefit pension plan liability (Note 14)	**208,600**	179,065
	463,411,878	425,040,850
	486,832,158	451,156,094
NET ASSETS		
Accumulated revenues and accumulated other comprehensive income	**85,644,372**	115,236,468
	572,476,530	566,392,562

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

On behalf of the Board,

DocuSigned by:
André Boulanger
André Boulanger, ICD.D, M.A.Sc., B.A.Sc.
Chair of the Board

DocuSigned by:
Thom Skinner
Thom Skinner, CPA, CA
Chair of Audit Committee

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

Aéroport de Québec inc. (AQi) is a not-for-profit corporation without share capital, governed by the *Canada Not-for-profit Corporations Act*. AQi is exempted under the *Income Tax Act*. The corporation is in charge of managing, 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 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

In March 2020, the World Health Organization made the assessment that COVID-19 can be characterized as a pandemic. The decree of a COVID-19 state of pandemic and the numerous measures put in place by the federal, provincial and municipal governments to protect the public had impacts on AQi's operations.

For AQi, the continuity of these measures in 2021 led to a drastic decline of domestic flights and the cessation of international flights, including those to the United States, for a 8-month period, that is, from January to August 2021.

Considering the changes in actual conditions, such as the borders reopening and the implementation of a vaccination program in Canada and around the world, AQi has begun a progressive recovery of its activities as of September 2021. This recovery is also based on the interest of airline companies to resume operations at YQB.

As an airport in the eastern part of the province, AQi is considered an essential service. It operates throughout the year, while implementing measures to protect its clients, suppliers and employees.

Even though aviation activities have resumed since the last quarter of 2021, the COVID-19 pandemic continues, because of variants, even after year-end, and could still have further consequences on AQi. Management actively monitors the impact on its financial situation, liquidity, operations, customers, suppliers, industry and workforce.

As the COVID-19 pandemic and the measures taken globally to limit its spread evolve every day, AQi is currently unable to fully estimate the impact on the future results of its operations, its financial situation, and its liquidity.

Among the measures intended to mitigate the impact of this crisis, AQi is eligible for a grant under the Canada Emergency Wage Subsidy program. Claims totalling $3,198,765 have been filed for the periods from January 1 to October 23, 2021 ($4,300,858 for the year ended December 31, 2020). These subsidies have been recognized against expenses for employee benefits.

3 - 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, 2021 were approved on February 17, 2022 by the Board of Directors, which also approved their issuance.

4 - SIGNIFICANT ACCOUNTING POLICIES

General

AQi's financial statements have been prepared in accordance with IFRS in effect as at December 31, 2021. Significant accounting policies used in the preparation of the financial statements are summarized below.

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.

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 one of the following categories:

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

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.

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

All revenues and expenses relating to financial assets recognized in net income are presented in finance income or finance costs, except for impairment loss on trade receivables presented in the expenses.

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, trade receivables, accrued interest receivable, grants receivable and 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 trade receivables, accrued interest receivable and 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 trade receivables, 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 on trade receivables 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 18 for a detailed analysis of how the impairment provisions of IFRS 9 are applied.

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.

Leases

AQi as a lessee

For any contracts, AQi considers whether a contract is, or contains, a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”.

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

– Measurement and recognition of leases as a lessee:

At lease commencement date, AQi recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost less depreciation and accumulated impairment losses. The cost is made up of the initial measurement of the lease liability, any initial direct costs incurred by AQi, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). AQi depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At the commencement date, AQi measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or AQi's incremental borrowing rate. Variable lease payments that are not linked to an index or a rate (such as lease payments based on a percentage of AQi's revenues) are not taken into account for the initial measurement of the lease liability and the asset.

The lease liability and right-of-use asset are reviewed to take account of any event leading to a revaluation or a change in the lease.

AQi has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, AQi recognizes the payments in relation to these as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and are classified in the same way as property, plant and equipment. The lease liability is presented separately as lease liability.

