

Financial Statements of

**VICTORIA AIRPORT AUTHORITY**

Year ended December 31, 2025

# VICTORIA AIRPORT AUTHORITY

## Financial Statements

Year ended December 31, 2025

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## INDEPENDENT AUDITOR'S REPORT

*To the Members of Victoria Airport Authority*

### **Opinion**

We have audited the financial statements of Victoria Airport Authority ("the Authority"), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Authority as at December 31, 2025, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

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

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



### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the annual report.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the annual report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Victoria, Canada  
April 22, 2026

# VICTORIA AIRPORT AUTHORITY

## Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 31,882,836	\$ 19,340,956
Accounts receivable (note 12(a))	3,251,858	3,387,096
Inventory	372,309	358,067
Prepaid expenses	662,574	496,117
	<u>36,169,577</u>	<u>23,582,236</u>
Tangible capital assets (note 3)	126,003,418	125,529,458
Other long-term assets	17,634	17,634
	<u>\$ 162,190,629</u>	<u>\$ 149,129,328</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 6,535,681	\$ 6,621,784
Deferred revenue	266,055	337,056
Current portion of retirement allowance liability (note 5)	31,228	29,733
	<u>6,832,964</u>	<u>6,988,573</u>
Retirement allowance liability (note 5)	1,002,212	901,079
Deferred capital contribution (note 7)	4,070,513	5,248,471
Tenants' security deposits	305,685	254,660
	<u>12,211,374</u>	<u>13,392,783</u>
Net assets:		
Invested in tangible capital assets	121,932,905	120,280,987
Unrestricted net assets	28,046,350	15,455,558
	<u>149,979,255</u>	<u>135,736,545</u>

Commitments (note 6)  
Contingent liabilities (note 15)  
Subsequent event (note 17)

\$ 162,190,629      \$ 149,129,328

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_

Director

  
\_\_\_\_\_

Director

# VICTORIA AIRPORT AUTHORITY

## Statement of Operations

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
<b>Revenue:</b>		
Concessions	\$ 16,317,111	\$ 15,203,034
Aeronautical	10,716,595	8,508,109
Rentals - real estate	4,114,250	3,960,403
Deferred capital contribution revenue (note 7)	1,210,240	1,208,088
Other	1,640,983	1,381,860
	<u>33,999,179</u>	<u>30,261,494</u>
Airport Improvement Fee ("AIF") (note 8)	24,526,096	19,705,645
	<u>58,525,275</u>	<u>49,967,139</u>
<b>Expenses:</b>		
Salaries and employee benefits	10,145,983	9,057,811
Services, supplies and administration	8,262,541	6,931,928
Security and terminal services	4,811,424	4,443,598
Rent (note 6(a))	3,366,897	2,687,806
Property taxes	1,646,505	1,195,862
AIF administration and handling fees	1,100,626	1,406,997
Amortization	14,061,282	14,054,254
Utilities	881,597	853,133
	<u>44,276,855</u>	<u>40,631,389</u>
Excess of revenue over expenses before other expenses	14,248,420	9,335,750
Beacon/Galaran/Stirling roundabout contribution (note 9)	-	841,213
	<u>\$ 14,248,420</u>	<u>\$ 8,494,537</u>

## Statement of Changes in Net Assets

Year ended December 31, 2025, with comparative information for 2024

	Invested in tangible capital assets	Unrestricted	2025	2024
Balance, beginning of year	\$ 120,280,987	\$ 15,455,558	\$ 135,736,545	\$ 127,295,852
Excess of revenue over expenses	-	14,248,420	14,248,420	8,494,537
Net change in invested in tangible capital assets	1,651,918	(1,651,918)	-	-
Loss on actuarial valuation of retirement allowance liability	-	(5,710)	(5,710)	(53,844)
Balance, end of year	<u>\$ 121,932,905</u>	<u>\$ 28,046,350</u>	<u>\$ 149,979,255</u>	<u>\$ 135,736,545</u>

See accompanying notes to financial statements.

