



**Consolidated Financial Statements
December 31, 2015 and 2014**



February 18, 2016

Management's Report

The accompanying consolidated financial statements of **Chorus Aviation Inc. ("Chorus")** (the "financial statements") are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1 (the "Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgement.

Management is responsible for establishing and maintaining adequate internal control over financial reporting which includes those policies and procedures that provide reasonable assurance over the safeguarding of assets and over the completeness, fairness and accuracy of the consolidated financial statements and other financial information.

The Audit, Finance and Risk Committee, which is comprised entirely of independent directors, reviews Chorus' financial reporting and recommends approval to the Board of Directors; oversees management's responsibilities as to the adequacy of the supporting systems of internal controls; provides oversight of the independence, qualifications and appointment of the external auditor; and, pre-approves audit and audit-related fees and expenses. The Board of Directors approves Chorus' consolidated financial statements, management's discussion and analysis and annual report disclosures prior to their release. The Audit, Finance and Risk Committee meets with management, the internal auditors and external auditors at least four times each year to review and discuss financial reporting issues and disclosures, auditing and other matters.

The external auditors, PricewaterhouseCoopers LLP, conduct an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and express their opinion thereon. Those standards require that the audit is planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The external auditors have unlimited access to the Audit, Finance and Risk Committee and meet with the Committee on a regular basis.

(signed) "Joseph D. Randell"
President and Chief Executive Officer

(signed) "Jolene Mahody"
Executive Vice President and
Chief Financial Officer



February 18, 2016

Independent Auditor's Report

To the Shareholders of Chorus Aviation Inc.

We have audited the accompanying consolidated financial statements of Chorus Aviation Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of changes in equity, income, comprehensive income and cash flows the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Chorus Aviation Inc. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

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Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

	As at December 31,	
	2015	2014
	\$	\$
Assets		
Current assets		
Cash	32,677	114,578
Restricted cash (note 21)	1,829	3,277
Accounts receivable – trade and other (note 22)	81,357	66,229
Inventories (note 22)	45,942	43,493
Prepaid expenses and deposits (note 22)	15,718	16,757
Total current assets	177,523	244,334
Property and equipment (note 6)	863,992	594,486
Intangibles (notes 5 and 7)	3,004	—
Goodwill (notes 5 and 7)	7,150	6,693
Deferred income tax asset (note 12)	19,644	21,413
Other long-term assets (note 22)	36,026	36,417
	1,107,339	903,343
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 22)	177,313	215,325
Current portion of obligations under finance leases (note 9)	5,432	3,352
Current portion of long-term incentive plan	5,159	6,358
Current portion of long-term debt (note 10)	54,867	35,376
Current portion of consideration payable (notes 5 and 11)	11,319	—
Dividends payable	4,889	4,509
Income tax payable	7,270	—
Total current liabilities	266,249	264,920
Obligations under finance leases (note 9)	14,052	—
Long-term debt (note 10)	530,390	368,682
Consideration payable (notes 5 and 11)	18,849	—
Deferred income tax liability (note 12)	103,202	67,387
Other long-term liabilities (note 22)	63,801	72,294
	996,543	773,283
Equity	110,796	130,060
	1,107,339	903,343

Economic dependence (note 20)

Contingencies (note 18)

Subsequent events (note 23)

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

Approved by the Board of Directors

By: (signed) "Karen Cramm"
Director

By: (signed) "Richard H. McCoy"
Director

Consolidated Statements of Changes in Equity

(expressed in thousands of Canadian dollars)

	Capital \$	Deficit \$	Contributed surplus \$	Equity component of convertible debentures \$	Total \$
Balance - December 31, 2013	5,116	(875,736)	1,047,104	9,497	185,981
Net income for the year	—	64,710	—	—	64,710
Other comprehensive loss for the year (net of tax)	—	(49,232)	—	—	(49,232)
Comprehensive income for the year	—	15,478	—	—	15,478
Dividends	—	(54,454)	—	—	(54,454)
Repurchase of shares under normal course issuer bid	(96)	—	(9,276)	—	(9,372)
Redemption of convertible debentures	—	—	9,497	(9,497)	—
Conversion of convertible debentures	9	—	—	—	9
Expense related to stock-based compensation plans	—	—	768	—	768
Reclassification of stock-based compensation from equity settled to cash settled liability	—	—	(8,350)	—	(8,350)
Balance - December 31, 2014	5,029	(914,712)	1,039,743	—	130,060
Net income for the year	—	25,487	—	—	25,487
Other comprehensive income for the year (net of tax)	—	546	—	—	546
Comprehensive income for the year	—	26,033	—	—	26,033
Dividends	—	(57,814)	—	—	(57,814)
Expense related to stock-based compensation plans	—	—	727	—	727
Share issuance for stock-based compensation plans	3,018	—	—	—	3,018
Share issuance for acquisition of 519222 Ontario Limited (note 5)	8,772	—	—	—	8,772
Balance - December 31, 2015	16,819	(946,493)	1,040,470	—	110,796

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

Consolidated Statements of Income
For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except earnings per share)

	2015	2014
	\$	\$
Operating revenue (note 20)		
Passenger	1,517,365	1,653,716
Other	27,316	12,575
	1,544,681	1,666,291
Operating expenses (note 20)		
Salaries, wages and benefits	435,521	410,401
Aircraft fuel	228,557	372,345
Depreciation and amortization	59,745	66,057
Food, beverage and supplies	12,082	17,692
Aircraft maintenance materials, supplies and services	197,258	169,288
Airport and navigation fees	174,371	168,550
Aircraft rent	103,308	93,350
Terminal handling services	57,018	109,184
Other	127,324	121,523
	1,395,184	1,528,390
Operating income	149,497	137,901
Non-operating income (expenses)		
Interest revenue	2,443	1,147
Interest expense	(17,457)	(16,895)
Gain on disposal of property and equipment	186	249
Foreign exchange loss	(74,336)	(28,384)
Other	758	500
	(88,406)	(43,383)
Income before income taxes	61,091	94,518
Income tax expense (note 12)		
Current income tax	(8,509)	(611)
Deferred income tax	(27,095)	(29,197)
	(35,604)	(29,808)
Net income	25,487	64,710
Earnings per share, basic (note 15)	0.21	0.53
Earnings per share, diluted (note 15)	0.20	0.52

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



Consolidated Statements of Comprehensive Income
For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars)

	2015	2014
	\$	\$
Net income	25,487	64,710
Other comprehensive income (loss)		
<i>Items that will not be subsequently reclassified to the statements of income</i>		
Actuarial gain (loss) on employee benefit liabilities, net of tax expense (recovery) of \$208 (2014 - (\$19,013))	546	(49,232)
Comprehensive income	26,033	15,478

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars)

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Net income	25,487	64,710
Charges (credits) to operations not involving cash		
Depreciation and amortization	59,745	66,057
Amortization of prepaid aircraft rent and related fees	5,263	2,383
Gain on disposal of property and equipment	(186)	(249)
Unrealized foreign exchange loss	70,848	30,522
Realized foreign exchange loss	7,219	—
Effect of foreign exchange rate changes on cash	(5,062)	(3,565)
Deferred income tax expense	27,095	29,197
Accretion of debt component of convertible debentures	—	1,675
Other	(6,665)	5,529
	183,744	196,259
Net changes in non-cash balances related to operations (note 21)	(44,830)	6,510
	138,914	202,769
Financing activities		
Repayment of obligations under finance leases	(4,455)	(3,480)
Repayment of long-term borrowings	(39,180)	(29,620)
Long-term borrowings	142,779	—
Redemption of convertible debentures	—	(80,201)
Restricted cash related to aircraft financing	7,192	—
Repurchase of shares under normal course issuer bid	—	(9,372)
Dividends	(57,432)	(63,731)
	48,904	(186,404)
Investing activities		
Business acquisition, net of cash acquired	(45,474)	—
Additions to property and equipment	(230,941)	(65,545)
Proceeds on disposal of property and equipment	186	249
Decrease in restricted cash related to letters of credit	1,448	43
	(274,781)	(65,253)
Effect of foreign exchange rate changes on cash	5,062	3,565
Net change in cash during the years	(81,901)	(45,323)
Cash – Beginning of years	114,578	159,901
Cash – End of years	32,677	114,578

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

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

1 General information

Chorus Aviation Inc. ("Chorus") is a holding company with various aviation interests incorporated on September 27, 2010, pursuant to the *Canada Business Corporations Act* (the "CBCA"). The registered office of Chorus is located at 100 King Street West, 1 First Canadian Place, Suite 6200, P.O. Box 50, Toronto, Ontario, M5X 1B8 and its country of domicile is Canada.

References to Chorus in the following notes to the consolidated financial statements refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries.

Chorus' primary business is conducted through Jazz Aviation LP ("Jazz"). In Canada, Jazz operates the largest regional airline and the third largest airline, based on passengers carried. Through Jazz's operations, Chorus provides a significant part of Air Canada's domestic and transborder network. Jazz and Air Canada are parties to a capacity purchase agreement, defined below, under which Air Canada purchases the greater part of Jazz's fleet capacity at pre-determined rates. Chorus is economically and commercially dependent upon Air Canada and one of its subsidiaries, as, in addition to being Chorus' primary source of revenue, these entities currently provide significant services and aircraft to Chorus. Chorus and Air Canada are parties to an Amended and Restated Capacity Purchase Agreement, effective January 1, 2006, as most recently amended on January 1, 2015 (collectively, the "CPA") (refer to note 20 - Economic Dependence for further details).

Effective January 1, 2015, Chorus and Air Canada entered into an amending agreement whereby the parties extended the term of the CPA to December 31, 2025, changed the means by which Air Canada pays Chorus for services delivered under the amended CPA, created a fleet renewal and transition program for the Covered Aircraft, and introduced certain new or revised terms and conditions related to: (i) the consequences of a severe economic downturn or event of force majeure, (ii) change of control, (iii) non-competition and (iv) other matters. With regard to payment for services delivered under the CPA as amended by the January 1, 2015 amendment, the parties have eliminated the mark-up on Controllable Costs, any future benchmarking process and the Compensating Mark-Up, and replaced them with a simplified combination of fixed fees per Covered Aircraft, conversion of some former Controllable Costs into Pass-through costs, compensation for Controllable Costs (other than crew labour costs) by payment of rates generally set on an annual basis, and Air Canada's assumption of direct responsibility for some significant costs. The majority of these changes occurred in the first quarter of 2015, with the exception of fuel, which is no longer billed to Chorus as of November 1, 2015.

On May 1, 2015, Chorus successfully completed its acquisition of 519222 Ontario Limited, the holding company that owned Voyageur Airways Limited and its related companies (collectively "Voyageur"), a leading provider of specialized aviation services with international operations (refer to note 5 - Business Acquisition). On January 1, 2016 Voyageur was re-organized into three entities. Voyageur Aviation Corp. became the parent company for the group and provides common support services to its subsidiaries. Voyageur Aviation Corp. was created by the amalgamation of 519222 Ontario Limited, Hangar 6 Inc. and Voyageur Airport Services Inc. Voyageur Airways Limited is a Transport Canada approved air operator with international and domestic contract flying operations. Voyageur Aerotech Inc. is a Transport Canada approved aircraft maintenance organization with advanced aircraft engineering and maintenance capabilities.

