chorus aviation inc.

Unaudited Interim Condensed Consolidated Financial Statements

March 31, 2016

Unaudited Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

	As at	
	March 31, 2016 $	**December 31, 2015 $**
Assets		
Current assets		
Cash	13,886	32,677
Restricted cash	1,829	1,829
Accounts receivable – trade and other	87,571	81,357
Inventories	47,854	45,942
Prepaid expenses and deposits	15,696	15,718
Total current assets	166,836	177,523
Property and equipment (note 4)	905,865	863,992
Intangibles	2,927	3,004
Goodwill	7,150	7,150
Deferred income tax asset (note 7)	29,562	19,644
Other long-term assets	34,444	36,026
	1,146,784	1,107,339
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	178,647	177,313
Current portion of obligations under finance leases	5,145	5,432
Current portion of long-term incentive plan	5,579	5,159
Current portion of long-term debt (note 6)	55,165	54,867
Current portion of consideration payable	11,319	11,319
Dividends payable	4,889	4,889
Income tax payable	470	7,270
Total current liabilities	261,214	266,249
Obligations under finance leases	11,882	14,052
Long-term debt (note 6)	530,762	530,390
Consideration payable	19,109	18,849
Deferred income tax liability (note 7)	108,474	103,202
Other long-term liabilities	85,253	63,801
	1,016,694	996,543
Equity	130,090	110,796
	1,146,784	1,107,339

Contingencies (note 9)
Economic dependence (note 10)
Subsequent events (note 12)

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

Unaudited Consolidated Statements of Changes in Equity

(expressed in thousands of Canadian dollars)

	Capital $	Deficit $	Contributed surplus $	Total $
Balance - December 31, 2014	5,029	(914,712)	1,039,743	130,060
Net loss for the period	—	(24,756)	—	(24,756)
Other comprehensive loss for the period (net of tax)	—	(7,476)	—	(7,476)
Comprehensive income for the period	—	(32,232)	—	(32,232)
Dividends	—	(13,870)	—	(13,870)
Expense related to stock-based compensation plans	—	—	148	148
Share issuance for stock-based compensation plans	3,018	—	—	3,018
Balance - March 31, 2015	8,047	(960,814)	1,039,891	87,124
Net income for the period	—	50,243	—	50,243
Other comprehensive income for the period (net of tax)	—	8,022	—	8,022
Comprehensive income for the period	—	58,265	—	58,265
Dividends	—	(43,944)	—	(43,944)
Expense related to stock-based compensation plans	—	—	579	579
Share issuance for acquisition of 519222 Ontario Limited	8,772	—	—	8,772
Balance - December 31, 2015	16,819	(946,493)	1,040,470	110,796
Net income for the period	—	55,398	—	55,398
Other comprehensive loss for the period (net of tax)	—	(21,660)	—	(21,660)
Comprehensive income for the period	—	33,738	—	33,738
Dividends	—	(14,667)	—	(14,667)
Expense related to stock-based compensation plans	—	—	223	223
Balance - March 31, 2016	16,819	(927,422)	1,040,693	130,090

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

chorus aviation inc.

Unaudited Consolidated Statements of Income (Loss)
For the three-month periods ended March 31, 2016 and 2015

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

	Three months ended March 31, 2016 $	Three months ended March 31, 2015 $
Operating revenue (note 10)		
Passenger	314,029	371,521
Other	6,521	3,580
	320,550	375,101
Operating expenses (note 10)		
Salaries, wages and benefits	115,971	118,058
Aircraft fuel	819	63,222
Depreciation and amortization	18,647	12,139
Food, beverage and supplies	3,057	2,785
Aircraft maintenance materials, supplies and services	46,969	50,024
Airport and navigation fees	39,432	39,978
Aircraft rent	23,708	25,709
Terminal handling services	11,516	17,555
Other	33,646	29,779
	293,765	359,249
Operating income	26,785	15,852
Non-operating income (expenses)		
Interest revenue	126	337
Interest expense	(5,157)	(3,633)
Gain on disposal of property and equipment	37	3
Foreign exchange gain (loss)	38,754	(33,861)
	33,760	(37,154)
Income (loss) before income taxes	60,545	(21,302)
Income tax expense (note 7)		
Current income tax	(1,583)	(3,214)
Deferred income tax	(3,564)	(240)
	(5,147)	(3,454)
Net income (loss)	55,398	(24,756)
Earnings (loss) per share, basic	0.45	(0.21)
Earnings (loss) per share, diluted	0.44	(0.21)

