ACE AVIATION

Consolidated Financial Statements and Notes
2018

April 29, 2019

Independent auditor's report

To the Shareholders of ACE Aviation Holdings Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ACE Aviation Holdings Inc. and its subsidiaries (together, the Corporation) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of net assets in liquidation as at December 31, 2018 and 2017;
- the consolidated statements of changes in net assets in liquidation for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – liquidation basis of accounting

We draw attention to note 1 to the consolidated financial statements, which describes the liquidation basis of accounting and certain uncertainties as a result of the Corporation's intent to liquidate. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
Richardson Building, One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Travis Muhr.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
April 29, 2019

Consolidated Statement of Net Assets in Liquidation

(Canadian dollars in thousands except per share figures)		As at December 31 2018	As at December 31 2017
ASSETS			
Cash and cash equivalents	Note 4	$ 6,861	$ 7,024
Commodity taxes receivable		84	96
		$ 6,945	**$** 7,120
LIABILITIES			
Accounts payable and accrued liabilities		132	194
		$ 132	**$** 194
NET ASSETS IN LIQUIDATION		**$ 6,813**	**$ 6,926**
NET ASSETS IN LIQUIDATION PER SHARE			
Basic and Diluted	Note 6	$ 0.21	$ 0.21

Contingencies, guarantees and indemnities [Notes 5 and 10]

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

Ernst & Young Inc.,
In its capacity as Court-appointed Liquidator of ACE Aviation Holdings Inc.
and not in its personal capacity

Per: (signed) Sharon Hamilton

Consolidated Statement of Changes in Net Assets in Liquidation

(Canadian dollars in thousands except per share figures)		Year Ended December 31 2018	2017
Net assets in liquidation, beginning of year		**$ 6,926**	**$ 6,674**
Interest income		106	56
Administrative and other expenses		(219)	(288)
Loss before income taxes		**(113)**	**(232)**
Recovery of income taxes	Note 5	-	484
Net income (loss) for the year		**(113)**	**252**
Net assets in liquidation, end of year		$ **6,813**	$ **6,926**
Net income (loss) per share			
Basic and Diluted	Note 7	$ -	$ 0.01

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

Consolidated Statement of Cash Flows

(Canadian dollars in thousands)		Year Ended December 31 2018	Year Ended December 31 2017
Cash flows from (used for)			
Net income (loss) for the year		$ (113)	$ 252
Changes in non-cash working capital balances		(50)	36
Increase (decrease) in cash and cash equivalents		**(163)**	**288**
Cash and cash equivalents, beginning of year		7,024	6,736
Cash and cash equivalents, end of year	Note 4	**$ 6,861**	**$ 7,024**

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

For the years ended December 31, 2018 and 2017
(Canadian dollars in thousands except share amounts)

1. GENERAL INFORMATION, BASIS OF PRESENTATION

A) GENERAL INFORMATION

The accompanying consolidated financial statements (the "financial statements") are of ACE Aviation Holdings Inc. ("ACE" or the "Corporation"). ACE is incorporated and domiciled in Canada. The address of its registered office is 1155 René-Lévesque West, 40th Floor, Montreal, Québec, H3B 3V2, Canada.

ACE, which was incorporated on June 29, 2004, is an investment company that held aviation interests. On April 25, 2012, at ACE's annual and special meeting, ACE's shareholders approved a special resolution providing for an amendment to the articles of ACE pursuant to which all Class A variable voting shares and Class B voting shares of ACE were converted into a new class of common shares of ACE on a one-for-one basis.

The shareholders of ACE also approved a special resolution providing for the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*, through distribution of its remaining assets to shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation, the appointment of a liquidator at a time to be determined by the board of directors of ACE and the ultimate dissolution of ACE in the future, once all the liquidation steps have been completed.

On May 9, 2012, ACE declared a distribution in the aggregate amount of $275,000 (or approximately $8.46 per common share) to common shareholders of record as of June 1, 2012, which was paid on June 8, 2012. This distribution represented the initial distribution to shareholders of amounts to be paid in the course of the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*.

On June 28, 2012, the Superior Court of Québec (Commercial Division) (the "Court") issued an order appointing Ernst & Young Inc. as liquidator of ACE (the "Liquidator"). Effective June 28, 2012, all of the directors and officers of ACE resigned from their positions and the Liquidator was vested with the powers of the directors of ACE.