AQi as a lessor

As a lessor, AQi classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not. In this last case, rents from office and land leases are recognized on a straight-line basis over the term of the leases.

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.

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	5, 10 and 25 years
Bag room	5, 10 and 25 years
Other	5, 10, 15 and 25 years
Computer equipment	3, 5, 7 and 10 years
Automotive equipment, furniture and fixtures	5, 10 and 20 years

In the case of right-of-use assets, 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 income and other expenses.

Impairment test of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets 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.

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

All property, plant and equipment and right-of-use assets 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 17).

Government assistance

Government assistance related to current expenses is accounted for as a reduction of the related expenses. Government assistance is accrued in the year in which the current expenses or the capital expenditures are incurred, provided that AQi is reasonably certain that it will be received.

Since government assistance resulting from the Canada Emergency Wage Subsidy may be examined by the tax authorities, retroactive application clarifications were introduced after the programs were announced and some rules may be interpreted differently by the tax authorities, it is possible that the amounts granted will differ from the amounts recorded.

Recognition of revenue from ordinary activities

To determine whether to recognize revenue from ordinary activities, 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 from ordinary activities 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.

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

5 - NEW OR REVISED STANDARDS OR INTERPRETATIONS

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 International Accounting Standards Board (IASB) that are not yet effective, and have not been adopted early by AQi.

Management anticipates that all relevant pronouncements will be adopted in AQi's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments that have not been early adopted are not expected to have a material impact on AQi's financial statements.

6 - 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 9. Actual results may, however, be different for various reasons, such as early wear, insufficient capacity, regulatory changes, etc.

6 - MANAGEMENT'S SIGNIFICANT JUDGMENTS AND ESTIMATES (Continued)

– Impairment of financial and non-financial assets:

  Due to the context of the COVID-19 pandemic, management had to use its judgment to determine whether any signs of impairment of its financial assets, in particular notes receivable, and its non-financial assets, including property, plant and equipment, existed at the date of the financial situation and required an impairment test. Factors such as declining asset use, declining ridership and border closures are possible depreciation indices. Management therefore performed an impairment test using estimates and assumptions. This test did not result in the recognition of an impairment loss on property, plant and equipment. An impairment loss has been recognized against some financial assets (refer to Note 18).

– 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.

– 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.

– In lieu of taxes:

  Management uses judgment in establishing the in lieu of taxes expense based on, among others, independent appraiser reports to determine the estimated property assessment and thus being able to calculate the expense. Actual results may differ as a result of a final property assessment different from the estimate.

Judgments relating to the accounting policies applied

– Revenue from contracts with customers:

  Management has used its judgment to determine whether the revenue from airport improvement fees 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.

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7 - ACCOUNTS RECEIVABLE

	2021	2020
	$	$
Current		
Trade receivables, gross	**5,401,492**	3,354,708
Allowance for doubtful accounts (Note 18)	**(437,553)**	(231,938)
Trade receivables, net	**4,963,939**	3,122,770
Other grants receivable	**88,364**	606,855
Accrued interest receivable	**423,216**	578,659
Commodity taxes receivable		232,029
	5,475,519	4,540,313

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.

The amount of the impairment loss related to trade receivables is $266,086 for the year ($53,863 in 2020).

8 - 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, 2021, an amount of $14,500,000 ($13,500,000 in 2020) has been used for this purpose. 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, 2021, an amount of $19,156,646 ($15,982,327 in 2020) has been used for this purpose. 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 total grant of $32,371,884 ($0 in 2021; $1,090,819 in 2020) to finance the construction of some projects. Of this amount, a total of $32,073,520 ($0 in 2021; $3,632,455 in 2020) was received.