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

Unaudited Consolidated Statements of Comprehensive Income (Loss)
For the three-month periods ended March 31, 2016 and 2015

(expressed in thousands of Canadian dollars)

	Three months ended March 31,	
	2016	**2015**
	$	**$**
Net income (loss)	55,398	(24,756)
Other comprehensive loss		
Items that will not be subsequently reclassified to the statements of income		
Actuarial loss on employee benefit liabilities, net of tax recovery of $8,210 (2015 - $2,887)	(21,660)	(7,476)
Comprehensive income (loss)	33,738	(32,232)

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

chorus aviation inc.

Unaudited Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2016 and 2015

(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2016 $	2015 $
Cash provided by (used in)		
Operating activities		
Net income (loss)	55,398	(24,756)
Charges (credits) to operations not involving cash		
Depreciation and amortization	18,647	12,139
Amortization of prepaid aircraft rent and related fees	1,359	596
Gain on disposal of property and equipment	(37)	(3)
Unrealized foreign exchange (gain) loss	(40,638)	33,677
Realized foreign exchange loss	2,697	1,720
Effect of foreign exchange rate changes on cash	717	(3,101)
Deferred income tax expense	3,564	240
Other	(59)	131
	41,648	20,643
Net changes in non-cash balances related to operations (note 11)	(20,891)	3,741
	20,757	24,384
Financing activities		
Repayment of obligations under finance leases	(1,331)	(1,028)
Repayment of long-term borrowings	(10,891)	(8,865)
Long-term borrowings	48,464	—
Dividends	(14,667)	(13,548)
	21,575	(23,441)
Investing activities		
Additions to property and equipment	(60,547)	(10,443)
Proceeds on disposal of property and equipment	141	3
Decrease in restricted cash related to letters of credit	—	(64)
	(60,406)	(10,504)
Effect of foreign exchange rate changes on cash	(717)	3,101
Net change in cash during the periods	(18,791)	(6,460)
Cash – Beginning of periods	32,677	114,578
Cash – End of periods	13,886	108,118

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

(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.

The accompanying unaudited interim condensed consolidated financial statements (the “financial statements”) are of Chorus. 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 substantially all 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").

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 and an Infrastructure Fee, 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. 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. Chorus finalized the purchase price allocation upon completion of the valuation of property and equipment, inventories and intangibles during the first quarter of 2016. The finalization of the purchase price allocation resulted in no changes to the previously recorded fair value of assets acquired and liabilities assumed.

Under the CPA, Chorus has historically experienced greater demand for its services 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 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.

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

2 Basis of presentation

These financial statements are in compliance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. Accordingly, certain information included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying Chorus' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in note 3 of Chorus' annual consolidated financial statements for the year ended December 31, 2015. These financial statements should be read in conjunction with Chorus' consolidated financial statements for the year ended December 31, 2015.

These financial statements have been authorized for issuance by the Board of Directors on May 12, 2016.

3 Significant accounting policies, judgements and estimation uncertainty

Accounting policies

Except as otherwise indicated hereunder, these financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of Chorus for the year ended December 31, 2015. Refer to note 3 of Chorus' consolidated financial statements for the year ended December 31, 2015 for information on new accounting standards and amendments not yet effective.

Significant accounting judgements and estimation uncertainty

Operating revenue

Under the CPA, Chorus and Air Canada are to re-set certain rates applicable to the year ending December 31, 2016. The new rates will be retroactive to January 1, 2016. The negotiation of these rates has not been completed. As a result, Chorus used interim rates for certain Controllable Costs to estimate CPA operating revenues during the three-month period ended March 31, 2016. Once the new rates are established, Chorus and Air Canada will reconcile amounts already recorded to those rates now under negotiation. Any upward or downward adjustment to CPA operating revenue will be made in the quarter in which the negotiations conclude. As such, Chorus' revenue is subject to judgement and estimate uncertainty. If the negotiated rates were to differ 1% from the current estimate being used, the amount of operating revenue recognized under the CPA for the three months ended March 31, 2016 would change by approximately $1,700.