On July 16, 2012, ACE announced that the TSX advised ACE that it no longer met the continued listing requirements of the TSX as a result of the previously announced appointment of the Liquidator of ACE and the resignation of all of the directors and officers of ACE. The TSX advised ACE that if it did not voluntarily delist by September 14, 2012, the TSX would delist its common shares. As a result, ACE delisted its common shares from the TSX effective at the close of business on September 14, 2012.

ACE transferred the listing of its common shares from the TSX to the NEX board of the TSX Venture Exchange on September 17, 2012, the trading day immediately following the delisting from the TSX.

Pursuant to an order issued by the Court on February 25, 2013, the Liquidator established a process for the identification, resolution and barring of claims and other contingent liabilities against ACE. Creditors had until May 13, 2013 to file their proofs of claim, failing which their claims would be barred and extinguished.

In response to ACE's claims process, Air Canada filed a contingent claim related to the previously disclosed tax indemnities which are described herein under Note 5 – Taxes. The contingent claim, in the amount of $50,161 covered any eventual reassessment of Air Canada's input tax credit refund claims plus any related interest and ancillary legal costs. The reassessment periods for substantially all of the input tax credit claims covered by the indemnity in favour of Air Canada expired in 2014 and 2015, and the remaining reassessment period expired at the beginning of 2016. Aveos filed a similar contingent claim in the amount of $1,600 with respect to any eventual reassessment of input tax credit refund claims and any related interest and ancillary costs referred to under Note 5 – Taxes. The reassessment periods for the input tax credit claims covered by the indemnity in favour of Aveos expired at the end of 2014.

In 2013, ACE also received a claim from a plaintiff relating to a proposed class action initiated in the Ontario Superior Court of Justice by the plaintiff against Air Canada and ACE, which alleged that Air Canada improperly charged the plaintiff and other class members for certain United States taxes in connection with the sale of airfare. The plaintiff alleged that as the former parent or shareholder of Air Canada, ACE was liable for the acts of Air Canada. The plaintiff therefore filed a proof of claim against ACE in the liquidation claims process in the amount of $200,000, pending determination of the allegedly overcharged amounts. No breakdown or calculation was provided in relation to the amount claimed. ACE was of the view that this claim against ACE had no merit given that ACE is a separate entity from Air Canada and that ACE never sold airfare. Accordingly, the Liquidator delivered a notice of disallowance to the plaintiff and the plaintiff did not contest the notice of disallowance prior to the expiry date for such contestation. The plaintiff subsequently agreed to formally discontinue the action against ACE in the Ontario Superior Court of Justice.

In addition, the Liquidator received a letter from a group acting on behalf of certain air cargo customers (the “Stichting Compensation Foundation”) claiming an unspecified amount of compensation from ACE in connection with surcharges for fuel and security for the period from January 1, 2000 to December 31, 2006, which are alleged to have been implemented by certain air cargo carriers in violation of European Union competition law. The Stichting Compensation Foundation relied on a decision of the European Commission issued on November 9, 2010 pursuant to which the European Commission imposed fines on eleven air cargo carriers, including Air Canada, the former subsidiary of ACE, for such alleged actions. The decision of the European Commission was appealed by the air cargo carriers to the General Court of the European Union. In December 2015, the General Court of the European Union overturned the European Commission’s decision and cancelled the related fines. In March 2017, the European Commission issued a new decision which imposed the same fine initially levied against Air Canada in 2010. ACE was of the view that the Stichting Compensation Foundation’s claim was barred and had no merit in any event given that ACE is a separate entity from Air Canada, ACE has never operated an air cargo business or sold cargo fares and no penalties, fines or other measures were imposed or taken by the European Commission against ACE. On May 20, 2014, the Court issued an order confirming that the Stichting Compensation Foundation and the air cargo customers that it purports to represent are barred from advancing a claim against ACE in its liquidation process and shall not be entitled to receive any amount from the Liquidator in connection with ACE’s liquidation process.