# VICTORIA AIRPORT AUTHORITY

## Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 14,248,420	\$ 8,494,537
Items not involving cash:		
Amortization	14,061,282	14,054,254
Recognition of deferred capital contribution	(1,210,240)	(1,208,088)
Loss (gain) on the disposal of tangible capital assets	20,406	(3,500)
Changes in non-cash operating working capital:		
Accounts receivable	135,238	(289,162)
Inventory	(14,242)	(2,134)
Prepaid expenses	(166,457)	(22,256)
Other long-term assets	–	2,851
Accounts payable and accrued liabilities	(86,103)	2,819,012
Deferred revenue	(71,001)	(36,100)
Retirement allowance liability	96,918	(18,386)
Tenants' security deposits	51,025	117,175
	<u>27,065,246</u>	<u>23,908,203</u>
Investing:		
Purchase of tangible capital assets	(14,559,452)	(18,489,445)
Proceeds from the sale of tangible capital assets	3,804	3,500
	<u>(14,555,648)</u>	<u>(18,485,945)</u>
Financing:		
Deferred capital contribution	32,282	–
	<u>32,282</u>	<u>–</u>
Increase in cash and cash equivalents	12,541,880	5,422,258
Cash and cash equivalents, beginning of year	19,340,956	13,918,698
Cash and cash equivalents, end of year	<u>\$ 31,882,836</u>	<u>\$ 19,340,956</u>

See accompanying notes to financial statements.

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

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## 1. Nature of operations:

Victoria Airport Authority (“VAA” or “Authority”) is incorporated under Part II of the Canada Corporations Act as a non-share capital, not-for-profit corporation and all earnings from operations are reinvested in airport development. VAA has operated the Victoria International Airport since April 1, 1997 under a lease from Transport Canada (“ground lease”).

## 2. Significant accounting policies:

### (a) Basis of accounting:

The financial statements of VAA are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

### (b) Cash and cash equivalents:

Cash and cash equivalents are defined as cash, high interest savings and highly liquid investments consisting of term deposits with original maturities at the date of purchase of three months or less.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in excess of revenue over expenses in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Authority has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Authority determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Authority expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

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## 2. Significant accounting policies (continued):

(d) Inventory:

The inventory of consumable supplies is recorded at the lower of cost, determined on a first-in first-out basis, and net realizable value.

(e) Transport Canada Lease:

The Transport Canada Lease (see note 6(a)) is accounted for as an operating lease.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Asset	Years
Terminal building	5-50
Airfield and roadways	5-60
Other buildings and structures	5-50
Vehicles	10-20
Computer and IT Equipment	3-10
Machinery and equipment	5-30
Furniture and fixtures	5-20

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The interest cost of debt attributable to the construction of capital assets is capitalized during the construction period. No interest was capitalized in 2025 or 2024. Capital work-in-progress is not amortized until the asset is available for use.

When a capital asset no longer contributes to VAA's ability to provide services, its carrying amount is written down to its residual value with no reversals of such write-downs in subsequent periods.

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

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## 2. Significant accounting policies (continued):

### (g) Revenue recognition:

VAA follows the deferral method of accounting for contributions whereby unrestricted revenue is recognized when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured. When a portion of the contributions relates to a future period, it is deferred and recognized in that subsequent period.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Revenue is recognized as follows:

- Landing and general terminal fees are recognized as revenue when airport facilities are utilized.
- Concession revenue is recognized based on the greater of agreed percentages of reported concessionaire sales and specified minimum guaranteed amounts over the terms of the respective leases. Car parking revenue is recognized when car parking facilities are utilized.
- Rental revenue is recognized over the terms of the respective leases.
- Airport Improvement Fees ("AIF") (note 8) are recorded when passengers subject to the fee depart.

### (h) Employee future benefits:

VAA and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

An unfunded retirement allowance benefit is also available to VAA's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains (losses) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. All actuarial gains (losses) are recorded in net assets.

### (i) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Areas requiring the use of management estimates include the determination of the retirement allowance, useful lives for amortization and provisions for contingencies. Actual results could differ from these estimates.