Under the CPA, Chorus has historically experienced greater demand for its services under the CPA in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year, principally as a result of the high number of leisure travelers and their preference for travel during the summer months. The operations of Voyageur are not generally affected by seasonality. Seasonality also has little effect on the other lines of business operated by Chorus. Chorus has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Chorus' revenues do not fluctuate significantly with passenger load factors.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

2 Basis of presentation

Chorus prepares these consolidated financial statements in accordance with GAAP as set out in the Handbook which incorporates IFRS as issued by the IASB.

These consolidated financial statements have been authorized for issuance by the Board of Directors on February 18, 2016.

3 Significant accounting policies, judgements and estimation uncertainty

a) Basis of measurement

These consolidated financial statements have been prepared under a historical cost basis, except for certain financial assets and financial liabilities, that are measured at fair value.

b) Critical accounting estimates and judgements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Significant estimates made in the preparation of these financial statements include, but are not limited to, the following areas, with further information contained in the applicable accounting policy or note:

Employee benefits

The cost and related liabilities of Chorus' post-employment benefit programs are determined using actuarial valuations. The actuarial valuations involve certain assumptions including those in relation to discount rates, future salary increases, mortality rates and future benefit increases. Also, due to the long-term nature of these programs, such estimates are subject to significant uncertainty.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

Operating revenue

In accordance with the terms of the CPA, Chorus and Air Canada agreed on detailed rates applicable to the period commencing on January 1, 2015 and ending on December 31, 2015. The new rates are retroactive to January 1, 2015. Chorus and Air Canada have reconciled amounts already recorded in 2015 to these new rates. As a result, Chorus recorded a reduction in CPA operating revenue of \$821 related to the year 2015 in the fourth quarter of 2015.

Depreciation of long-lived assets

Management makes estimates and judgements about the expected useful life and the expected residual value of long-lived assets. Depreciation methods for long-lived assets are based on management's judgement of the most appropriate method to reflect the pattern of an asset's future economic benefit. Useful life and residual values are based on estimates of future fair values and can vary significantly from actual. Management revises depreciation estimates and patterns regularly and makes any changes on a prospective basis. A 25% reduction to the residual values of aircraft would result in an increase of \$5,640 to annual depreciation expense.

In the first quarter of 2015, Chorus reviewed the estimated useful economic lives and residual value of its owned aircraft and flight equipment. As a result, the expected estimated useful economic lives of certain of these assets have been extended and there was no significant impact related to the residual value. The effect of these changes was a reduction to depreciation expense for the year ended December 31, 2015 of approximately \$27,600. The impact of this change was offset by flight equipment acquired in 2014 and 2015 for a change in depreciation year-over-year of approximately \$15,500.

Business combination

Chorus applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of an entity is equal to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair value of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair value of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgement involve the estimated fair value of intangible assets.

Consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by Chorus is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in profit or loss.

The initial recognition of intangible assets acquired that require critical accounting estimates are customer relationships and trade name. To determine the fair value of these customer based intangible assets, significant assumptions were made, which include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates and anticipated average income tax rates.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

c) Principles of consolidation

These financial statements include the accounts of Chorus and its subsidiaries. Subsidiaries are all entities which Chorus controls. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. All inter-company balances and transactions are eliminated.

d) Restricted cash

Chorus has recorded restricted cash under current assets related to funds on deposit with a financial institution as collateral for letters of credit. Restricted cash recorded under other long-term assets on December 31, 2014 related to funds required to be held in a segregated account with a financial institution as security for the Export Development Canada ("EDC") financing related to the purchase of six Q400 NextGen aircraft in 2013. This restricted cash was returned during 2015 for the release of security related to Q400 aircraft financing.

e) Operating revenue

Under the CPA, Chorus is paid to provide services to Air Canada, as explained in note 1. The related fees payable by Air Canada are recognized in revenue as the capacity is provided or on a fixed basis per aircraft. Revenue earned by Chorus under its operation of charter flights and other contract flying (including under the Voyageur operation) is also included in passenger revenue and recognized when the service is provided.

Maintenance, repair and overhaul ("MRO") operations and other sources of revenue, such as third party ground handling services, are included in other revenue and are recognized when the service is provided. Revenue earned under inventory consignment agreements with third parties is recognized when the inventory is received by the end purchaser.

The CPA provides for a monthly payment per aircraft in an amount designed to reimburse Chorus for certain aircraft ownership costs. Chorus has concluded that a component of its revenue under the CPA is rental income since the CPA identifies the "right of use" of a specific type and number of aircraft over a stated period of time otherwise known as the Covered Aircraft. The amount deemed to be rental income is \$185,070 for the year ended December 31, 2015 (\$179,222 for the year ended December 31, 2014).

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

f) Employee benefits

Chorus' significant policies related to the defined benefit pension plan for its pilots, the supplemental executive retirement plan for certain Chorus executives, which is also a defined benefit pension plan (collectively referred to as "Pension Benefits"), and the Other Employee Benefits are as follows:

- The cost of Pension Benefits earned by employees is actuarially determined using the projected benefit method prorated on service, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees. Obligations are attributed to the period beginning on the date the employee joins the plan and ending on the earlier of the date of termination, death or retirement. Actuarial gains and losses on the pension benefits are recognized in full in the period in which they occur in other comprehensive income and retained earnings without recycling to the statement of income in subsequent periods. Current service cost, the recognized element of any past service cost, the interest income on plan assets and the interest arising on the pension liability are included in salaries, wages and benefits in the statement of income.
- Other Employee Benefits consist of two categories of benefits:
 - Medical and dental benefits provided to employees while on long-term disability, and Worker's Compensation and Workers Safety Insurance Board benefits in respect of Ontario employees, are collectively referred to as other long-term benefits. The actuarial gains and losses for this component of Other Employee Benefits are charged to operating expense in the year they occur.
 - Sick leave benefits are paid to certain employees upon or just prior to retirement. The actuarial gains and losses on this component of other employee benefits are charged to other comprehensive income in the year they occur.
- The cost of the Other Employee Benefits is actuarially determined using the projected benefit method prorated on service (where applicable), market interest rates, and management's best estimate of retirement ages of employees, health care cost inflation, salary escalation and general inflation, as applicable to each of the categories of benefits.
- Past service costs arising from plan amendments of the defined benefit pension plan and the supplemental executive retirement plan and other employee benefit plans are recognized immediately in income.
- The registered pension plan is subject to certain minimum funding requirements. The liability, where applicable, in respect of the minimum funding requirement is determined using the projected minimum funding requirements based on actuarial forecasts. The liability in respect of the minimum funding requirement and any subsequent re-measurement of that liability is recognized in other comprehensive income without subsequent reclassification to income.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

- The measurement date of each of the plans' assets and obligations is December 31. Pension obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement. The obligations relating to other employee benefits plans are attributed to the period beginning on the employee's date of joining the plan or disablement (whichever applicable) and ending on the earlier of retirement or end of disablement or age 65 (whichever applicable).
- Chorus also maintains several defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions become payable.

g) Stock-based compensation

Long-term incentive plan

The long-term incentive plan (the "LTIP") is a restricted share unit ("RSU") plan under which participants receive an annual grant of RSUs that vest over a three year period if certain performance goals and service conditions, established at the time of grant by the Board of Directors, are achieved. RSUs entitle the participant to receive common shares of Chorus on a one-for-one basis or an equivalent cash payout at the participant's election. Additional RSUs representing the value of dividends paid on corresponding common shares of Chorus accrue for the benefit of participants. Unvested RSUs held by participants are forfeited if performance goals or service conditions are not met. On vesting, Chorus will purchase the shares on the secondary market or settle in cash (at the election of the participant in accordance with the LTIP).

Beginning in the first quarter of 2014, participants were given the option, prior to the vesting of their RSUs, to receive cash or shares. As a result, effective February 24, 2014, the RSU obligation changed from an equity settled obligation to a cash settled obligation, recognized in the appropriate short and long-term liability accounts in the Statement of Financial Position. The RSU liability is adjusted quarterly to reflect the number of RSUs expected to vest and the fair market value of the RSUs at the end of the reporting period. Changes to the outstanding RSU liability are accounted for in salaries, wages and benefits expense in the Statement of Income.

On May 1, 2015 Chorus acquired Voyageur. As part of the acquisition, certain key employees were inducted into a Voyageur LTIP plan (the "Voyageur LTIP"). These employees were given a one time RSU grant that vests on December 31, 2019. On vesting, Chorus will issue the shares from treasury to fulfill the obligation and as a result, the RSUs are considered an equity settled obligation and are recorded in the Statement of Equity. Changes to the outstanding RSU liability are accounted for in salaries, wages and benefits expense in the Statement of Income.

Stock options

The fair value of stock options are determined at the time of the grant using a Black-Scholes option pricing model. The fair value of the options are recognized as expense over the vesting period, based on the number of options expected to vest, with a corresponding entry to equity. The number of options expected to vest is reviewed at least annually with any related impact on previously recognized expense being unrecognized immediately.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

Deferred share units

Non-executive directors receive a portion of their remuneration in deferred share units ("DSUs") under a DSU plan (the "DSU Plan") designed to promote the alignment of interests between individual non-executive directors and the shareholders of Chorus. Each DSU has a value equivalent to the value of a Chorus share. DSUs vest immediately, may only be redeemed for cash and will only be paid out subsequent to the time a director ceases to be a director, or in the case of a U.S. taxpayer, subsequent to the date such person incurs a "separation from service" under applicable U.S. law. Participating directors will receive, in respect of their DSUs, an amount equivalent to the amount of any dividends paid on Chorus shares in the form of additional DSUs. Under the DSU Plan, participating directors may receive annual grants of DSUs. In addition, a participating director may elect to have his or her annual cash retainer and/or any additional retainer payable in the form of DSUs or a combination of DSUs and cash. DSUs are cash-settled share-based payments that are measured at fair value and recognized as a liability. The liability is remeasured at fair value each period and at the settlement date with changes in fair value recognized in the statement of income.

Employee share ownership program

Chorus' employee share ownership plan (the "ESOP") permits employees to buy common shares of Chorus through payroll deduction. Under the ESOP, contributions made by employees are matched to a specific percentage by Chorus. These contributions are expensed to salaries, wages and benefits expense over the one year vesting period. The amount expected to vest is reviewed at least annually, with any change in estimate recognized immediately in salaries, wages and benefits.

h) Financial instruments

Chorus has early adopted IFRS 9, *Financial Instruments (2013)* and all prior iterations. Chorus has not yet adopted the final iteration, IFRS 9 (2014). The standard requires financial assets to be classified into two measurement categories: amortized cost and fair value. Classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For investments in equity instruments which are not subject to control, joint control, or significant influence, on initial recognition GAAP allows an entity to irrevocably elect classification at "fair value through profit or loss" or "fair value through other comprehensive income". For financial liabilities, changes in fair value attributable to an entity's own credit risk are recorded through other comprehensive income rather than through net income.