The only remaining subsidiaries of ACE were ACTS LP and its general partner, 4378555 Canada Inc. ACTS LP previously operated a business of aircraft maintenance, repair and overhaul prior to the sale of its business to a consortium of private equity firms in October 2007. ACTS LP did not have any assets, and had not carried on any business since October 2007. The Liquidator was not aware of any liabilities or contingent liabilities of ACTS LP. In order to ensure that there were no such liabilities or contingent liabilities against ACTS LP and in anticipation of its dissolution, the Liquidator established a process for the identification, resolution and barring of any claims or other contingent liabilities against ACTS LP and its general partner. Pursuant to an order issued by the Court on May 20, 2014, any potential creditors of ACTS LP and its general partner had until July 18, 2014 to file their proof of claims, failing which their claims against ACTS LP and its general partner would be barred and extinguished. The only proof of claim filed in response to such claims process was filed by Air Canada with respect to certain of the indemnity arrangements referred to above which were entered into by ACTS LP in addition to ACE. As a result of such tax indemnity arrangements entered into with Air Canada, ACTS LP could only be dissolved after the expiration of the indemnity arrangements. Since the last remaining reassessment period covered by such tax indemnity arrangements expired in 2016, ACE completed the dissolution of ACTS LP and its general partner in September 2017.

Given the results of the claims process referred to above and taking into account that the reassessment periods for the large majority of the input tax credit claims covered by the indemnity in favour of Air Canada had then expired, the Liquidator announced on April 28, 2015 that it intended to seek Court approval for a distribution to shareholders of ACE in the aggregate amount of $115,000, or approximately $3.54 per common share of ACE. The Court approved such distribution at a hearing held on May 8, 2015. The record date to determine shareholders entitled to receive the distribution was May 26, 2015 and the payment date for the distribution was June 2, 2015.

Given that the last reassessment period for the input tax credit claims covered by the indemnity in favour of Air Canada expired in 2016, the Liquidator announced on April 29, 2016 that it intended to seek Court approval for a distribution to shareholders of ACE in the aggregate amount of $12,000, or approximately $0.36 per common share of ACE. The Court approved such distribution at a hearing held on June 1, 2016. The record date to determine shareholders entitled to receive the distribution was June 14, 2016 and the payment date for the distribution was June 22, 2016. Following this distribution, ACE’s only remaining assets at December 31, 2018 consist of cash in an aggregate amount of approximately $6,861, million.

ACE is completing the remaining corporate, administrative and tax processes to facilitate its dissolution and the final distribution of the remaining cash of ACE prior to its dissolution. The final distribution to shareholders, the cancellation of the shares of ACE and the dissolution of ACE will not occur until all necessary corporate, administrative and tax measures to dissolve ACE are completed and until the settlement of any remaining contingencies that may arise in connection with the remaining liquidation and dissolution steps of ACE. There is no certainty as to the timing or amount of such final distribution and dissolution.

The Corporation prepares its financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants – Part 1 ("CICA Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

B) BASIS OF PRESENTATION

The basis of preparing its financial statements is the liquidation basis of accounting.

The financial statements do not include costs to liquidate the assets of the Corporation, settle any contingent liabilities or future administrative costs and professional fees to wind-up the activities of the Corporation. These costs may be material and the amounts disclosed as net assets in liquidation in total or on a per share basis will change. The actual amounts available for distribution to shareholders will change and such changes may be material.

These financial statements were approved by the Liquidator for issue on April 29, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are based on the accounting policies as described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Under the liquidation basis of accounting, the Corporation measures its assets based on their net realizable value and its liabilities based on settlement amounts.

A) BASIS OF MEASUREMENT

These financial statements have been prepared primarily using amortized cost for the accounting for financial instruments assets and liabilities.

B) PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of the Corporation and certain inactive subsidiaries.

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in bankers' acceptances and bankers' discount notes that are readily convertible to known amounts of cash and are subject to insignificant changes in fair value and have original maturities of three months or less.

D) SHORT-TERM INVESTMENTS

Short-term investments comprise bankers' acceptances and bankers' discount notes that have original maturities over three months, but not more than one year.

E) FINANCIAL INSTRUMENTS

The Corporation accounts for its financial instruments using IFRS 9 "Financial Instruments". Financial assets and liabilities are recognized when the Corporation becomes party to the contract and are initially measured at fair value. Measurement in subsequent periods is dependent upon the classification of the financial instrument. Cash and cash equivalents are measured at amortized cost. Short term investments are classified at fair value through profit or loss and measured at fair value at each period end with changes in fair value recorded in the Changes in Net Assets in Liquidation.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

F) PROVISIONS

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligation. If the effect of the time value of money is significant, the expected cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in profit or loss. Provisions do not include future costs to be incurred unless such costs represent onerous contracts. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

G) INCOME TAXES

The tax expense for the period comprises current and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where the Corporation and its subsidiaries operate and generate taxable income. ACE periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. ACE establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Interest and penalties related to income taxes are recognized in current income tax expense.

H) EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the income for the period attributable to the shareholders of ACE by the weighted average number of common shares outstanding during the period.