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

### 3. Tangible capital assets:

			2025	2024
	Cost	Accumulated amortization	Net book value	Net book value
Terminal building	\$ 93,516,192	\$ 59,558,526	\$ 33,957,666	\$ 37,894,226
Airfield and roadways	129,481,009	63,542,557	65,938,452	66,255,992
Other buildings and structures	16,131,259	9,498,557	6,632,702	6,072,883
Vehicles	12,708,198	6,557,487	6,150,711	3,926,932
Computer and IT equipment	4,949,197	3,082,869	1,866,328	1,592,025
Machinery and equipment	7,579,336	2,752,624	4,826,712	4,275,302
Furniture and fixtures	1,285,237	835,034	450,203	507,970
Capital work in progress	6,180,644	–	6,180,644	5,004,128
	<b>\$ 271,831,072</b>	<b>\$ 145,827,654</b>	<b>\$ 126,003,418</b>	<b>\$ 125,529,458</b>

During the year, VAA sold assets with a net book value totaling \$24,210 (2024 - \$nil) for proceeds of \$3,804 (2024 - \$3,500) resulting in a loss on sale of assets of \$20,406 (2024 - gain of \$3,500). This loss is included with other income on the statement of operations.

During 2025, a review and assessment for impaired assets resulted in a \$785,814 impairment of assets (2024 - \$1,000,496). The impairment is included in amortization in the Statement of Operations.

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$134,259 (2024 - \$263,707), which includes amounts payable for sales tax remittances and employer health tax.

### 5. Retirement allowance liability:

Under the terms of the collective agreement and other agreements VAA has an obligation to pay its employees compensation upon retirement or termination in accordance with the agreements. The retirement benefit is based on years of completed service.

VAA accrues the cost of these future benefits, as employees render their services, based on actuarial valuations of the obligations. It is VAA's practice to perform an actuarial valuation a minimum of every three years. An actuarial valuation of the plan was completed as of December 31, 2025. The next actuarial valuation of the plan is scheduled for no later than December 31, 2028.

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

## 5. Retirement allowance liability (continued):

The significant economic assumptions used by VAA's actuaries in measuring the accrued retirement allowance liability as at December 31, 2025 are as follows:

	2025	2024
Discount rates	4.75%	4.60%
Rate of compensation increases	Year 1 - 4.75%	4.00%
	Year 2 - 3.00%	2.75%
	Thereafter - 3.00%	2.75%

The total annual retirement allowance liabilities are as follows:

Balance at December 31, 2023	\$ 895,353
Annual accrual, net of benefits paid	(63,587)
Interest	45,202
Actuarial loss as of December 31, 2024	53,844
Balance at December 31, 2024	930,812
Annual accrual, net of benefits paid	50,744
Interest	46,174
Actuarial loss as of December 31, 2025	5,710
Balance at December 31, 2025	\$ 1,033,440

	2025	2024
Financial statement presentation:		
Current portion	\$ 31,228	\$ 29,733
Long-term	1,002,212	901,079
	\$ 1,033,440	\$ 930,812

In 2025, the net retirement benefit plan expense totaled \$80,477 (2024 - \$64,699).

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

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## 6. Commitments:

### (a) Ground lease with Transport Canada:

The ground lease governs both the economic and day-to-day relations between VAA and Transport Canada. The Authority signed a 60-year ground lease with Transport Canada effective April 1, 1997 with an option to extend the term for a further 20 years. On January 28, 2015 the Minister of Transport signed an amendment to the ground lease extending the term for 20 years ending on March 31, 2077. The ground lease contains specific conditions for compliance with a series of requirements, including environmental standards, minimum insurance coverage, specific accounting and reporting requirements and various other matters that have a significant effect on the day-to-day operation of the Authority. The Authority has complied with all requirements under the ground lease. As of January 1, 2026, there are 51 years and 3 months remaining in the lease.