Management has designated that equity investments not held for trading that were previously classified as available for sale be classified as fair value through other comprehensive income.

Financial instruments are classified as follows:

- Asset backed commercial paper ("ABCP") is classified as "Fair Value through Profit and Loss." These financial assets are measured at fair value, with changes in fair value recognized in the statement of income each reporting period.
- Cash, restricted cash and accounts receivable are classified as "Financial Assets Measured at Amortized Cost". After their initial fair value measurement, they are measured at amortized cost using the effective interest method, less a provision for impairment, established on an account-by-account basis, based on, among other factors, prior experience and knowledge of the specific debtor and its assessment of the current economic environment.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

- Accounts payable, dividends payable, long-term debt, obligations under finance leases and consideration payable are classified as "Other Financial Liabilities". Other Financial Liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method.

Hedging

IFRS 9, "Financial Instruments", has been amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect the risk management activities in their financial statements. Chorus early adopted the amendments to this standard effective January 1, 2014. The amendments to this standard have no impact on Chorus' consolidated financial statements.

Impairment of financial assets

At each reporting date, Chorus assesses whether there is objective evidence that a financial asset carried at amortized cost is impaired. If such evidence exists, Chorus recognizes an impairment loss, as the difference between the carrying value of the instrument and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate or a discount rate based on the risk associated with the financial asset being tested. The carrying amount of the asset is reduced by this amount through a charge to the statement of income.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

i) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Property and equipment are depreciated to estimated residual values based on the straight-line method over their useful lives. New aircraft and flight equipment are depreciated over 20 to 30 years, with 5% - 25% estimated average residual values.

Major maintenance overhaul expenditures ("heavy checks"), including labour, are capitalized and depreciated over the expected life of the maintenance cycle. Any remaining carrying value is derecognized when the major maintenance overhaul commences. All other costs associated with maintenance of fleet assets (including engine maintenance provided under "power-by-the-hour" arrangements) are charged to the statement of income as incurred.

Buildings are depreciated over their useful lives not exceeding 40 years on a straight-line basis. An exception to this is where the useful life of the building is greater than the term of the land lease. In these circumstances, the building is depreciated over the life of the lease.

Depreciation on other property and equipment is provided on a straight-line basis from the date assets are placed in service, to their estimated residual values, over the following estimated useful lives:

Leaseholds	Over the term of the related lease
Ground and other equipment	5 years

Property under finance leases and the related obligation for future lease payments are initially recorded at an amount equal to the lesser of fair value of the property or equipment and the present value of those lease payments. Property and equipment under finance leases are depreciated to estimated residual value over the useful life, unless there is no reasonable certainty that Chorus will obtain ownership at the end of the lease term, in which case the asset is depreciated over the shorter of the lease term and its useful life.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

Depreciation methods, residual values and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

j) Transaction costs

Transaction costs that are incremental and directly attributable to the acquisition or issue of a financial asset or financial liability are recorded as follows:

- Financial assets or financial liabilities at fair value through profit and loss - expensed to net income as incurred;
- Financial assets or liabilities recorded at amortized cost - included in the carrying value of the financial asset or financial liability and amortized over the expected life of the financial instrument using the effective interest method; and
- Equity instruments recorded at fair value through other comprehensive income - included in the initial cost of the underlying asset.

Transaction costs for operating and finance leases are capitalized and amortized over the life of the lease on a straight-line basis.

k) Intangible assets

Intangible assets are recorded at cost. Chorus has intangible assets with indefinite lives and intangible assets with finite lives as follows:

Trade name	Indefinite life - not amortized
Customer relationships	Finite life - amortized on a straight line basis over 3-5 years

The indefinite life intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupported, the change in the useful life from indefinite to finite life is made and amortization is recognized on a prospective basis.

l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Chorus' share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is tested annually for impairment, or at any time if an indication of impairment exists, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. For the purpose of impairment testing, goodwill is tested for impairment at the cash-generating unit ("CGU") level.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

m) Impairment of non-financial assets

Property and equipment, is tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Chorus evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

n) Foreign currency translation

Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Chorus and its subsidiaries is the Canadian dollar.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the statement of financial position. Non-monetary assets, liabilities and other items recorded in income are translated at rates of exchange in effect at the date of the transaction.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than the Canadian dollar are recognized in the statement of income.

o) Provisions

Provisions are recognized in other liabilities when Chorus has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. Chorus performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

p) Aircraft lease payments

Total aircraft rentals under operating leases and the related lease inducements received and fees paid over the lease term are amortized to operating expense on a straight-line basis. Prepaid aircraft rentals and related fees are the difference between the straight-line aircraft rent and the payments stipulated under the lease agreements and legal and related transaction fees associated with the leases. Current and non-current unamortized lease inducements are included in accounts payable and accrued liabilities and other long-term liabilities, respectively.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

q) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis, and net realizable value is the estimated selling price to a third party in the ordinary course of business, less estimated selling costs. Inventories consist of aircraft expendables and supplies, fuel and de-icing fluid and used aircraft expendables and rotables being held by third parties under consignment agreements.

r) Income taxes

Chorus uses the asset and liability method for accounting for income taxes.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be paid or recovered, using tax rates and tax laws that have been enacted or substantively enacted by the end of the period.

Deferred tax assets and liabilities are recognized for all future tax consequences attributable to the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, except for the initial recognition of goodwill and the initial recognition of an asset or liability, which at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax assets are also recognized for unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws expected to apply when the carrying amount of the assets or liabilities are recovered or settled or the unused losses are expected to be utilized.

Current and deferred income tax expense is recognized in the statement of income for the period, except to the extent that the income taxes related to a transaction or event which is recognized, in the same or different period, either in other comprehensive income or directly in equity.

s) Earnings per share

Earnings per share is calculated on a weighted average number of shares outstanding basis.

Diluted earnings per share is calculated by adjusting the weighted average number of shares to assume conversion of all dilutive potential common shares. To calculate the dilutive effect of the stock-based compensation, the number of options or LTIP units issued is reduced by the number of shares that could have been acquired at fair value (determined as the average annual market share price) based on the fair value of the stock-based compensation to determine the number of dilutive shares outstanding.

t) Dividends

Dividends payable by Chorus to its shareholders, which are determined at the discretion of the Board of Directors, are recorded when declared.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Significant accounting policies (continued)

u) Government assistance

Non-repayable government assistance is recorded in the period earned as non-operating income. Where forgivable loans are provided by governments with forgiveness contingent on meeting certain criteria, the forgivable loan is recorded as non-operating income when Chorus has met the terms for forgiveness of the loan. In 2013, Chorus had recorded a forgivable loan from the Province of Nova Scotia. In both 2015 and 2014, \$500 has been recognized as income. The remaining \$1,500 has been recorded as a liability with \$500 in current liabilities expected to be earned in 2016.

Accounting standards issued but not yet applied

The IASB issued IFRS 9 (2014), "Financial Instruments" ("IFRS 9 (2014)") effective for annual periods beginning on or after January 1, 2018. IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. Chorus has already early adopted all previous iterations of IFRS 9 (2009 through 2013). Chorus is currently evaluating the impact of IFRS 9 (2014) on its consolidated financial statements.

The IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a new control-based revenue recognition model and replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", and some revenue related interpretations. The new standard is intended to enhance disclosures about revenue, provide more comprehensive guidance for transactions that were not previously addressed and improve guidance for multiple-element arrangements. Chorus is currently evaluating the impact of the new standard on its consolidated financial statements.

The IASB issued IFRS 16, "Leases" ("IFRS 16") effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, "Leases" ("IAS 17"). This will impact Chorus' statement of financial position and statement of income. Qualifying leases will be recorded on the balance sheet as an asset under property and equipment, and will have a corresponding liability with both current and long-term portions. Chorus is currently evaluating the financial impact of these amendments on its consolidated financial statements.

The IASB issued amendments to IAS 12, "Income Taxes" ("IAS 12") regarding the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. Chorus has no debt instruments measured at fair value at December 31, 2015. Chorus is currently evaluating the impact of these amendments on its consolidated financial statements.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

4 Capital management

Chorus' capital consists of cash, restricted cash, finance leases, long-term debt, consideration payable and equity.

Total capital as at December 31, 2015 and December 31, 2014 is calculated as follows:

	December 31,	
	2015	2014
	\$	\$
Cash	(32,677)	(114,578)
Restricted cash	(1,829)	(3,277)
Restricted cash included in other long-term assets	—	(6,771)
Finance leases (including current portion)	19,484	3,352
Long-term debt (including current portion)	585,257	404,058
Consideration payable (including current portion)	30,168	—
Equity	110,796	130,060
Total capital	711,199	412,844

Chorus' main objectives when managing capital are to provide a strong capital base to maintain shareholder, creditor and market confidence and to sustain future development of the business. Chorus manages its capital structure and makes adjustments to it in light of changes in economic conditions and Chorus' risk profile. The airline business is capital intensive and highly sensitive to uncertain external circumstances.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

4 Capital management (continued)

In order to maintain a strong financial position, Chorus may, from time to time, adjust the amount of dividends paid to shareholders, buy back shares for cancellation pursuant to normal course issuer bids or issue new shares. Chorus may also pay down debt or issue new debt.

In managing its capital structure, Chorus monitors performance throughout the year having regard to anticipated cash dividends, working capital requirements, maintenance and growth capital expenditures, acquisitions for purposes of business diversification, and, where applicable, long-term borrowings. Chorus also monitors performance having regard to financial metrics within the covenants associated with the Q400 NextGen aircraft and engine financing, and other financial metrics such as adjusted net debt. Adjusted net debt is calculated as the sum of long-term debt, finance leases, consideration payable and capitalized operating leases less cash.