Diluted EPS and net assets in liquidation per share are calculated by adjusting the weighted average number of common shares outstanding for dilutive potential common shares.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. 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:

- Income taxes
    - Judgment and estimates are used in determining the appropriate rates and amounts in recording income taxes. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax laws or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and tax liabilities.

4. NET ASSETS IN LIQUIDATION

Cash and cash equivalents

As at December 31, 2018, ACE's cash and cash equivalents amounted to $6,861 (December 31, 2017 – $7,024). The Corporation did not hold any cash equivalents as at December 31, 2018 (December 31, 2017 – nil).

5. TAXES

Income Tax Expense

The provision for income taxes differs from the amount that would have resulted from applying the statutory income tax rate to income before income tax expense as follows:

		2018		2017
Loss before income taxes	$	(113)	$	(232)
Statutory income tax rate based on combined federal and provincial rates		26.70%		26.80%
Tax provision (recovery) based on statutory tax rates		(30)		(62)
Effects of:				
Impact of change in tax rates		591		591
Changes in unrecognized (recognized) deferred income tax assets		(561)		(529)
Refund from tax authorities		-		484
Recovery of income taxes	**$**	**-**	**$**	**484**

The applicable statutory tax rates are 26.70% in 2018 and 26.80% in 2017. The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

Deferred Income Tax

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit is probable. The Corporation has unrecognized benefits from loss carry forwards of $10,754 (2017 - $10,641) and deductible temporary differences of $13,018 (2017 - $13,018) for which no deferred tax assets are recognized. However, the future tax deductions underlying these deferred tax assets remain available for use in the future to reduce taxable income.

The balances of loss carry forwards vary amongst different taxing jurisdictions. The following are the Federal tax loss expiry dates:

	Tax Losses
2031	7,395
2032	2,732
2036	283
2037	231
2038	113
	10,754

As at December 31, 2018 ACE also has estimated net capital losses (after 50 per cent capital loss inclusion rate) of $576,857 (2017 - $576,857) that have no expiry date. These estimates are subject to revision.

Certificates of Discharge and tax audits

In March 2010, ACE applied for Certificates of Discharge from the Canada Revenue Agency ("CRA") and Revenu Québec.

ACE assisted the CRA and Revenu Québec with their audits of ACE's income tax returns for the years 2005 to 2010 and audits in respect of other taxes. The audits of income tax returns required a detailed review of all of the significant corporate transactions undertaken by ACE since its incorporation in 2004, together with a detailed review of all of its returns.

On March 7, 2012, a tax clearance certificate was issued by the CRA in connection with all taxation years ended on or prior to December 31, 2010. On March 12, 2012, Revenu Québec issued an equivalent certificate authorizing the distribution of property up to $500,000. On August 21, 2015, ACE received a tax clearance certificate from the CRA in connection with all taxation years ended on or prior to December 31, 2013. On June 30, 2016, ACE received a tax clearance certificate from the CRA in connection with all taxation years ended on or prior to December 31, 2014.

In connection with the process leading to the issuance of tax clearance certificates in favour of ACE for all taxation years ended on or prior to December 31, 2010, Revenu Québec conducted a sales tax audit of ACE and its subsidiaries in 2010 and 2011. Revenu Québec issued notices of reassessment in the amount of $37,700 primarily with respect to certain importations of aircraft parts on the basis that it was Air Canada, and not ACE's subsidiary ACTS LP, which should have paid GST and should have been allowed to claim the related refund. Revenu Québec also issued additional notices of reassessment in the amount of $7,400 relating, inter alia, to certain intercompany transactions on which Revenu Québec considers that ACE or ACTS LP should have charged Air Canada sales tax in the amount of $6,800. All such reassessments were paid by ACE and ACTS LP, and Air Canada paid an aggregate amount of approximately $40,140 to ACE and ACTS LP and then claimed additional GST/QST refunds for the same amount. ACE agreed to indemnify and hold harmless Air Canada should such refund claims be reassessed in the future. The reassessment periods for substantially all of the input tax credit claims covered by the indemnity in favour of Air Canada expired in 2014 and 2015, and the remaining reassessment period expired at the beginning of 2016.

A substantially similar process occurred with respect to GST payable on importation of aircraft parts on behalf of Aveos and Aveos agreed to claim additional GST refunds in the amount of $1,096 and to pay such amount to ACE to reimburse it for GST paid in connection with the importations. ACE agreed to indemnify and hold harmless Aveos should such refund claims be reassessed in the future. The reassessment periods for the input tax credit claims covered by the indemnity in favour of Aveos expired in 2014.