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

4 Property and equipment

	Year ended December 31, 2015					Three months ended March 31, 2016			
	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	513,548	294,988	—	(48,709)	759,827	66,545	—	(15,400)	810,972
Facilities	20,620	11,783	—	(905)	31,498	337	—	(274)	31,561
Equipment	9,602	6,004	—	(4,396)	11,210	1,151	—	(1,070)	11,291
Leaseholds	7,978	1,238	—	(2,381)	6,835	—	—	(467)	6,368
Flight equipment under finance leases	2,395	19,479	—	(3,133)	18,741	—	—	(1,359)	17,382
Deposits on aircraft/ engines	40,343	26,156	(30,618)	—	35,881	3,063	(10,653)	—	28,291
Total	594,486	359,648	(30,618)	(59,524)	863,992	71,096	(10,653)	(18,570)	905,865

	At December 31, 2015			At March 31, 2016		
	Cost $	Accumulated depreciation $	Net book value $	Cost $	Accumulated depreciation $	Net book value $
Flight equipment	1,045,210	(285,383)	759,827	1,093,722	(282,750)	810,972
Facilities	39,012	(7,514)	31,498	39,505	(7,944)	31,561
Equipment	65,158	(53,948)	11,210	66,308	(55,017)	11,291
Leaseholds	28,693	(21,858)	6,835	28,270	(21,902)	6,368
Flight equipment under finance leases	19,479	(738)	18,741	19,479	(2,097)	17,382
Deposits on aircraft/engines	35,881	—	35,881	28,291	—	28,291
Total	1,233,433	(369,441)	863,992	1,275,575	(369,710)	905,865

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

5 Credit facilities

As at March 31, 2016, 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 $2,757 to third parties, to indemnify them, in the event that 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.

6 Long-term debt

Long-term debt consists of the following:

	As at March 31 2016 $	As at December 31, 2015 $
Term loans - purchased aircraft(1)	565,626	564,222
Term loans - purchased engines(2)	8,301	9,035
Term loan - Halifax facility(3)	12,000	12,000
	585,927	585,257
Less: Current portion	55,165	54,867
	530,762	530,390

(1) 29 individual term loans, repayable in semi-annual instalments, ranging from $1,149 to $1,405, bearing fixed interest at a weighted average rate of 3.343%, maturing between May 2023 and March 2028, each secured primarily by one Q400 and two PW150A engines. At March 31, 2016, the total Q400 financing payable in US dollars was US$435,532 (December 31, 2015 - US$407,674), and the net book value of property and equipment pledged as collateral under Q400 financing was $596,668 (December 31, 2015 - $548,214).

(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 March 31, 2016, the total Q400 engine financing payable in US dollars was US$6,392 (December 31, 2015 - US $6,528) and the net book value of property and equipment pledged as collateral under Q400 engine financing was $7,771 (December 31, 2015 - $7,859).

(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 three months ended March 31, 2016, the total interest expense on long-term debt was $4,872 ($3,335 for the three months ended March 31, 2015).

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

6 Long-term debt (continued)

The majority of the following future repayments of long-term debt are payable in US dollars and have been converted to Canadian dollars at $1.2987, which was the exchange rate in effect at the end of day closing March 31, 2016.

	$
No later than one year	55,165
Later than one year and no later than five years	239,705
Later than five years	291,057
	585,927

Under its financing agreement with EDC (for both Q400s and related engines), the "Jazz Group" (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 March 31, 2016, 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 March 31, 2016, 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.

7 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:

	Three months ended March 31,			
	2016 %	2016 $	2015 %	2015 $
Income tax expense at the Canadian statutory tax rate	28.2	17,125	31.0	(6,604)
Recognition of previously unrecognized cumulative eligible capital	(3.5)	(2,135)	10.8	(2,309)
Net impact of capital items(1)	(18.8)	(11,440)	(52.2)	11,113
Non-deductible expenses	2.6	1,597	(5.8)	1,254
Income tax expense	8.5	5,147	(16.2)	3,454

(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 Q400s, 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.

