Vancouver Airport Authority

Consolidated Financial Statements

December 31, 2024

Independent auditor's report

To the Directors of
Vancouver Airport Authority

Opinion

We have audited the consolidated financial statements of the **Vancouver Airport Authority** [the "Airport Authority"], and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of the Group as at December 31, 2024, and the consolidated results of its operations and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled 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 included in the Airport Authority's 2024 Accountability Report

Other information consists of the information included in the Airport Authority's 2024 – Annual Report and Sustainability Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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 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 Canadian accounting standards for not-for-profit organizations, 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 Group'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 Airport Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’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 general accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise form 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 judgement 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 Group’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 Group’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 Group 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
March 25, 2025

Vancouver Airport Authority

Consolidated Statement of Financial Position

[expressed in thousands of dollars]

As at December 31

	2024 $	2023 $
ASSETS		
Current		
Cash and cash equivalents	**374,337**	390,891
Accounts receivable *[note 3]*	**50,924**	65,846
Other receivables	**9,830**	7,433
Inventory *[note 4]*	**14,354**	13,225
Prepaid expenses *[note 8]*	**10,420**	8,973
Total current assets	**459,865**	486,368
Partnership interests *[notes 5 and 14]*	**71,601**	54,498
Capital assets, net *[note 6]*	**2,516,243**	2,489,555
Implementation costs - software services *[note 7]*	**18,894**	7,565
Other long-term assets, net *[note 8]*	**52,830**	47,799
	3,119,433	3,085,785
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[notes 10, 12, 16[c], 17[a]]*	**133,900**	132,444
Current portion of deferred revenue	**15,456**	8,239
Current portion of deferred ground lease *[note 11]*	**2,247**	2,247
Total current liabilities	**151,603**	142,930
Deferred ground lease *[note 11]*	**16,439**	18,339
Deferred revenue	**18,515**	19,014
Other long-term liabilities *[notes 16[b] and 16[c]]*	**27,544**	26,699
Deferred capital contributions *[note 13[a]]*	**101,248**	97,266
Debentures *[note 12]*	**1,492,106**	1,491,494
Total liabilities	**1,807,455**	1,795,742
Net assets	**1,311,978**	1,290,043
	3,119,433	3,085,785

Commitments, contingencies and guarantees [notes 9 and 17]

See accompanying notes

On behalf of the Board

Director

Director

Vancouver Airport Authority

Consolidated Statement of Operations

[expressed in thousands of dollars]

Year ended December 31

	2024 $	2023 $
REVENUE		
Landing fees *[note 18]*	60,232	55,933
Terminal fees *[note 18]*	129,655	120,878
Concessions *[notes 8[a] and 18]*	89,249	85,356
Airport improvement fees *[note 15]*	219,966	214,328
Car parking and ground transportation	90,313	83,822
Rentals *[notes 8[a] and 18]*	59,402	54,174
Fees and miscellaneous	7,484	8,483
Contributions *[note 13]*	9,997	8,662
	666,298	631,636
OPERATING EXPENSES		
Goods and services *[note 4]*	197,382	171,670
Salaries, wages and benefits *[note 16]*	125,966	92,628
Payments in lieu of taxes, insurance and other *[note 4]*	31,605	26,149
Ground lease *[note 17[a]]*	73,629	69,145
Revenue sharing *[note 17[b][iii]]*	6,754	6,423
Amortization of capital assets *[note 6]*	195,112	190,349
	630,448	556,364
Excess of revenue over operating expenses	35,850	75,272
OTHER INCOME (EXPENSES)		
Interest income	20,346	21,998
DOC partnership income *[note 5[a]]*	3,451	1,484
VAPH partnership income *[note 5[b]]*	15,763	13,021
Interest and financing charges *[notes 11 and 12]*	(53,518)	(53,371)
Write-down of capital assets *[note 6]*	(1,040)	(2,415)
Loss on disposal of capital assets	(1,222)	(108)
Foreign exchange loss	(85)	(136)
	(16,305)	(19,527)
Excess of revenue over expenses for the year	19,545	55,745