The following table reflects Chorus' adjusted net debt balances as at December 31, 2015 and as at December 31, 2014:

	December 31,	
	2015	2014
	\$	\$
Total long-term debt and finance leases (including current portion)	604,741	407,410
Consideration payable (including current portion)	30,168	—
Total long-term debt, finance leases, and consideration payable (including current portion)	634,909	407,410
Less: Cash	(32,677)	(114,578)
Net debt	602,232	292,832
Capitalized operating leases	66,529	54,514
Adjusted net debt	668,761	347,346

Adjusted net debt is a non-GAAP financial measure used by Chorus and may not be comparable to measures presented by other public companies. Adjusted net debt is a key component of the capital management by Chorus and provides management with a measure of its net indebtedness. Chorus includes capitalized operating leases which is a measure commonly used in the airline industry to ascribe a value to obligations under operating leases. Common industry practice is to multiply annualized aircraft rent by 7.5. This definition of capitalized operating leases is used by Chorus and may not be comparable to similar measures presented by other public companies. Aircraft rent was \$103,308 for the year ended December 31, 2015 and \$93,350 for the year ended December 31, 2014. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, which hold the head lease or own the aircraft. Aircraft rent related to these aircraft of \$94,456 for the year ended December 31, 2015 and \$86,079 for the year ended December 31, 2014 has been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included in the above definition, adjusted net debt would be \$1,377,042 and \$992,957, respectively.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

5 Business acquisition

Business Acquisition - 519222 Ontario Limited

On May 1, 2015, Chorus acquired all of the outstanding shares of 519222 Ontario Limited, the holding company of Voyageur Airways Limited and its related companies ("Voyageur"). Headquartered in North Bay, Ontario, Voyageur, is a Transport Canada approved air operator, and an integrated provider of specialized aviation services, including contract flying operations both internationally and domestically. It also provides advanced engineering and maintenance services. The total consideration is expected to approximate \$85,256, consisting of cash in the amount of \$47,000 paid at closing, and cash of \$31,439 payable over three years, which has been recorded at the fair value on the date of acquisition of \$29,484; and 1,457,194 Voting Shares of Chorus valued at \$8,772, being the fair value of the shares on the date of acquisition issued at closing to the vendor. The portion of the purchase price payable over three years includes contingent consideration in the gross amount of \$2,000 provided certain performance targets are met in the 24 months following closing and a gross working capital adjustment estimated to be \$4,439. The remainder of the gross consideration is payable over 36 months from closing and does not bear interest. As a result, an amount of \$1,955, determined to represent the fair value of the interest savings has been recorded as a reduction to the purchase price, calculated as imputed interest. Transaction costs totaling approximately \$3,000 have been incurred in 2014 and 2015 in connection with the acquisition and are included in other expenses.

Chorus uses the acquisition method to account for business combinations. As such, the results of operations include revenue and expenses of Voyageur since May 1, 2015. The revenue of Voyageur included in the consolidated statement of income since the acquisition date was \$46,830, for the year ended December 31, 2015. The net income of Voyageur included in the consolidated statement of income since the acquisition date was \$6,875 for the year ended December 31, 2015. If Voyageur had been part of the Chorus consolidated group since January 1, 2015, the consolidated revenue would have been \$1,569,254 for the year ended December 31, 2015 and net income would have been \$26,150 for the same period.

The purchase price is as follows:

Purchase Price

Cash consideration	\$ 47,000
Share consideration	8,772
Consideration payable	29,484
<hr/>	
Total consideration to allocate	\$ 85,256

The fair value of the contingent consideration was determined to be \$1,804 using a present valued probability-weighted income approach. Key assumptions include probability-adjusted earnings before tax, interest and depreciation ("EBITDA") with discount rates consistent with the level of risk of achievement.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

5 Business acquisition (continued)

The purchase price has been allocated, on a preliminary basis, to the assets acquired and liabilities assumed, based on their estimated fair values, as follows:

Assets

Cash	\$ 1,526
Accounts receivable - trade and other	14,574
Inventories	5,882
Prepaid expenses and deposits	3,553
Property and equipment	72,610
Customer relationships	1,526
Trade name	1,681
Goodwill	457

101,809

Liabilities

Accounts payable and accrued liabilities	6,272
Deferred income tax	10,281

16,553

\$ 85,256

Chorus will finalize the purchase price allocation upon completion of the valuation of property and equipment, inventories and intangibles. Due to the fact that the purchase price allocation has not been finalized, the fair value of assets acquired and liabilities assumed could differ from the amounts presented in these consolidated financial statements. Any future adjustment resulting from the completion of the valuation exercise will be recorded as a measurement period adjustment. Goodwill attributable to the acquisition arises from Voyageur's assembled workforce at the time of acquisition and is not expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements
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6 Property and equipment

	<u>Year ended December 31, 2014</u>				<u>Year ended December 31, 2015</u>				
	Opening net book value \$	Additions \$	Disposals/ deposits applied \$	Depreciation for the period \$	Closing / opening net book value \$	Additions \$	Disposals/ deposits applied \$	Depreciation for the period \$	Closing net book value \$
Flight equipment	548,718	21,820	—	(56,990)	513,548	294,988	—	(48,709)	759,827
Facilities	20,583	915	—	(878)	20,620	11,783	—	(905)	31,498
Equipment	10,824	2,784	—	(4,006)	9,602	6,004	—	(4,396)	11,210
Leaseholds	9,333	31	—	(1,386)	7,978	1,238	—	(2,381)	6,835
Flight equipment under finance leases	5,192	—	—	(2,797)	2,395	19,479	—	(3,133)	18,741
Deposits on aircraft/ engines	—	40,343	—	—	40,343	26,156	(30,618)	—	35,881
Total	594,650	65,893	—	(66,057)	594,486	359,648	(30,618)	(59,524)	863,992

	<u>At December 31, 2014</u>			<u>At December 31, 2015</u>		
	Cost \$	Accumulated depreciation \$	Net book value \$	Cost \$	Accumulated depreciation \$	Net book value \$
Flight equipment	706,034	(192,486)	513,548	1,045,210	(285,383)	759,827
Facilities	26,381	(5,761)	20,620	39,012	(7,514)	31,498
Equipment	54,507	(44,905)	9,602	65,158	(53,948)	11,210
Leaseholds	27,001	(19,023)	7,978	28,693	(21,858)	6,835
Flight equipment under finance leases	22,951	(20,556)	2,395	19,479	(738)	18,741
Deposits on aircraft/ engines	40,343	—	40,343	35,881	—	35,881
Total	877,217	(282,731)	594,486	1,233,433	(369,441)	863,992

The property and equipment acquired through the business acquisition of Voyageur are included in the above table with an estimated fair value of \$72,610.

In addition the table above includes non-cash transactions of \$19,479 for finance leases and \$6,000 for other aircraft purchases for the year ended December 31, 2015.

Notes to the Consolidated Financial Statements
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7 Goodwill and intangibles

Goodwill

Goodwill, representing less than one percent of Chorus' total assets, is allocated to the following CGU's:

	December 31,	
	2015	2014
	\$	\$
Jazz	6,693	6,693
Voyageur	457	—
	7,150	6,693

The recoverable amount of the CGU's are determined using fair value less costs of disposal. In assessing the goodwill for impairment, Chorus uses a combination of discounted cash flow analysis and market approaches to determine the fair value of each of the CGU's. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. No impairment of goodwill was recognized during 2015 or 2014.

Intangibles

As a result of the purchase price allocation related to the acquisition of Voyageur on May 1, 2015, Chorus has recorded customer relationships of \$1,526 and trade name value of \$1,681. The trade name is an indefinite life asset and will be reviewed annually for impairment. The customer relationships are amortized on a straight line basis over 5 years. During the year ended December 31, 2015 \$203 was recorded as amortization expense on the value of the customer relationships.

8 Credit facilities

As at December 31, 2015, Chorus' subsidiaries had a combined total of \$36,000 in undrawn secured revolving credit facilities and an additional US\$6,000 secured facility specifically for letters of credit. Under these facilities, Chorus has provided letters of credit totaling \$3,741 to third parties, to indemnify them, in the event the Chorus does not perform its contractual obligations. Chorus has not recorded any additional liability with respect to these letters of credit, as Chorus is not expected to make any payments in excess of what is recorded in the financial statements. The letters of credit mature at various dates ranging from May 2016 to June 2017.

Notes to the Consolidated Financial Statements
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9 Obligations under finance leases

Chorus has entered into finance leases related to aircraft. The obligations are as follows:

	2015	2014
	\$	\$
No later than one year	6,062	3,492
Later than one year and no later than five years	14,953	—
Total minimum lease payments	21,015	3,492
Less: Amount representing interest (at weighted average rate of 3.70%)	1,531	140
Present value of net minimum finance lease payments	19,484	3,352
Less: Current portion	5,432	3,352
Obligations under finance leases	14,052	—

The present value of net minimum finance lease payments is as follows:

	2015	2014
	\$	\$
No later than one year	5,432	3,352
Later than one year and no later than five years	14,052	—
	19,484	3,352

A significant portion of the minimum lease payments for aircraft are payable in US dollars and have been converted to Canadian currency at \$1.3840, which was the exchange rate in effect at the end of day closing on December 31, 2015 (2014 - \$1.1601). Interest of \$274 for the year ended December 31, 2015 (2014 - \$436) relating to finance lease obligations has been included in aircraft rent.

Notes to the Consolidated Financial Statements
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(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

10 Long-term debt

Long-term debt consists of the following:

	As at December 31,	
	2015	2014
	\$	\$
Term loans - purchased aircraft ⁽¹⁾	564,222	383,872
Term loans - purchased engines ⁽²⁾	9,035	8,186
Term loan - Halifax facility ⁽³⁾	12,000	12,000
	585,257	404,058
Less: Current portion	54,867	35,376
	530,390	368,682

- (1) 27 individual term loans, repayable in semi-annual instalments, ranging from \$1,149 to \$1,405, bearing fixed interest at a weighted average rate of 3.371%, maturing between May 2023 and December 2027, each secured primarily by one Q400 aircraft and two PW150A engines. At December 31, 2015, the total Q400 NextGen aircraft financing payable in US dollars was US\$407,674 (December 31, 2014 - US\$330,896), and the net book value of property and equipment pledged as collateral under Q400 NextGen aircraft financing was \$548,214 (December 31, 2014 - \$406,522).
- (2) Four individual term loans, repayable in quarterly instalments ranging from \$73 to \$77, including fixed interest at a weighted average rate of 4.867%, maturing between December 2024 and October 2025, each secured primarily by one PW150A engine. At December 31, 2015, the total Q400 engine financing payable in US dollars was US\$6,528 (December 31, 2014 - US\$7,056) and the net book value of property and equipment pledged as collateral under Q400 engine financing was \$7,859 (December 31, 2014 - \$8,213).
- (3) Nova Scotia Jobs Fund loan, with a maximum contribution of \$12,000, bearing interest at a fixed rate of 3.33% annually. Principal repayments of \$1,000 are payable annually commencing on August 31, 2016. Maturing on August 31, 2027, the loan may be repaid in full or in part at any time without bonus or penalty and is secured by a first security interest in the land and office building located at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia and the assignment of the building tenant leases.

For the year ended December 31, 2015, the total interest expense on long-term debt was \$15,114 (2014 - \$13,679).

The majority of the following future repayments of long-term debt are payable in US dollars and have been converted to Canadian dollars at \$1.3840, which was the exchange rate in effect at the end of day closing December 31, 2015.