ACE claimed refunds from the CRA and Revenu Québec further to the expiration of a statute of limitation for reassessment of the income of an operating partnership in which ACE previously had an interest. In October 2017, ACE received a refund in the amount of approximately $305 from the CRA, and a refund in the amount of approximately $179 from Revenu Québec.

See "Note 1 – General Information" for additional information relating to the proofs of claim filed by Air Canada and Aveos in connection with ACE's liquidation claims process and the claims process of ACTS LP and its general partner.

6. SHARE CAPITAL

The issued and outstanding common shares of ACE, are set out below.

Outstanding shares ('000s)	As at December 31 2018	As at December 31 2017
Issued and Outstanding		
Common Shares	32,475	32,475
Total issued and outstanding [(1)]	**32,475**	**32,475**

[(1)] This also represents the weighted average number of shares outstanding as at December 31, 2018 and December 31, 2017.

Terms of the Common Shares

The Common Shares carry one vote per share and are not subject to any ownership restriction.

The holders of the Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of ACE and each Common Share confers the right to one vote in person or by proxy at all meetings of shareholders of ACE.

With respect to dividends, the holders of the Common Shares will, if declared, be entitled to receive, out of monies, assets or property of ACE properly applicable to the payment of dividends, any dividends declared and payable by ACE on the Common Shares.

Upon liquidation, dissolution or winding up of ACE or other distribution of ACE's assets among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares are entitled to receive the remaining property of ACE and are entitled to share equally, share for share, in all distributions of such assets.

7. EARNINGS PER SHARE

The following table outlines the calculation of basic and diluted income per share:

(in thousands, except per share amounts)	2018	2017
Numerator:		
Numerator for basic and diluted income (loss) per share:		
Net income (loss) for the year	$ (113)	$ 252
Adjusted numerator for diluted income (loss) per share	**$ (113)**	**$ 252**
Denominator:		
Denominator for basic income (loss) per share:		
Weighted-average shares	32,475	32,475
Basic income (loss) per share	**$ -**	**$ 0.01**

The calculation of earnings per share is based on whole dollars and not on rounded thousands.
As a result, the above amounts may not be recalculated to the per share amount disclosed above.

8. FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENT RISK MANAGEMENT

Summary of Financial Instruments

	Carrying Amounts				
	December 31, 2018				December 31, 2017
	Financial instruments classification				
	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Total	
Financial Assets					
Cash and cash equivalents	$ 6,861	$ -	$ -	$ 6,861	$ 7,024
	$ 6,861	$ -	$ -	$ 6,861	$ 7,024
Financial Liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ 132	$ 132	$ 194
	$ -	$ -	$ 132	$ 132	$ 194

There have been no changes in classification of financial instruments in the current year.

Risk Management

As at December 31, 2018, ACE's financial instruments include cash in the amount of $6,861 ($7,024 as at December 31, 2017) and accounts payable and accrued liabilities of $132 ($194 as at December 31, 2017). The risk exposure related to these holdings is described below.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities and contingencies. This risk is mitigated by the fact that as at December 31, 2018, the Corporation had cash of $6,861 and accounts payable and accrued liabilities of $132.

Credit Risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. The Corporation is exposed to credit risk from its cash and cash equivalents, the maximum exposure of which is represented by the carrying amounts reported on the balance sheet. This risk is mitigated by the fact that cash is held by major Canadian Banks.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and price risk. The Corporation is primarily exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk from its holding in cash of $6,861. The weighted average interest rate on ACE's cash as at December 31, 2018, is approximately 1.60%, which results in limited downside risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation holds only Canadian currency.

9. CAPITAL DISCLOSURES

ACE is an investment holding company.

Capital managed by ACE is as follows:

	2018	2017
Net assets in liquidation	$ 6,813	$ 6,926
Capital	**$ 6,813**	**$ 6,926**

As at December 31, 2018, ACE's capital amounted to $6,813, a decrease of $113 during 2018.

10. CONTINGENCIES, GUARANTEES AND INDEMNITIES

Indemnification agreements

Refer to Note 1 (General Information) and Note 5 (Taxes – Certificates of Discharge and Tax Audits) for a description of indemnification agreements between ACE and Air Canada related to certain commodity tax reassessments. Also refer to Note 1 (General Information) for a description of the proofs of claim filed in response to ACE's claims process and the status of such claims.