(i) Rent payable to Transport Canada is calculated based on a percentage of gross revenue on a progressive scale. Projected rent expense for 2026 - 2030 based on VAA's current financial forecast is as follows:

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2026	\$ 3,692,400
2027	3,970,028
2028	4,125,128
2029	4,284,882
2030	4,449,429

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### (b) Capital commitments:

In connection with the construction of certain capital projects and purchase of certain capital items, the VAA has capital commitments outstanding as at December 31, 2025 of approximately \$4,663,280 (2024 - \$1,756,900).

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

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## 7. Deferred capital contribution:

VAA receives funding from the Canadian Air Transport Security Authority (“CATSA”) and other governmental agencies in the form of grants and reimbursements towards specific capital infrastructure upgrades. The funds received are deferred and brought into revenue as contributions at a rate or amount consistent with the amortization of the related capital asset once the asset is available for its intended use.

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Balance, beginning of year	\$ 5,248,471
Contributions received	32,282
Less: amounts amortized to revenue	1,210,240
<b>Balance, end of year</b>	<b>\$ 4,070,513</b>

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The balance of unamortized contributions related to capital assets consists of the following:

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Unamortized contributions used to purchase capital assets	\$ 4,070,513
<b>Balance, end of year</b>	<b>\$ 4,070,513</b>

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# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

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## 8. Airport Improvement Fee (“AIF”):

On March 31, 2025, the VAA entered into a new agreement (the “AIF Agreement”) with other Canadian airports and the air carriers serving the airports. This new agreement replaces the previous agreement dated May 31, 1999. The AIF Agreement provides for a consultation process with the air carriers on airport development as well as the collection of an AIF by air carriers. The AIF rate is set by each airport, and the revenue is collected by the airlines as part of the ticket price and remitted to the airport net of a 4% air carrier administration fee. Use of AIF revenue is restricted and can only be used to fund capital expenditures related to the construction or improvement of airport infrastructure and related financing costs. The current AIF rate is \$25 per local boarded passenger. Effective April 1, 2026, the AIF rate will increase to \$30 per locally boarded passenger.

To December 31, 2025 cumulative expenditures exceeded cumulative AIF revenue as follows:

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AIF revenue	\$ 237,173,301
Airline/ATAC administration fees	(16,403,312)
AIF program expenditures	(228,793,745)
Financing costs	(8,921,659)
<b>Excess of AIF expenditures over AIF revenue</b>	<b>\$ (16,945,415)</b>

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The excess of AIF expenditures over AIF revenue is currently being funded through surpluses from operations.

## 9. Beacon / Galaran / Stirling Roundabout and Road Improvements:

VAA entered into an agreement with the Town of Sidney and the District of North Saanich to realign Stirling Way and construct a roundabout at the intersection of Beacon Avenue, Stirling Way and Galaran Road. The Town of Sidney was successful in receiving government funding for a portion of the project with the remaining costs funded by the Town of Sidney, VAA and the District of North Saanich on a 40%/40%/20% basis. In 2024 the total cost attributable to VAA for the project was \$1,143,213 consisting of a \$841,213 contribution to the roundabout construction and road realignment and a \$302,000 capital improvement to realign VAA's flight path multiuse path to the new road alignment.

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

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## 10. Pension contributions:

VAA and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2024, the plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 68 contributors from Victoria Airport Authority.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to the plan. The actuary's calculated contribution rate is based on the entry age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2024, indicated a \$2,675 million funding surplus for basic pension benefits on a going concern basis. The next valuation date will be December 31, 2027.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

VAA paid \$691,677 (2024 - \$616,901) for employer contributions while employees contributed \$610,516 (2024 - \$542,363) to the plan in fiscal 2025.

## 11. Credit facilities:

VAA has a \$10,000,000 operating line of credit with CIBC bearing interest at CIBC prime rate less 0.50%.

VAA has a \$10,000,000 capital facility to fund assets over 10 years at various interest rates, including floating rates at prime minus 0.50% or CORRA plus 1.12%, and fixed rates negotiated at drawdown.