	\$
No later than one year	54,867
Later than one year and no later than five years	238,568
Later than five years	291,822
	<u>585,257</u>

Notes to the Consolidated Financial Statements
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(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

10 Long-term debt (continued)

Under its financing agreement with EDC (for both aircraft and engines), the "Jazz Group" (currently comprised of Jazz, Jazz Aircraft Financing Inc. and Jazz Leasing Inc.) is required to maintain a maximum adjusted leverage ratio of 2.25:1 and a minimum adjusted interest coverage ratio of 1.66:1. As at December 31, 2015, the Jazz Group was in compliance with these covenants. Failure by the Jazz Group to comply with either such ratio at an applicable time would constitute an event of default under the financing agreement, which could have a material adverse effect on Chorus. The financing agreement with EDC also contains a continuation of business under the CPA covenant which is specific to Jazz as the lessee of the Q400s and engines. As at December 31, 2015, Jazz was in compliance with this covenant.

As additional security under the EDC financing agreements, the aircraft and engine leases between Jazz and Jazz Leasing Inc. have been assigned to EDC. Also, Jazz Leasing Inc. has provided a full recourse guarantee to EDC and Jazz Aircraft Financing Inc. pledged the issued shares of Jazz Leasing Inc. to EDC.

11 Consideration payable

As discussed in note 5, consideration payable on the acquisition of Voyageur includes \$31,439 payable over three years, which has been recorded at the fair value on the date of acquisition at \$29,484. This consideration payable does not bear interest. As a result, an imputed interest rate of 3.5% was used to calculate fair value of interest savings of \$1,955.

Consideration payable is as follows:

	As at December 31,	
	2015	2014
	\$	\$
Consideration payable	30,168	—
Less: Current portion	11,319	—
	18,849	—

The consideration is payable in four instalments to the former owner of Voyageur, who is the current President of Voyageur, ranging from \$6,044 to \$12,438 beginning on June 1, 2016 and maturing on May 1, 2018. For the year ended December 31, 2015, the total interest expense on consideration payable was \$684 (2014 - \$nil).

The present value of future payments of consideration payable is as follows:

	\$
No later than one year	11,319
Later than one year and no later than five years	18,849
Later than five years	—
	30,168

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12 Income taxes

The effective rate on Chorus' earnings before income tax differs from the expected amount that would arise using the combined Canadian Federal and Provincial statutory income tax rates. A reconciliation of the difference is as follows:

	2015 %	Year ended December 31,		2014 \$
		2015 \$	2014 %	
Income tax expense at the Canadian statutory tax rate	28.0	17,105	27.9	26,371
Recognition of previously unrecognized cumulative eligible capital	(15.0)	(9,182)	(10.5)	(9,931)
Net impact of capital items ⁽¹⁾	39.4	24,056	11.1	10,496
Non-deductible expenses	5.9	3,625	3.4	3,212
Impact of tax rate changes and tax rate differential	—	—	(0.4)	(340)
Income tax expense	58.3	35,604	31.5	29,808

(1) The impact of capital items is mainly related to the foreign exchange fluctuations on the long-term debt associated with the purchase of the Q400 NextGen aircraft, of which the impact of the non-deductible (non-taxable) portion of any unrealized loss (gain) is considered in the calculation of income tax expense at the end of each period. To the extent that a capital loss is recorded for accounting purposes, the benefit of the deductible portion of the loss is recognized only to the extent that it is probable that the loss will be utilized. Income tax expense related to unrealized foreign exchange gains recorded in a period is reduced by previously unrecognized income tax assets related to unrealized foreign exchange losses. Chorus does not have a plan in place to utilize the deductible portion of the balance of the foreign exchange losses, accordingly no deferred tax asset has been recognized related to the foreign exchange losses.

In addition to the tax deductible amounts recognized as deferred tax assets in the financial statements, Chorus has other tax deductible amounts of approximately \$440,420 as at December 31, 2015, related to cumulative eligible capital. In accordance with the initial recognition exemption, as outlined in IAS 12, the benefit of these deductible expenditures cannot be recognized in the financial statements until such time as those benefits can be applied to reduce current tax expense. During the years ended December 31, 2015 and December 31, 2014, Chorus utilized a total of \$33,150 (\$9,182 tax effected) and \$35,645 (\$9,931 tax effected), respectively, of these previously unrecognized tax deductions to reduce its taxable income.

As at December 31, 2015, Chorus had \$77,143 (December 31, 2014 - \$37,794) of allowable capital losses that have not been recognized as a deferred tax asset, as Chorus has no current plan in place to utilize these losses.

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For the years ended December 31, 2015 and 2014

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12 Income taxes (continued)

Deferred tax

Components of the net deferred income tax asset are as follows:

	December 31, 2014 \$	Recognized in Net Income \$	Recognized in OCI \$	Business acquisition (note 5) \$	December 31, 2015 \$
Deferred income tax liability					
– Deferred Partnership income	(14,254)	10,376	—	—	(3,878)
– Property and equipment	(66,182)	(25,020)	—	(10,281)	(101,483)
Deferred income tax asset					
– Pension and Other Future Employee Benefits	4,743	(2,666)	(208)	—	1,869
– Loss carryforwards	17,042	(6,166)	—	—	10,876
– Deferred lease inducement	7,052	(2,590)	—	—	4,462
– Other long-term liabilities	5,625	(1,029)	—	—	4,596
Deferred income tax liability ⁽¹⁾	(45,974)	(27,095)	(208)	(10,281)	(83,558)

(1) Included in the deferred income tax liability are net deferred tax assets of \$19,644 and net deferred tax liabilities of \$103,202 which cannot be offset against each other and are shown separately in the Consolidated Statement of Financial Position.

The estimated recovery periods for the deferred tax balances are as follows:

	December 31, 2015 \$	December 31, 2014 \$
Deferred tax assets		
- Deferred tax assets to be recovered within 12 months	701	8,164
- Deferred tax assets to be recovered after more than 12 months	21,102	26,304
Deferred tax liabilities		
- Deferred tax liabilities to be recovered within 12 months	(3,878)	(10,323)
- Deferred tax liabilities to be recovered after more than 12 months	(101,483)	(70,119)
	(83,558)	(45,974)

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13 Pension and Other Future Employee Benefits

Chorus maintains several registered defined contribution pension plans for eligible employees and a registered defined benefit plan for eligible pilots. The registered defined benefit plan was closed to new entrants as at January 1, 2015. Chorus is the plan sponsor for these plans under the Pension Benefits Standard Act, 1985 (Canada). In addition, Chorus maintains an unregistered supplemental executive retirement plan ("SERP") which is partially funded for certain employees. Contributions to the supplemental pension plan started in December 2007. The registered and supplemental defined benefit pension plans provide benefits upon retirement, termination or death based on the member's years of service and the final average earnings for a specified period.

Chorus also maintains Other (non-pension) Future Employee Benefits. The Other Future Employee Benefits include medical and dental benefits provided to the employees on long-term disability and Workplace Safety Insurance Board ("WSIB"). These benefits cease to be provided when the employee reaches age 65. The sick leave gratuity benefits represent the payout of sick leave accruals upon or just prior to retirement for eligible employees. The self-insured WSIB benefits are in respect of self-insured benefits provided to Ontario employees.

During 2015, Chorus recognized a curtailment resulting in a credit of \$4,678 to past service cost in the registered defined pension plan and additional past service cost of \$1,830 related to the sick leave plan. The curtailment event relates to a provision in the amended CPA whereby a significant number of pilots would flow from Jazz to Air Canada over the next five years.

The total expense for Chorus' defined contribution plans for which Chorus is obligated to make defined contributions only, for the year ended December 31, 2015 was \$10,722, and for the year ended December 31, 2014 was \$9,390.

Expected contributions to the defined benefit pension plans for the year ending December 31, 2016 are \$36,200. Expected contributions to the defined contribution pension plans for the year ending December 31, 2016 are \$12,300. Expected benefit payments for Other Future Employee Benefits for the year ending December 31, 2016 are \$3,073.

Chorus is the legal administrator of the plans and is responsible for its overall management of the plans. Responsibility for the governance of the plans, including investment decisions lies with Chorus and the Board of Directors.

The most recent actuarial valuations of the defined pension benefit plans for funding purposes were as of January 1, 2015 and the next funding valuations will be as of January 1, 2016.

Notes to the Consolidated Financial Statements
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13 Pension and Other Future Employee Benefits (continued)

Information about Chorus' defined benefit plans and Other Future Employee Benefits in aggregate, is as follows:

	Pension Benefits		Other Future Employee Benefits	
	2015 \$	2014 \$	2015 \$	2014 \$
Change in benefit obligation				
Benefit obligation, beginning of year	384,663	269,625	15,392	12,786
Current service cost	29,303	19,655	2,224	1,913
Past service cost	(4,678)	—	1,830	—
Interest cost	15,149	14,540	551	514
Plan participants' contributions	7,947	7,941	—	—
Benefits paid	(44,179)	(10,991)	(1,583)	(1,287)
Loss from change in demographic assumptions	—	6,160	5,143	830
Loss from change in financial assumptions	6,164	73,394	280	864
Experience losses/(gains)	2,411	4,339	(1,646)	(228)
Benefit obligation, end of year	396,780	384,663	22,191	15,392
Change in plan assets				
Fair market value of plan assets, beginning of year	367,071	306,455	—	—
Interest income	14,157	15,922	—	—
Employer contribution	41,600	30,417	1,583	1,287
Plan participants' contributions	7,947	7,941	—	—
Benefits paid	(44,179)	(10,991)	(1,583)	(1,287)
Administrative expenses	(400)	(400)	—	—
Return on plan assets (excluding interest income)	13,938	17,727	—	—
Fair market value of plan assets, end of year	400,134	367,071	—	—
Funded (unfunded) status, end of year	3,354	(17,592)	(22,191)	(15,392)
Accrued employer contributions	—	218	—	—
Accrued benefit asset (liability)	3,354	(17,374)	(22,191)	(15,392)

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13 Pension and Other Future Employee Benefits (continued)

The table below outlines where the defined benefit pension and Other Future Employee Benefits amounts are included in the statements of financial position.

	December 31,	
	2015 \$	2014 \$
Assets		
Defined benefit pension	7,750	8,144
Liabilities		
Defined benefit pension	4,396	25,518
Other Future Employee Benefits	22,191	15,392
	26,587	40,910

Defined benefit pension plan assets are comprised as follows:

	December 31,	
	2015	2014
Canadian Equity	9%	16%
Universe Bonds	35%	28%
Long Bonds	12%	9%
International Equity	35%	39%
Short-term and Other	3%	4%
Real Estate	6%	4%
	100%	100%

The plan's assets are invested in Canadian bonds and equities, real estate and foreign equities. These assets include no significant investment in Chorus at the measurement date.

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13 Pension and Other Future Employee Benefits (continued)

Weighted average assumptions used to determine the accrued benefit liability:

	Pension Benefits		Other Future Employee Benefits	
	2015	2014	2015	2014
Discount rate to determine accrued benefit obligations	3.9%	3.9%	3.4%	3.5%
Discount rate to determine the pension and benefit cost	3.8%	5.0%	3.5%	4.4%
Rate of compensation increase	4.5%	4.5%	2.0%	2.0%
Health care inflation - Select to determine accrued benefit obligation	n/a	n/a	6.0%	6.1%
Health care inflation - Select to determine pension and benefit cost	n/a	n/a	6.1%	6.3%

The health care inflation assumption was graded down in and after 2029 to 4.5% per annum.