See accompanying notes

Vancouver Airport Authority

Consolidated Statement of Changes in Net Assets

[expressed in thousands of dollars]

Year ended December 31

	2024 $	2023 $
Balance, beginning of year	**1,290,043**	1,232,123
Employee future benefits plan remeasurement *[note 16]*	**2,390**	2,175
Excess of revenue over expenses for the year	**19,545**	55,745
Balance, end of year	**1,311,978**	1,290,043

See accompanying notes

Vancouver Airport Authority

Consolidated Statement of Cash Flows

[expressed in thousands of dollars]

Year ended December 31

	2024 $	2023 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	19,545	55,745
Add (deduct) items not involving cash		
Amortization of capital assets	195,112	190,349
Amortization of deferred capital contributions *[note 13[a]]*	(8,296)	(7,844)
Amortization of deferred financing costs	612	581
Effective interest on deferred ground lease *[note 11]*	347	359
Amortization of other long-term assets	1,979	546
Net change due to straight-line rent adjustments *[note 8[a]]*	(2,141)	93
Write-down of capital assets *[note 6]*	1,040	2,415
Loss on disposal of capital assets	1,222	108
DOC partnership income *[note 5[a]]*	(3,451)	(1,484)
VAPH partnership income *[note 5[b]*	(15,763)	(13,021)
Net change in non-cash working capital balances related to operations *[note 20[a]]*	862	(34,274)
Cash provided by operating activities	191,068	193,573
INVESTING ACTIVITIES		
Additions to capital assets	(222,674)	(238,219)
Proceeds on disposal of capital assets	294	7,859
Contribution to DOC partnership *[note 5[a]]*	(10)	-
Partnership distribution from VAPH *[note 5[b]]*	2,121	1,640
Increase in other long-term assets *[note 8]*	(644)	(659)
Cash used in investing activities	(220,913)	(229,379)
FINANCING ACTIVITIES		
Repayment of deferred ground lease *[note 11]*	(2,247)	-
Deferred capital contributions received *[note 13[a]]*	15,538	22,634
Cash provided by financing activities	13,291	22,634
Net decrease in cash during the year	(16,554)	(13,172)
Cash and cash equivalents, beginning of year	390,891	404,063
Cash and cash equivalents, end of year	374,337	390,891

See accompanying notes

Notes to Consolidated Financial Statements

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2024

1. Operations

The Vancouver Airport Authority [the "Airport Authority"] is incorporated under the Canada Not-for-profit Corporations Act as a private non-share capital corporation. The Airport Authority is governed by a Board of Directors [the "Board"] who are appointed via a series of nominations from professional and other bodies reflecting the skills and expertise needed to govern the Airport Authority. The President and CEO of the Airport Authority is also a member of the Board of Directors.

The Airport Authority operates the Vancouver International Airport [the "Airport"] pursuant to a lease of most of Sea Island, Richmond, British Columbia, from the Government of Canada [the "Ground Lease"].

The Airport Authority has three wholly owned subsidiaries:

[i] Vancouver Airport Enterprises Ltd. ["VAEL"] holds a 100% investment in YVR Project Management Ltd. ["YVRPM"], which provides capital project management and consulting services to affiliated and non- affiliated entities.

[ii] Vancouver Airport Enterprises (Templeton) Ltd. ["VAEL Templeton"] holds the Airport Authority's 50% investment in Templeton DOC General Partner Ltd. and Templeton DOC Limited Partnership [collectively referred to as "DOC Partnership"], which has developed a retail designer outlet centre ["DOC"] on Sea Island.

[iii] Vancouver Airport Properties Ltd. ["VAPL"] holds a 0.1% interest in and manages the following partnerships:

- Vancouver Airport Property Holding LLP ["VAPH"] – VAPH's purpose is to hold the leasehold interest from the Airport Authority. The Airport Authority holds the other 99.9% interest in VAPH.
- Vancouver Airport Property Management LLP ["VAPM"] – VAPM is the limited liability partnership that owns and operates multi-tenanted buildings on Sea Island. VAPH holds the other 99.9% interest in VAPM.