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

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9 - PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improve-ments	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, 2021	**278,880,293**	**145,035,864**	**91,647,789**	**28,560,657**	**15,691,937**	**9,354,506**	**21,696,797**	**590,867,843**
Acquisitions and reclassifications	**143,240**	**504,042**	**333,448**	**31,580**	**56,507**	**152,891**	**313,548**	**1,535,256**
Disposals and write-offs				**(729,717)**	**(7,500)**	**(2,142,051)**		**(2,879,268)**
Balance as at December 31, 2021	**279,023,533**	**145,539,906**	**91,981,237**	**27,862,520**	**15,740,944**	**7,365,346**	**22,010,345**	**589,523,831**
Accumulated amortization								
Balance as at January 1, 2021	**38,919,554**	**37,937,836**	**30,067,138**	**17,553,930**	**9,994,699**	**4,530,504**		**139,003,661**
Amortization	**7,554,528**	**5,671,445**	**4,519,642**	**2,894,292**	**656,492**	**616,561**		**21,912,960**
Disposals and write-offs				**(527,192)**	**(7,500)**	**(463,752)**		**(998,444)**
Balance as at December 31, 2021	**46,474,082**	**43,609,281**	**34,586,780**	**19,921,030**	**10,643,691**	**4,683,313**		**159,918,177**
Carrying amount as at December 31, 2021	**232,549,451**	**101,930,625**	**57,394,457**	**7,941,490**	**5,097,253**	**2,682,033**	**22,010,345**	**429,605,654**

	Buildings and leasehold improve-ments	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, 2020	278,180,177	143,596,537	90,953,949	27,969,982	15,613,482	9,267,581	16,658,694	582,240,402
Acquisitions and reclassifications	700,116	1,439,327	693,840	590,675	199,283	86,925	5,038,103	8,748,269
Disposals and write-offs					(120,828)			(120,828)
Balance as at December 31, 2020	278,880,293	145,035,864	91,647,789	28,560,657	15,691,937	9,354,506	21,696,797	590,867,843
Accumulated amortization								
Balance as at January 1, 2020	31,372,442	32,254,611	25,441,254	14,265,561	9,206,644	3,917,107		116,457,619
Amortization and reclassifications	7,547,112	5,683,225	4,625,884	3,288,369	905,119	613,397		22,663,106
Disposals and write-offs					(117,064)			(117,064)
Balance as at December 31, 2020	38,919,554	37,937,836	30,067,138	17,553,930	9,994,699	4,530,504		139,003,661
Carrying amount as at December 31, 2020	239,960,739	107,098,028	61,580,651	11,006,727	5,697,238	4,824,002	21,696,797	451,864,182

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10 - ACCOUNTS PAYABLE

	2021	2020
	$	$
Trade payables	**6,967,439**	7,351,352
Trade payables relating to property, plant and equipment	**4,781,506**	6,419,234
Indirect taxes payable	**319,364**	
Salaries, vacation and employee benefits payable	**1,237,291**	1,363,883
Accrued interest payable	**1,161,000**	1,082,816
	14,466,600	16,217,285

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

11 - 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.

12 - LOANS

Loans consist of the following financial liabilities:

	Current		Non-current	
	2021	2020	**2021**	2020
	$	**$**	**$**	$
Series A bonds, 5.12%, interest payable quarterly, principal payable in quarterly instalments of $562,500, maturing in April 2029	**2,250,000**	2,250,000	**14,625,000**	16,875,000
Series B bonds, 4.77%, payable from a grant receivable in quarterly instalments of $250,000, plus interest, maturing in April 2022	**500,000**	1,000,000		500,000
Series C bonds, 4.36%, net of transaction costs of $796,598, interest payable quarterly, principal payable at the maturity date in May 2045			**174,203,402**	174,167,370
Series D bonds, 2.8%, payable from a grant receivable in quarterly instalments of $1,023,419, principal and interest, maturing in May 2030	**3,264,138**	3,174,319	**27,579,216**	30,843,354

12 - LOANS (Continued)