Assumptions regarding future mortality are set based on actuarial advice with statistics published by the Canadian Institute of Actuaries. The assumptions translate into an average life expectancy in years for a pensioner retiring at age 65 as follows:

	2015	2014
Retiring at the end of the reporting period		
Male	21.5	21.4
Female	24.0	23.9
Retiring 20 years after the end of the reporting period		
Male	22.6	22.6
Female	25.0	24.9

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

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13 Pension and Other Future Employee Benefits (continued)

The defined benefit pension plans and Other Future Employee Benefits produce exposure to a number of risks, the most significant of which are detailed below:

Asset volatility

For a defined benefit pension plan, fluctuations in the value of plan assets are assessed in the context of fluctuations in the plan liabilities. The plan liabilities are calculated using a discount rate set with reference to high quality corporate bond yields. As discount rates change, the value of the plan liabilities will fluctuate. If the growth of plan liabilities exceeds that of plan assets a deficit will result. The plan currently holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term but which provide volatility and risk in the short-term. The plan's investment time horizon is a key input in deciding on the proportion of equities held.

Given the long-term nature of the defined benefit pension plan, the current level of equity investment is an appropriate element of the long-term strategy to manage the defined benefit plan efficiently. Based on a comprehensive asset-liability study completed in late 2011, the plan's investment policy was revised in 2012, 2014 and 2015. These changes include revisions to:

- Reduce equity content over time
- Improve the equity portfolio's diversification
- Lower equity portfolio volatility
- Reduce interest rate risk over time
- Improve the bond portfolio diversification and ability to enhance return
- Expand investments to include a diversified real estate allocation

Interest rate risk

The discount rate used to determine benefit obligations was determined by reference to the market interest rates on corporate bonds rated "AA" or higher, with cash flows that approximate the timing and amount of the expected benefit payments. Also, the discount rate used to determine the portion of the benefit obligations assumed to be settled by lump sum payments was determined by reference to the market interest rates on government bonds. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the pension plans' bond holdings.

Salary risk

The present value of the benefit obligations is calculated by reference to the future salaries of plan participants, so salary increases of the plan participants greater than assumed will increase plan liabilities.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the statement of financial position.

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13 Pension and Other Future Employee Benefits (continued)

The sensitivity of the defined benefit obligation to changes in assumptions on the pension plans is as follows:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.6%	Increase by 2.8%
Compensation increase rate	0.25%	Increase by 1.4%	Decrease by 1.4%
Life expectancy	1 year	Increase by 2.2%	Decrease by 2.2%

The sensitivity of the defined benefit obligation to changes in assumptions on Other Future Employee Benefits is as follows:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 1.5%	Increase by 1.6%
Compensation increase rate	0.25%	Increase by 1.0%	Decrease by 1.0%
Health care cost trend rate	0.25%	Increase by 0.6%	Decrease by 0.6%

The weighted average duration of the pension plans and Other Future Employee Benefits is 11 and 6 years, respectively.

Expected maturity analysis of undiscounted defined benefit pension and Other Future Employee Benefit payments are as follows:

	Year 1 \$	Year 2 \$	3 - 5 years \$	Next 5 years \$	Total \$
Defined benefit pension	39,696	38,230	89,047	166,973	333,946
Other Future Employee Benefits	3,073	3,070	6,540	7,941	20,624
	42,769	41,300	95,587	174,914	354,570

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13 Pension and Other Future Employee Benefits (continued)

Chorus' net defined benefits pension plan and Other Future Employee Benefits expense recognized in the consolidated statements of income and consolidated statements of comprehensive income is as follows:

	Pension		Other Future Employee Benefits	
	2015 \$	2014 \$	2015 \$	2014 \$
Components of cost under IAS 19				
Amounts recognized in profit or loss:				
Current service cost	29,303	19,655	2,224	1,913
Past service cost	(4,678)	—	1,830	—
Interest cost on benefit obligation	15,149	14,540	551	514
Administrative expenses	400	400	—	—
Interest income on plan assets	(14,157)	(15,922)	—	—
Costs arising in the period	26,017	18,673	4,605	2,427
Remeasurements recognized in the consolidated statements of income	—	—	(833)	(613)
	26,017	18,673	3,772	1,814
Remeasurements recognized in other comprehensive income				
Loss on demographic assumptions	—	6,160	4,525	1,230
Loss from financial assumptions	6,164	73,394	149	240
Experience losses (gains)	2,411	4,339	(65)	609
Return on plan assets (excluding interest income)	(13,938)	(17,727)	—	—
(Gain) loss recognized in the statement of other comprehensive income for the period ⁽¹⁾	(5,363)	66,166	4,609	2,079

(1) There is no impact on the minimum funding requirements for pensions in 2015 or 2014.

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13 Pension and Other Future Employee Benefits (continued)

The funding of employee benefits as compared to the expense recorded in the consolidated statements of income is summarized in the table below:

	Year ended December 31,	
	2015 \$	2014 \$
Net defined benefit pension and Other Future Employee Benefits expense recorded in the consolidated statements of income		
Wages, salaries and benefits	29,789	20,487
Employee benefit funding by Chorus		
Defined benefit pension	41,600	30,417
Other Future Employee Benefits	1,583	1,287
	43,183	31,704
Employee benefit funding greater than expense	13,394	11,217

14 Dividends

Chorus announced in December 2013 that it would increase its quarterly dividend to \$0.1125 effective with the first payment in 2014, which was made in January 2014. During the third quarter of 2014, Chorus changed from quarterly dividend payments to monthly dividend payments of \$0.0375 per Share. On February 18, 2015, Chorus announced an increase in the monthly dividend from \$0.0375 to \$0.04 per Share, effective with the March dividend for Shareholders of record at the close of business on March 31, 2015 and payable on April 17, 2015. Chorus' Board of Directors evaluates the dividend on a regular basis and dividends are declared at the discretion of the Board.

Chorus declared \$57,814 in dividends for the year ended December 31, 2015 (\$54,454 for the year ended December 31, 2014). Cash dividends paid for the year ended December 31, 2015 were \$57,432 (\$63,731 for the year ended December 31, 2014).

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15 Capital stock

Capital stock

Authorized:

- An unlimited number of Class A Variable Voting Shares, no par value ("Variable Voting Shares"); and
- An unlimited number of Class B Voting Shares, no par value ("Voting Shares")

Issued and outstanding:

	Number of Shares ⁽¹⁾	\$
Shares issued and outstanding December 31, 2013	122,542,026	5,116
Shares issued ⁽²⁾	1,713	9
Shares repurchased ⁽³⁾	(2,290,800)	(96)
Shares issued and outstanding December 31, 2014	120,252,939	5,029
Shares issued for stock-based compensation plans ⁽⁴⁾	522,264	3,018
Shares issued for acquisition of Voyageur (note 5)	1,457,194	8,772
Shares issued and outstanding December 31, 2015	122,232,397	16,819

- 1) References to "Shares" above are inclusive of Variable Voting Shares and Voting Shares. As at December 31, 2015, Chorus had 8,228,804 Variable Voting Shares (December 31, 2014 - 5,191,462) and 114,003,593 Voting Shares (December 31, 2014 - 115,061,477) issued and outstanding.
- 2) On June 20, 2014, \$9 of Debenture principal was converted into 1,713 Shares.
- 3) On March 27, 2014, Chorus announced that it had received approval from the Toronto Stock Exchange to implement a normal course issuer bid to purchase up to 12,168,157 Shares during the period March 31, 2014 to no later than March 30, 2015. From April 1, 2014 to December 31, 2014, Chorus purchased and cancelled 2,290,800 Shares under its normal course issuer bid at an aggregate cost of \$9,372. Share capital was reduced by \$96 and the remaining \$9,276 was accounted for as a reduction of contributed surplus.
- 4) On February 24, 2015 Chorus issued 522,264 Voting Shares to satisfy the vesting of awards made under the long-term incentive plan. The shares were issued at market price at closing on the day of issuance, net of amounts, if applicable, Chorus paid in withholding taxes on behalf of the employees.

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15 Capital stock (continued)

The common shares issuable by Chorus consist of an unlimited number of Variable Voting Shares and an unlimited number of Voting Shares. The two classes of common shares have equivalent rights as common shareholders except for voting rights. Holders of Variable Voting Shares are entitled to one vote per share unless (i) the number of Variable Voting Shares outstanding, as a percentage of the total number of voting shares of Chorus exceeds 25% or, (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% of the total number of votes that may be cast at such meeting. If either of the above noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that, (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of Chorus, and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% of the votes that may be cast at such meeting.

Variable Voting Shares are to be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians within the meaning of the Canada Transportation Act. An issued and outstanding Variable Voting Share shall be converted into one Voting Share automatically and without any further act of Chorus or the holder, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, as defined in the Canada Transportation Act.

Voting Shares are to be held, beneficially owned and controlled, directly or indirectly, by Canadians. An issued and outstanding Voting Share shall be converted into one Variable Voting Share automatically and without any further act of Chorus or the holder, if such Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Canadian.

b) Earnings per share

The following table provides a breakdown of the numerator and denominator used in the calculation of earnings per share and diluted earnings per share.

	2015 \$	2014 \$
Numerator		
Income and diluted income	25,487	64,710
Denominator		
Weighted average number of shares	121,671,761	121,332,625
Weighted average dilutive shares	3,317,406	2,240,202
Weighted average number of diluted shares	124,989,167	123,572,827

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15 Capital stock (continued)

c) Stock-based compensation

On May 20, 2014, Chorus granted 5,350,000 stock options to certain executive employees of Chorus. The options have a three year vesting period and expire five years from the date of grant. The share price at the time of the grant was \$3.84 and all options have a strike price of \$4.50. Expected volatility was determined by calculating the historical volatility of the Chorus shares over a period equal to the expected life of the options, five years. The risk free rate is based on the Government of Canada three to five year monthly average bond yield. Dividend yield is based on the average yield since Chorus increased the annual dividend rate to \$0.45 per share on December 10, 2013. The fair value of the options on the grant date, calculated using the Black-Scholes share option pricing model, is estimated to be \$1,771.

During 2015, Chorus granted an additional 900,000 stock options to certain executive employees of Chorus. The options have a three year vesting period and expire five years from the date of grant. The average share price at the time of the grants was \$6.00 and all options have a strike price of \$7.25. Expected volatility was determined by calculating the historical volatility of the Chorus shares over a period equal to the expected life of the options, five years. The risk free rate is based on the Government of Canada three to five year monthly average bond yield. Dividend yield is based on the average yield since Chorus increased the annual dividend rate to \$0.45 per share on December 10, 2013. The fair value of the options on the grant date, calculated using the Black-Scholes share option pricing model, is estimated to be \$467.