Both credit facilities are secured by a general security agreement, a registered mortgage of VAA's leasehold interest and assignment of all book debts due and payable. The credit facilities require a debt service ratio of 1.2 to 1.0. These two credit facilities were undrawn on December 31, 2025 and 2024.

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

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## 12. Risk management:

Exposure to credit risk, liquidity risk, and interest rate risk arises in the normal course of VAA's business. Financial instruments are not used for trading or speculative purposes.

### (a) Credit risk:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash and cash equivalents and accounts receivable, VAA's credit risk is limited to the carrying value on the balance sheet. VAA manages the risk associated with the concentration of credit risk through its policy of actively monitoring the aging of receivables.

Credit risk is further reduced by letters of credit, deposits and customer credit evaluations. VAA limits its exposure to credit risk on cash and cash equivalents by investing in instruments issued by high credit quality financial institutions. VAA enters into financial contracts such as interest rate swaps only with high credit quality financial institutions.

As at December 31, 2025 the aging analysis of trade receivables, net of impaired amounts of \$8,126 (2024 - \$117,717) is as follows:

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Current	80.83%	\$ 2,465,585
1 to 30 days overdue	9.84%	300,133
31 to 60 days overdue	5.12%	156,097
61 days plus overdue	4.21%	128,300
<b>Total</b>	<b>100.00%</b>	<b>\$ 3,050,115</b>

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### (b) Liquidity risk:

Liquidity risk is the risk that VAA will not be able to meet its obligations associated with financial liabilities. Funds generated through operations finance the capital program. VAA also has access to an undrawn operating line of credit which assists to mitigate liquidity risk.

### (c) Interest rate risk:

Interest rate risk arises because of fluctuations in interest rates. VAA is exposed to interest rate risk on its cash and cash equivalents which are maintained to provide liquidity while achieving a satisfactory return. There has been no change in the risk exposures from the prior year.

## 13. Financial instruments:

Interest income during 2025 totaled \$712,906 (2024 - \$835,224).

# VICTORIA AIRPORT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2025

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## 14. Other information:

- (a) VAA income generated from airport-related operations is exempt from federal and provincial income taxes.
- (b) During the year ended December 31, 2025, the fees paid to the Board of VAA for their services as directors totaled \$291,350 (2024 - \$262,129).

## 15. Contingent liabilities:

The Authority, in conducting its usual business activities, is involved in various legal proceedings and litigation, the outcome of which is indeterminable. It is the Authority's policy to carry adequate insurance to minimize the financial risk associated with such matters.

Management is of the opinion that the aggregate net liability, if any, of these proceedings and litigation would not have a material impact to the Authority's financial position.

## 16. Impact of Tariffs:

The imposition of U.S. tariffs on cross-border trade and resulting Canadian counter-measures may result in increased costs for goods and services procured from U.S. suppliers, impacting operations and infrastructure projects. While the long-term impact remains uncertain, VAA is actively working to monitor and mitigate the risks and impacts of tariffs.

## 17. Subsequent event:

On February 4, 2026, four W̱SÁNEĆ First Nations including BOKÉĆEN (Pauquachin), W̱JOLELP (Tsartlip), STÁUTW̱ (Tsawout), and W̱SÍ,ĶEM (Tseycum) - and the VAA entered into a new Friendship Agreement that establishes a long-term, collaborative relationship based on respect (ÁTOL), cooperation (ĆĀINEUEL), and partnership (HIWESTEL).

The Agreement reflects the long-standing relationship between the W̱SÁNEĆ people and the lands within which Victoria International Airport is situated. It recognizes a shared commitment to reconciliation and to building a constructive, long-term partnership.

As part of the Agreement, VAA will make annual economic contributions to the signatories based on airport revenues. In addition the Agreement provides for new, dedicated funding for education training, scholarships, and internships to increase employment for W̱SÁNEĆ members at the airport, as well as support for new business opportunities. The Agreement also addresses a range of shared focus areas, including communication and engagement, culture and placemaking, and environmental stewardship.