	Current		Non-current	
	2021	2020	**2021**	2020
	$	$	**$**	$
Series E bonds, 3.42%, net of transaction costs of $88,519, interest payable quarterly, principal payable at the maturity date in May 2025			**39,911,481**	39,887,860
Series F bonds, 3.25%, net of transaction costs of $104,020, interest payable quarterly, principal payable at the maturity date in June 2026			**49,895,980**	49,871,971
Series G bonds, 2,94%, net of transaction costs of $632,767, interest payable quarterly, principal payable at the maturity date in May 2031			**49,367,233**	
Total carrying amount	**6,014,138**	6,424,319	**355,582,312**	312,145,555

According to the deed relating to the issuance of bonds which sets out and regulates the terms of the bonds, AQi must prepare and provide bondholders with financial forecasts of the debt service coverage ratio covering the four quarters following the date of their preparation when this ratio is less than 1.25/1. During the year and at the date of the statement of financial position, this ratio is lower than the target set.

The Series A, C, E, F and G bonds are grafted of a contingency fund for the service of the debt and an operation and maintenance reserve fund. AQi complies with the terms and conditions of the act relating to the issue of bonds with regard to these funds, which are composed of non-current term deposits.

In addition, AQi has authorized credit facilities with financial institutions, that is, a revolving credit of $2,000,000 bearing interest at prime rate (2.45%; 2.45% in 2020). This receivable is renegotiable annually. An authorized term loan of $40,000,000 is also available to AQi. It could be increased in increments of $10,000,000 to a maximum of $60,000,000 and bears interest at the rate of banker's acceptances plus a premium. It is renegotiable in February 2023.

13 - DEFERRED REVENUES RELATING TO PROPERTY, PLANT AND EQUIPMENT

			2021
	Cost	**Accumulated amortization**	**Unamortized cost**
	$	**$**	**$**
Buildings and leasehold improvements, runways, roadways and other paved surfaces, machinery and equipment	**141,665,636**	**35,320,851**	**106,344,785**

13 - DEFERRED REVENUES RELATING TO PROPERTY, PLANT AND EQUIPMENT (Continued)

			2020
	Cost	Accumulated amortization	Unamortized cost
	$	$	$
Buildings and leasehold improvements, runways, roadways and other paved surfaces, machinery and equipment	141,665,636	30,025,231	111,640,405

14 - PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Expenses recognized as employee benefits are detailed as follows:

	2021	2020
	$	$
Salaries	**10,780,521**	11,260,604
Employee benefits	**1,604,850**	1,809,412
Defined benefit pension plan	**86,900**	94,100
Defined contribution pension plan	**440,878**	514,340
Retirement and termination allowances	**39,003**	562,284
Canada Emergency Wage Subsidy	**(3,198,765)**	(4,300,858)
Employee benefit expenses	**9,753,387**	9,939,882

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*. During the year, AQi has transferred all active participants of this plan to the defined contribution pension plan. As at December 31, 2021 there are no more active participants.

AQi offered a defined benefit plan to its full-time employees who were employed before November 1, 2000. The required employee contributions vary between 13.1% and 24.2% (10.8% and 19.9% before January 1, 2021) 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.

14 - PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS (Continued)

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, 2020 and the results have been extrapolated until December 31, 2021.

Balancing contributions required based on the 2020 actuarial valuation amount to $55,500 ($53,500 in 2020).

Due to the COVID-19 pandemic, AQi has obtained authorization to suspend payments of these contributions for the periods from April to December 2020. As of December 31, 2020, the amortization payment actually paid totals $33,626.