Chorus awards RSU's to certain key employees under the LTIP plan and the Voyageur LTIP plan. The below table shows the movement of LTIP units throughout the year:

	2015	2014
Total RSU's granted during the year	607,188	744,896
Grant date fair value (\$000)	3,675	2,927
Dividend-equivalent units granted	200,827	279,001
Dividend-equivalent units grant date fair value (\$000)	957	922
Expense (\$000)	7,300	5,175
RSU's redeemed during the year	928,640	704,139
RSU's outstanding	2,461,544	2,582,169
RSU's vested	2,139,068	1,752,824

Total compensation expense related to stock-based compensation (including the LTIP, the DSU Plan, stock options and the ESOP) during 2015 was \$12,368 (2014 - \$8,929).

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16 Commitments

Chorus is committed to the following future minimum lease payments under operating leases for flight equipment and base facilities that have initial non-cancellable terms in excess of one year. The majority of these lease agreements are renewable at the end of the lease period, at market rates.

	December 31, 2015	
	Other third parties	Air Canada and its subsidiary
	\$	\$
No later than one year	12,295	84,982
Later than one year and no later than five years	37,572	289,940
Later than five years	12,412	157,869

A significant portion of the minimum lease payments for aircraft are payable in US dollars and have been converted to Canadian currency at \$1.3840, which was the exchange rate in effect at the end of day closing on December 31, 2015 (2014 - \$1.1601).

Certain of the aircraft lease agreements have been entered into by Air Canada Capital Ltd. or Air Canada with head lessors and subleased to Chorus. Future minimum lease payments that will arise under these leases are listed in the above table under the heading "Air Canada and its subsidiary".

17 Financial instruments and fair values

Chorus' financial instruments consist of cash, restricted cash, accounts receivable, asset backed commercial paper, accounts payable and accrued liabilities, dividends payable, long-term incentive plan liability, consideration payable, obligations under finance leases and long-term debt.

Fair value of financial instruments

As explained in note 3(h), financial assets and liabilities have been classified into categories that determine their basis for measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. Those categories are: fair value through profit or loss; fair value through other comprehensive income; and amortized cost.

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17 Financial instruments and fair values (continued)

The carrying amounts reported in the statement of financial position for cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate fair values based on the immediate or short-term maturities of these financial instruments. Assets and liabilities, such as commodity taxes and deferred lease inducements, that are not contractual and that arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are therefore excluded. The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

- ABCP

The ABCP is a financial security that currently has no active trading market. Valuation is done based on limited available market information, maturity dates and expected return of capital on a discounted basis. During the year ended December 31, 2015, a valuation gain of \$258 (2014 - \$nil) was recorded.

- Long-term debt

At December 31, 2015, the fixed rate term loans had a fair value of \$587,629. The fair values were calculated by discounting the future cash flow of the respective long-term debt at the estimated yield to maturity of similar debt instruments.

- Finance leases

The repayment terms that Chorus is committed to make have been discounted at the relevant market interest rates applicable at year end. Interest rates used to calculate fair value are based on the change in the risk-free rate at December 31, 2015, compared to the risk-free rates at the inception of the leases. Chorus determined there was no difference between carrying value and fair value as the leases were recently entered into and the interest rates used at the inception of the leases was, on average, not materially different from the year-end interest rate.

- Consideration payable

At December 31, 2015, consideration payable had a fair value of \$30,168. The fair value was calculated by discounting the payable at the relevant market interest rates applicable at year-end.

Fair value hierarchy

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - valuation techniques with significant unobservable market inputs.

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17 Financial instruments and fair values (continued)

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the consolidated balance sheet, classified using the fair value hierarchy described above:

	2015 \$	2014 \$
Level 3		
Asset backed commercial paper	1,513	1,210

The following table presents the changes in level 3 instruments by class of asset for the years ended December 31, 2015 and 2014:

	2015 \$	2014 \$
Start of year	1,210	1,231
Payments received	(175)	(217)
Foreign exchange gain	220	196
Reversal of impairment loss	258	—
	1,513	1,210

Financial risk factors

Chorus, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary.

Interest rate risk

Investments included in Chorus' cash earn interest at prevailing and fluctuating market rates, as Chorus' objective is to maintain these balances in highly liquid investments.

The 31 term loans with EDC and the Nova Scotia Jobs Fund loan bear fixed interest rates and the consideration payable does not bear interest. The debt is therefore not subject to interest rate volatility.

A 1% change in the interest rate would not have a significant impact on the net income of Chorus.

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17 Financial instruments and fair values (continued)

Credit risk

Credit risk arises from cash, restricted cash, deposits, as well as credit exposure to customers, including outstanding receivables. Chorus manages the credit risk on cash by ensuring that the counter-parties are governments, banks and corporations with high credit-ratings assigned by international credit-rating agencies. In accordance with its investment policy, Chorus invests excess cash in Government of Canada treasury bills, short-term Canadian and provincial government debt, bankers' acceptance notes, term deposits of Schedule 1 Banks and Schedule 2 Banks rated R-1 high, and commercial paper rated R-1 high.

The maximum exposure to credit risk for cash, restricted cash, deposits and trade and other receivables approximate the amount recorded on the statement of financial position.

With the exception of trade receivables, Chorus has no financial assets past due. As at December 31, 2015, the total amount of trade receivables was \$56,648 (2014 - \$52,612), net of allowance for doubtful accounts, which has been estimated by management based on prior experience and its assessment of the current economic environment and the specific debtor. The amount of this allowance was \$750 (2014 - \$nil). At December 31, 2015, trade receivables of \$52,270 (2014 - \$52,281) were not past due or impaired; \$5,128 (2014 - \$331) were past due, but not impaired; and \$nil (2014 - \$nil) were impaired. The aging of the latter two categories is as follows:

	2015 \$	2014 \$
Past due but not impaired		
60 - 90 days	2,650	43
Over 90 days	2,478	288
	5,128	331
Impaired		
60 - 90 days	—	—
Over 90 days	—	—
	—	—

Chorus continues to work with the entities from which it holds past due receivables to recover the full amount outstanding. Approximately \$42,923 (2014 - \$51,318) of the total receivables are with one company, Air Canada. Accordingly, Chorus is directly affected by the financial and operational strength of Air Canada. Chorus does not believe it is subject to any significant concentration of credit risk other than with Air Canada.

Liquidity risk

Chorus' objective is to maintain sufficient liquidity to meet liabilities when due. Chorus monitors its cash balances and cash flows generated from operations to meet its liquidity requirements. Cash flow forecasting is performed in respect of each operating entity of Chorus and then aggregated. Chorus monitors rolling forecasts of Chorus' liquidity requirements. Such forecasts take into consideration Chorus' operational cash flow requirement, debt financing plans and compliance with internal balance sheet ratio targets.

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17 Financial instruments and fair values (continued)

Chorus' objective is to maintain sufficient liquidity to meet liabilities when due. Chorus monitors its cash balances and cash flows generated from operations to meet its liquidity requirements.

The tables below analyze Chorus' non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The analysis is based on foreign exchange in effect at the consolidated statement of financial position date, and contractual interest rates, and includes both principal and interest cash flows for long-term debt, obligations under finance leases and convertible debentures.

	December 31, 2015			
	Less than 3 months \$	3 months to 1 year \$	2 - 5 years \$	Over 5 years \$
Principal				
Trade payables and accrued liabilities ⁽¹⁾	161,005	—	—	—
Finance leases	1,339	4,093	14,052	—
Long-term debt	11,010	43,857	238,568	291,822
Long-term incentive plan	5,159	—	6,810	—
Consideration payable	—	11,319	18,165	—
	178,513	59,269	277,595	291,822
Interest				
Finance leases	176	454	901	—
Long-term debt	3,835	15,488	57,861	26,634
Consideration payable	—	1,120	835	—
	4,011	17,062	59,597	26,634

	December 31, 2015			
	Less than 3 months \$	3 months to 1 year \$	2 - 5 years \$	Over 5 years \$
Total principal and interest				
Trade payables and accrued liabilities ⁽¹⁾	161,005	—	—	—
Finance leases	1,515	4,547	14,953	—
Long-term debt	14,845	59,345	296,429	318,456
Long-term incentive plan	5,159	—	6,810	—
Consideration payable	—	12,439	19,000	—
	182,524	76,331	337,192	318,456

(1) Excludes commodity taxes and deferred lease inducements as they do not meet the definition of a financial liability.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

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17 Financial instruments and fair values (continued)

Currency risk

Chorus receives revenue and incurs expenses in US and Canadian currency, and as a result, is subject to fluctuations as foreign exchange rates fluctuate. Chorus manages its exposure to currency risk by billing for its services within the CPA in the underlying currency related to the expenditure. Accordingly, the primary exposure results from balance sheet fluctuations of US denominated cash, accounts receivable, accounts payable, and in particular, obligations under finance leases and long-term debt, which are long-term and so are subject to larger unrealized gains or losses. Chorus mitigates this currency risk by maintaining a balance of US dollars which is used to pay down US denominated liabilities and replenishes the balance through US denominated revenues. The amount of US dollar denominated assets was \$40,380 and US denominated liabilities was \$475,830 at December 31, 2015. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately \$4,355.

18 Contingencies

The CBCA and bylaws of Chorus provide that each Director will be entitled to indemnification from Chorus in respect of the exercise of the Director's power and the discharge of the Director's duties, provided that the Director acted honestly and in good faith with a view to the best interests of all shareholders, or in the case of a criminal or administrative action proceeding that is enforced by a monetary penalty, where the Director had reasonable grounds for believing that his or her conduct was lawful. Chorus and its subsidiaries have agreed to indemnify their respective directors and officers against certain costs and damages incurred by the directors and officers as a result of lawsuits or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. The directors and officers are also covered by directors' and officers' liability insurance. No claims with respect to such occurrences have been made and, as such, no amount has been recorded in these financial statements with respect to these indemnifications.

Various other lawsuits and claims that have arisen in the normal course of business are pending by and against Chorus. The provisions, if any, that have been recorded are not material. It is the opinion of management that final determination of these claims will not have a material adverse effect on the financial position or the results of Chorus.

Chorus enters into various operating agreements and real estate licenses or leases, which in some cases permit Chorus to use certain premises or operate at certain airports, and which in other cases lease space in Chorus' facilities to its tenants. It is common in such commercial license or lease transactions for the licensee or tenant to agree to indemnify the landlord for tort liabilities that arise out of or relate to its use or occupancy of the licensed or leased premises. In certain cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but generally excludes any liabilities caused by their gross negligence or wilful misconduct. In addition, the licensee or tenant, as the case may be, typically indemnifies the landlord for any environmental liability that arises out of or relates to its use or occupancy of the leased or licensed premises.

In aircraft, engine and other equipment ("Equipment") financing or leasing agreements, Chorus typically indemnifies the financing or leasing parties, directors acting on their behalf and other related parties against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the Equipment and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties, but generally excluding any liabilities caused by their gross negligence or wilful misconduct. In addition, in certain equipment financing or leasing transactions, Chorus typically provides indemnities in respect of certain tax consequences.