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

7 Income taxes (continued)

In addition to the tax deductible amounts recognized as deferred tax assets in the financial statements, Chorus has other tax deductible amounts of approximately $432,713 as at March 31, 2016, 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 periods ended March 31, 2016 and March 31, 2015, Chorus utilized a total of $7,707 ($2,135 tax effected) and $8,287 ($2,309 tax effected), respectively, of these previously unrecognized tax deductions to reduce its taxable income.

As at March 31, 2016, Chorus had $58,890 (December 31, 2015 - $77,143) 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.

8 Financial instruments and fair values

Financial assets and liabilities have been classified into categories that determine their basis of 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. With the exception of the item noted below, all financial instruments have fair value that approximate carrying value due to their short-term nature.

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.

The following financial instrument has a fair value that differs from carrying value:

- Long-term debt

  At March 31, 2016, the fixed rate term loans had a fair value of $599,413 compared to a carrying value of $585,927. 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.

9 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 Chorus, 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 such indemnity claims 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 party's gross negligence or wilful misconduct.

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

10 Economic dependence

For a detailed description of the most recent amendments to the CPA effective January 1, 2015, please refer to note 20 of Chorus' consolidated financial statements for the year ended December 31, 2015.

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

	Three months ended March 31,	
	2016	**2015**
	$	**$**
Operating revenue		
Air Canada	301,365	370,066
Operating expenses		
Air Canada	1,414	841
Air Canada Capital Ltd.	20,766	24,096

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

	March 31, 2016	**December 31, 2015**
	$	**$**
Accounts receivable		
Air Canada	50,502	42,923
Accounts payable and accrued liabilities		
Air Canada	8,284	10,252
Air Canada Capital Ltd.	13,481	9,328

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.

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

11 Statement of cash flows - supplementary information

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

	Three months ended March 31, 2016 $	2015 $
(Increase) decrease in accounts receivable – trade and other	(6,214)	9,068
(Increase) decrease in inventories	(1,912)	1,238
Decrease (increase) in prepaid expenses	22	(1,847)
Increase in other long-term assets	(925)	(3,825)
Increase (decrease) in accounts payable and accrued liabilities	1,334	(10,376)
Increase in current portion of long-term incentive plan	420	1,558
(Decrease) increase in income tax payable	(6,800)	3,214
(Decrease) increase in other long-term liabilities	(6,816)	4,711
	(20,891)	3,741

b) Other

	Three months ended March 31, 2016 $	2015 $
Cash payments of interest	3,969	3,436
Cash receipts of interest	137	354
Cash payments of tax	7,589	—

12 Subsequent events

a) On April 4, 2016, Chorus signed an agreement with EDC to provide a financing facility up to US$50,000. This new facility will allow Chorus to finance previously acquired aircraft, including one Dash 8-100, two Dash 8-300s, two King Air 200s, and three CRJ200s, which are not part of the CPA Covered Aircraft. This facility will also be used to finance any refurbishment work required on the aircraft to operationalize them for deployment. The initial draw down of the facility is expected to be approximately US$17,000 in the second quarter of 2016. The facility may also be used for the purchase of future aircraft and engines, as commercial opportunities arise.

b) On April 26, 2016, Chorus announced that it had signed a firm purchase agreement for five CRJ900s with Bombardier. The order also includes purchase rights for an additional five CRJ900s. Once delivered, the five firm-ordered aircraft will be operated by Jazz under the Air Canada Express brand pursuant to the CPA. Based on the list price of the CRJ900s, the firm order is valued at approximately US$229,000 and could increase to US$467,000 should Chorus exercise all its purchase rights. Chorus has received commitments from EDC to finance up to 80% of the net purchase price for the five firm orders. The new CRJ900s will be Covered Aircraft and generate leasing revenue under the CPA with terms and economics similar to those of the Q400s currently generating leasing revenue under the CPA.

c) On each of May 5, 2016 and May 11, 2016, Chorus took delivery of one Q400 and drew EDC financing. The term loans are repayable by Chorus to EDC in quarterly instalments of approximately US$450 each, mature in May 2028 and are each secured primarily by one Q400 and two PW150A engines.