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

	2021	2020
	$	$
Defined benefit pension plan obligations as at January 1	**11,742,100**	10,678,700
Current service cost	**19,400**	33,400
Financial cost	**300,100**	325,300
Employees' contributions	**19,700**	41,700
Actuarial gaps		
Actuarial loss (gain) from the experience of the plan	**(228,000)**	105,700
Actuarial loss (gain) from changes in financial assumptions	**(584,100)**	950,500
Benefits paid	**(475,200)**	(393,200)
Defined benefit pension plan obligations as at December 31	**10,794,000**	11,742,100

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

	2021	2020
	%	%
Discount rate	**3.2**	2.6
Increase rate of compensation	**2.8**	2.5
Inflation	**1.8**	1.5

The duration of the defined benefit obligation is 13.6 years.

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

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14 - PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS (Continued)

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:

	2021	2020
	$	$
Fair value of plan assets as at January 1	**13,719,235**	12,983,860
Asset increase		
Employer's contributions	**68,565**	70,175
Employees' contributions	**19,700**	41,700
Performance of plan assets, excluding interest income		664,800
Interest income	**351,600**	397,900
	439,865	1,174,575
Asset decrease		
Administration fees	**62,900**	46,000
Performance of plan assets, excluding interest income	**504,400**	
Benefits paid	**475,200**	393,200
	1,042,500	439,200
Fair value of plan assets as at December 31	**13,116,600**	13,719,235

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:

	2021	2020
	$	$
Current service cost	**19,400**	33,400
Net interest	**4,600**	14,700
Administration fees	**62,900**	46,000
Defined benefit pension plan expense	**86,900**	94,100

AQi plans on making contributions of $55,500 ($87,171 in 2020) 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:

	2021	2020
	$	$
Fair value of plan assets	**13,116,600**	13,719,235
Defined benefit pension plan obligations	**10,794,000**	11,742,100
Excess	**2,322,600**	1,977,135
Effect of the asset ceiling for defined benefit pension plan obligations	**(2,531,200)**	(2,156,200)
Defined benefit pension plan liability	**(208,600)**	(179,065)

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, 2021 could have influenced the defined benefit pension plan obligations on that date.

		2021	2020
		Impact on the defined benefit pension plan obligation	Impact on the defined benefit pension plan obligation
		$	$
Discount rate	2.95% (instead of 3.20%)	**358,000**	413,700
Salary increase rate	2.55% (instead of 2.80%)		
Inflation	1.55% (instead of 1.80%)	**(291,500)**	(257,100)

15 - LEASES

AQi has entered into lease agreements for land and computer equipment.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. AQi is prohibited from selling or pledging the underlying leased assets as security. Furthermore, AQi must incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the AQi's leasing activities by type of right-of-use asset:

Right-of-use asset	Number of underlying leased assets	Weighted average remaining lease term (years)	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payments linked to an index	Number of leases with termination options
Land	1	39	1			
Computer equipment	1	4		1		

15 - LEASES (Continued)

Right-of-use asset

The right-of-use asset related to computer equipment is presented under computer equipment in property, plant and equipment. As at December 31, 2021, the cost of this asset is $2,207,520 and the accumulated amortization amounts to $2,207,520. The amortization expense recognized totals $312,732 ($441,504 in 2020).

Lease liability

The lease liability is secured by the related underlying assets.

Future undiscounted contractual lease payments are as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	$	$	$	$	$	$	$
December 31, 2021	**146,053**	**215,175**	**249,185**	**180,872**			**791,285**
December 31, 2020	303,595	256,900	223,625				784,120

The lease liability is presented in the statement of financial position as follows:

	2021	2020
	$	$
Current	**118,830**	279,953
Non-current	**608,567**	458,211
	727,397	738,164

The interest expense included in the future undiscounted contractual lease payments amounts to $63,888 ($29,739 in 2020).