When Chorus enters into other types of leases and technical service agreements with service providers, primarily service providers who operate an airline as their main business, Chorus has from time to time agreed to indemnify the other party against liabilities that arise from third party claims, whether or not these liabilities arise out of or relate to the negligence of the other party, but generally excluding liabilities that arise from the other parties' gross negligence or wilful misconduct.

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19 Related parties

Compensation of key management

Key management includes Chorus' Directors, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President and Chief Corporate Development Officer, and President, Jazz. Compensation awarded to key management is summarized as follows:

	Year ended December 31,	
	2015	2014
	\$	\$
Salaries and other benefits	4,673	4,589
Other post-employment benefits	1,222	3,154
Stock-based compensation	2,532	2,339
	8,427	10,082

20 Economic dependence

The transactions between Air Canada, and its subsidiary (Air Canada Capital Ltd.), and Chorus are summarized in the table below:

	2015	2014
	\$	\$
Operating revenue		
Air Canada	1,473,879	1,643,434
Operating expenses		
Air Canada	3,520	70,075
Air Canada Capital Ltd.	91,829	85,858

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20 Economic dependence (continued)

The following current balances with Air Canada and its subsidiary (Air Canada Capital Ltd.) are included in the financial statements:

	2015 \$	2014 \$
Accounts receivable		
Air Canada	42,923	51,318
Accounts payable and accrued liabilities		
Air Canada	10,252	54,773
Air Canada Capital Ltd.	9,328	8,419

Capacity Purchase Agreement with Air Canada

Chorus provides capacity for a significant portion of Air Canada's domestic and transborder regional network. Chorus is economically and commercially dependent upon Air Canada and certain of its subsidiaries, as, in addition to being Chorus' primary source of revenue, these entities currently provide significant services to Chorus. Chorus and Air Canada are parties to the CPA, under which Air Canada currently purchases the greater part of Chorus' fleet capacity on Covered Aircraft at predetermined rates.

On February 2, 2015, Chorus announced that all terms and conditions had been met to establish an amended and restated CPA with Air Canada effective January 1, 2015 (referred to herein as the "January 1, 2015 Amendment") extending the CPA term to December 31, 2025.

Prior to the January 1, 2015 Amendment, Chorus was paid rates which were negotiated and set every three calendar years based on Chorus' projected Controllable Costs for the relevant three year period, using certain variables including Block Hours, Flight Hours, aircraft, cycles and passengers carried. Chorus was also paid certain variable and fixed aircraft ownership rates and fixed rates. The rates set for each three year period were not guaranteed to be the same as actual Controllable Costs incurred by Chorus in providing the Scheduled Flights during that period. Once set, for CPA billing purposes, Chorus applied a mark-up (and the Compensating Mark-Up when applicable) to the rates. Chorus was also entitled to repayment of certain Pass-Through Costs, including fuel, airport and navigation fees, landing and terminal fees and certain other costs. In addition, Chorus was eligible to receive incentive payments each quarter if it achieved certain performance levels related to controllable on-time performance, controllable flight completion, PAWOBS and overall customer satisfaction.

Chorus incurs two types of costs under the CPA:

- 1) Controllable Costs
- 2) Pass-Through Costs

Under the January 1, 2015 Amendment, many costs that were formerly Controllable Costs have become Pass-Through Costs; however, Chorus will continue to be entitled to be paid rates, based on Controllable Costs, using the same variables as in prior years such as Block Hours, Flight Hours, cycles and passengers carried as well as certain variable and fixed aircraft ownership rates and fixed rates. With the exception of flight crew costs, aircraft rent, and depreciation and amortization on aircraft and parts, the rates for Controllable Costs are now set annually. Controllable Costs now consist of fewer costs than prior to January 1, 2015 and include costs such as non-crew salaries and wages, general overhead and aircraft maintenance, materials and supplies.

Notes to the Consolidated Financial Statements For the years ended December 31, 2015 and 2014

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20 Economic dependence (continued)

Under the January 1, 2015 Amendment, Air Canada provides Chorus with projected annual Block Hours, Flight Hours, cycles and passengers estimated to be carried in advance of each calendar year during the term. The associated Controllable Costs are determined by Chorus and are paid by Air Canada to Chorus for the Controllable Costs through mutually agreed rates. The rate-setting process is staggered throughout the year and conducted on a rolling basis.

It is expected that annual rate setting related to Controllable Costs decreases Chorus' cost risk as the annual rate re-set ensures those costs are reviewed in a timely manner and the corresponding rates reflect the realities of the current environment. With such visibility the accuracy of the rates is better assured in the event there are significant changes in the operation and/or the operating environment.

Pilot and flight attendant crew rates have been set for the term of the CPA to December 31, 2025 and reflect projected crew unit costs for this period. Chorus has negotiated collective agreements with its crews for the term of the January 1, 2015 Amendment which support the projected crew unit costs agreed to with Air Canada. The crew rates are adjusted if the number of Block Hours scheduled, the flow of Jazz pilots to Air Canada, and/or if the efficiency of the crew schedules delivered by Air Canada are outside certain agreed thresholds. In addition, regulatory changes that impact crew unit costs result in adjustments to the crew rates.

Pass-Through Costs are passed through to Air Canada and are fully reimbursed. These include costs such as airport and navigation fees and terminal handling fees. Services provided by Air Canada are provided at no cost to Chorus. These include Air Canada ground handling and facilities leased from Air Canada and, effective November 1, 2015, aircraft fuel.

Under the January 1, 2015 Amendment, Chorus' compensation changed from a mark-up on Controllable Costs to fixed fees. The mark-up and Compensating Mark-up concepts have been eliminated. As well, the requirement for benchmarking based on Chorus' costs in 2015 and the margin adjustment provisions contained in the CPA prior to the January 1, 2015 Amendment are no longer applicable.

Chorus is now compensated by the more industry standard approach of fixed fees. There are two fixed fees which establish the minimum level of compensation for the balance of the term of the CPA:

- 1) Fixed Margin per Covered Aircraft
- 2) Infrastructure Fee per Covered Aircraft

The Fixed Margin per Covered Aircraft does not vary regardless of network size, complexity or hours flown. The Infrastructure Fee per Covered Aircraft compensates for the additional services Chorus provides in support of Air Canada's regional flying network such as airport operations. The word "rates" for purposes of discussion relating to the January 1, 2015 Amendment does not include the Fixed Margin per Covered Aircraft or the Infrastructure Fee per Covered Aircraft.

Performance incentives will continue to be available, under the January 1, 2015 Amendment, for achieving established performance targets for the same categories identified under the CPA prior to the January 1, 2015 Amendment. The maximum annual available incentive for the years 2015 to 2020 is \$23.4 million and \$12.2 million for the years 2021 to 2025.

Substantially all of the trade receivable from Air Canada relates to outstanding balances under the CPA.

The balances in accounts payable and accrued liabilities are payable on normal trade terms and have arisen from the services provided by the applicable party.

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21 Statement of cash flows - supplementary information

a) Net changes in non-cash balances related to operations:

	2015	2014
	\$	\$
(Increase) decrease in accounts receivable – trade and other	(554)	6,080
Decrease in inventories	3,433	1,628
Decrease in prepaid expenses	4,591	5,788
(Increase) decrease in other long-term assets	(9,088)	27,120
(Decrease) increase in accounts payable and accrued liabilities	(44,154)	3,622
Increase in current portion of long-term incentive plan	1,819	2,059
Increase in income tax payable	7,139	—
Decrease in other long-term liabilities	(8,016)	(39,787)
	(44,830)	6,510

b) Other

	2015	2014
	\$	\$
Cash payments of interest	15,111	15,929
Cash receipts of interest	936	1,149
Cash payments of tax	1,538	2,494

c) Restricted cash

Cash encumbered in support of issued letters of credit has been classified as restricted cash and shown separately in the consolidated statement of financial position (2015 - \$1,829; 2014 - \$3,277). Chorus has also recorded restricted cash of \$nil (2014 - \$6,771) in other long-term assets related to a segregated account required as security for the EDC financing related to six Q400 NextGen aircraft in 2013. This restricted cash was returned during 2015 for the release of security related to Q400 aircraft financing.

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22 Additional information

(a) Assets

	As at December 31,	
	2015	2014
	\$	\$
Accounts receivable		
Trade receivables	14,475	1,291
Allowance for doubtful accounts	(750)	—
Commodity taxes	13,015	7,438
Other receivables	11,694	6,179
	38,434	14,908
Trade amounts due from Air Canada and its subsidiary (refer to note 20 - Economic Dependence)	42,923	51,318
	81,357	66,226
Inventories⁽¹⁾		
Aircraft expendables	38,348	32,224
Used aircraft expendables and rotables under consignment	3,789	4,478
Supplies	2,907	2,497
Fuel and de-icing fluid	898	4,294
	45,942	43,493

(1) For the year ended December 31, 2015, the cost of aircraft expendables and supplies and consignment inventory recognized as a maintenance expense was \$43,842 (2014 - \$33,854). For the year ended December 31, 2015 inventory write-downs to net realizable value of \$876 were recognized as a maintenance expense (2014 - \$1,013).

	As at December 31,	
	2015	2014
	\$	\$
Prepaid expenses and deposits		
Airport and navigation fees	2,608	3,469
Fuel	2,495	5,827
Aircraft rent and other	3,029	3,377
Other	7,586	4,084
	15,718	16,757
Other long-term assets		
Prepaid aircraft rent and related fees, net of accumulated amortization	17,004	20,292
Accrued pension benefit asset ("SERP") (note 13)	7,750	8,144
Long term receivable	9,759	—
Asset backed commercial paper	1,513	1,210
Restricted cash (note 21)	—	6,771
	36,026	36,417

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22 Additional information (continued)

(b) Liabilities

	As at December 31,	
	2015	2014
	\$	\$
Accounts payable and accrued liabilities		
Trade payables and accrued liabilities	141,425	133,443
Commodity taxes	13,331	15,368
Current portion of deferred lease inducements	2,977	3,322
	157,733	152,133
Trade payables and accrued liabilities due to Air Canada and its subsidiary (refer to note 20 - Economic Dependence)	19,580	63,192
	177,313	215,325
Other long-term liabilities		
Accrued pension benefit liability ("RPP") (note 13)	4,396	25,518
Accrued Other Future Employee Benefits liability (note 13)	22,191	15,392
Deferred operating lease inducements, non-current portion	16,321	23,903
Long-term incentive plan	6,810	3,768
Other	14,083	3,713
	63,801	72,294

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23 Subsequent events

On February 3, 2016, Chorus purchased a King Air 200 aircraft from a third party. The purchase price was approximately US\$1,110 which was paid from cash on hand.

On February 11, 2016 Chorus took delivery of one Q400 aircraft and drew EDC financing for 80% of the total purchase price. The term loan is repayable by Chorus to EDC in semi-annual instalments of approximately US\$885, matures in February 2028 and secured primarily by one Q400 aircraft and two PW150A engines.