Lease payments not recognized as a liability

AQi has elected not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2021
	$
Short-term leases	**43,934**
Leases of low-value assets	**14,346**
Variable lease payments	
	58,280

15 - LEASES (Continued)

Variable lease payments expensed on the basis that they are not recognized as a lease liability include rentals based on revenue from ordinary activities as described below:

– 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

Due to the COVID-19 pandemic, Transport Canada made an amendment to the ground lease, more precisely to the rent calculation clause. According to this amendment, no rent has to be paid to Transport Canada for the year 2021 (paid rent equal to 2/12 of the calculation described above, for a total of $155,522, for fiscal year 2020). Without this amendment to the lease, the rent would have totalled $606,527 ($933,130 in 2020). AQi therefore realizes a saving of $606,527 ($777,608 in 2020).

For the fiscal year 2022, the traditional calculation method as described above will be used again.

Total cash outflow for all leases for the year ended December 31, 2021 is $69,047 ($1,470,342 in 2020).

Operating leases as lessor

AQi leases airport land and buildings to sub-lessees. Income from the sub-leases is $3,519,626 ($3,110,135 in 2020).

Although the risks associated with rights that AQi retains in underlying assets not considered to be significant, AQi employs strategies to further minimize these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate AQi when a property has been subjected to excess wear-and-tear during the lease term. In addition, leases for land where fuelling services are offered include environmental guarantee clauses for site restoration when the tenants leave.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Their standard period may vary depending on the type of sub-lease, from 1 to 10 years as of the commencement date of the lease in the terminal and to an average of 30 years for land, except for one contract that is valid for a 60-year period.

16 - COMMITMENTS

AQi has entered into service agreements expiring at various dates until December 2026 which call for a total lease payment of $30,403,476. Minimum lease payments for the next five years are $4,329,949 in 2022, $5,897,753 in 2023, $7,264,898 in 2024, $7,611,876 in 2025 and $5,299,000 in 2026.

Moreover, AQi has agreed to pay $983,553 in the course of the next year for construction contracts.

17 - INFORMATION ON COMPREHENSIVE INCOME

Goods and services

During the year, Transport Canada provided AQi a $4,245,000 financial contribution according to the Airport Relief Fund, which was recognized against goods and services.

Finance income

Finance income for the reporting periods is detailed as follows:

	2021	2020
	$	$
Interest income on cash	**38,963**	86,311
Interest income on term deposits	**1,191,025**	1,440,602
Interest income on notes receivable	**127,912**	146,676
	1,357,900	1,673,589

Finance costs

Finance costs for the reporting periods are detailed as follows:

	2021	2020
	$	$
Interest expenses on loans and lease liability	**13,380,622**	12,798,436
Interest income on the grant receivable relating to a loan	**(954,772)**	(1,090,380)
Amortization of transaction costs	**122,861**	83,695
	12,548,711	11,791,751

18 - 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:

18 - FINANCIAL INSTRUMENTS (Continued)

Financial assets

Financial assets at amortized cost

	Interest rate and maturity	**2021**	2020
		$	$
Current			
Cash		**4,485,616**	9,204,002
Term deposits	Weighted average rate of 1.00% (1.56% as at December 31, 2020)	**57,204,579**	24,657,108
Accounts receivable, excluding commodity taxes receivable (Note 7)		**5,475,519**	4,308,284
Grants receivable (Note 8)		**4,062,502**	4,472,683
Notes receivable		**116,667**	165,660
		71,344,883	42,807,737
Non-current			
Term deposits	Weighted average rate of 1.70% (2.23% as at December 31, 2020), maturing on various dates until 2026	**40,000,000**	35,900,000
Notes receivable	Residential mortgage rate plus 5.25%	**1,391,667**	1,872,802
Grants receivable (Note 8)		**27,579,216**	31,343,354
		68,970,883	69,116,156
		140,315,766	111,923,893

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% (8.14%; 8.74% as at December 31, 2020), 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.

During the year, AQi proceeded to write-off a note receivable for $413,461, which led to an impairment loss of financial assets recognized in comprehensive income.

18 - FINANCIAL INSTRUMENTS (Continued)

Financial liabilities

	2021	2020
	$	$
Current		
Accounts payable, excluding salaries, vacations and employee benefits payable (Note 10)	**12,909,945**	14,853,402
Customer deposits	**55,000**	135,744
Loans (Note 12)	**6,014,138**	6,424,319
	18,979,083	21,413,465
Non-current		
Customer deposits	**667,614**	617,614
Loans (Note 12)	**355,582,312**	312,145,555
	375,229,009	334,176,634

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

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, customer deposits and loans

The fair value of term deposits is $98,534,000 ($61,908,000 in 2020) and was determined by discounted cash flows monetary contractual at the interest rates charged on the market for financial instruments similar having the same duration until maturity. The fair value of the grants receivable, notes receivable and customer deposits 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 $394,941,000 ($378,531,000 in 2020) and was determined by discounting the contractual cash flows using market interest rates for similar loans.

Financial instrument risks

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.

18 - FINANCIAL INSTRUMENTS (Continued)

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 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 receivables 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.

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, 2021 and 2020 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.).

18 - FINANCIAL INSTRUMENTS (Continued)

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.

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, 2021, the contractual maturities of AQi's non-derivative financial liabilities (including any interest payment) are detailed as follows:

				2021
	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	**12,017,825**	**892,120**		
Customer deposits		**55,000**	**667,614**	
Loans	**10,151,116**	**9,613,339**	**163,140,827**	**392,873,325**
	22,168,941	**10,560,459**	**163,808,441**	**392,873,325**

				2020
	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	13,349,163	1,504,239		
Customer deposits		135,744	617,614	
Loans	9,498,656	9,457,886	110,397,687	402,288,086
	22,847,819	11,097,869	111,015,301	402,288,086

19 - 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, the lease liability and loans totalling $447,968,219 ($434,544,506 as at December 31, 2020).

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.

20 - NET CHANGE IN WORKING CAPITAL ITEMS

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

	2021	2020
	$	$
Accounts receivable	**(935,206)**	1,705,617
Supplies in inventory	**(140,486)**	(123,289)
Prepaid expenses	**(42,166)**	82,224
Accounts payable, excluding trade payables relating to property, plant and equipment	**(112,957)**	3,188,945
Deferred revenues	**(292,231)**	2,013,437
Customer deposits	**(30,744)**	69,165
	(1,553,790)	6,936,099

21 - RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Loans	**Lease liability**	**Grants receivable**	**Total**
	$	**$**	**$**	**$**
January 1, 2021	**318,569,874**	**738,164**	**(35,816,037)**	**283,492,001**
Cash flows				
Proceeds	**50,000,000**			**50,000,000**
Repayment	**(2,250,000)**	**(10,767)**		**(2,260,767)**
Transaction costs	**(671,966)**			**(671,966)**
Non-cash items				
Grants awarded for the repayment of loans	**(4,174,319)**		**4,174,319**	
Amortization of transaction costs	**122,861**			**122,861**
December 31, 2021	**361,596,450**	**727,397**	**(31,641,718)**	**330,682,129**

	Loans	Lease liability	Grants receivable	Total
	$	$	$	$
January 1, 2020	324,823,151	921,905	(42,444,645)	283,300,411
Cash flows				
Proceeds			3,632,455	3,632,455
Repayment	(2,250,000)	(183,741)		(2,433,741)
Non-cash items				
Grants obtained			(1,090,819)	(1,090,819)
Grants awarded for the repayment of loans	(4,086,972)		4,086,972	
Amortization of transaction costs	83,695			83,695
December 31, 2020	318,569,874	738,164	(35,816,037)	283,492,001

22 - 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:

	2021	2020
	$	$
Salaries, bonuses and termination allowances	**1,476,153**	1,262,279
Employee benefit cost	**141,063**	130,912
Post-employment benefits	**70,776**	63,990
Attendance and directors' fees	**370,126**	357,419
Total compensation	**2,058,118**	1,814,600

22 - RELATED PARTY TRANSACTIONS (Continued)

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.