2. Significant accounting policies

Presentation and basis of accounting

These consolidated financial statements are prepared in accordance with Part III of the CPA Canada Handbook – Accounting, "Accounting Standards for Not-for-Profit Organizations," and include the results of the Airport Authority's wholly owned subsidiaries and partnership interests. All intercompany transactions and balances have been eliminated on consolidation.

2. Significant accounting policies [continued]

Summary of significant accounting policies

Inventory

Inventory is valued at the lower of weighted average cost and net realizable value. Weighted average cost includes the purchase price, import duties, other net taxes, transportation, handling and other costs directly attributable to acquisition. Net realizable value is the estimated current replacement cost.

Partnership interest

The Airport Authority accounts for its partnership interest using the equity method. The Airport Authority's share of partnership net income is recorded in the consolidated statement of operations.

Borrowing costs

Interest on debt is recognized as an expense in the period in which it is incurred.

Capital assets

Capital assets are recorded at cost less accumulated amortization. The cost includes the purchase price and other acquisition and construction costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation, transportation charges, labour, insurance and duties.

Software is an integral part of the related hardware is capitalized to the cost of computer equipment and included in capital assets.

The costs included in construction-in-progress are capitalized during the construction phase and are not amortized. Upon completion of the project, the assets will be allocated to the respective capital asset classes and amortized at the rates provided in the table below.

The art collection is considered to have a permanent value and is not amortized.

2. Significant accounting policies [continued]

Capital assets [continued]

Amortization is provided at cost less estimated salvage value on a straight-line basis over the estimated useful lives as follows:

Buildings and other structures	5 to 40 years
Runways and other paved surfaces	3 to 30 years
Rapid transit infrastructure	50 years
Machinery and equipment	5 to 15 years
Furniture and fixtures	5 to 15 years
Computer equipment and software	3 to 10 years

The Airport Authority assesses write-downs when conditions indicate the future economic benefits or service potential associated with the asset may be less than the carrying amount. The write-downs are assessed based on the fair value or replacement cost on an asset-by-asset basis. A write-down is not reversed.

Cloud Computing Arrangements

Cloud computing arrangements are analyzed to determine if a software element in the arrangement meets the recognition criteria of an asset. Any such asset is accounted for as a computer software asset. If the software element is not an asset, the Airport Authority accounts for it as a software service and expenses it as incurred. Expenditures on implementation activities that are directly attributable to preparing the software service for its intended use that do not give rise to a separate intangible asset are capitalized under Implementation costs – software services. The asset for implementation of software services is expensed using the straight-line method over the expected period of access to the software service.

Deferred revenue

Deferred revenue represents payments received in advance from tenants and operators for goods and services not yet provided, which are deferred and recognized over the terms of the related agreements.

2. Significant accounting policies [continued]

Revenue recognition

Revenue is recognized when the amount to be received is fixed or can be reasonably estimated, delivery has occurred, and collection is reasonably assured as follows:

[i] Aeronautical charges, which consist of landing and terminal fees, are generally recognized as revenue when airport facilities are utilized.

[ii] Concession revenue is recognized based on a percentage of reported concessionaire sales and/or specified minimum annual guarantees. Specified minimum annual guarantee amounts and incentives for lessees to enter into lease agreements are recognized on a straight-line basis over the term of the lease.

[iii] Revenue from the Airport Improvement Fee ["AIF"], which is collected from passengers by air carriers, is recognized based on monthly passenger numbers submitted by individual air carriers.

[iv] Car parking revenue is recognized when airport facilities are utilized.

[v] Rental revenue is recognized on a straight-line basis over the term of the respective agreements.

[vi] Contributions are accounted for using the deferral method as follows:

Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received to offset specific operating costs are initially deferred and recorded as revenue when the related costs are incurred.

Contributions received and designated by third parties for specific capital purposes are initially deferred and recorded as revenue on a basis consistent with the amortization of the related capital assets.

Ground lease

The ground lease expense is based on a progressive scale of percentages of the Airport Authority's revenue as defined in the Ground Lease and is charged to the consolidated statement of operations.

The Airport Authority does not receive title to the underlying parcels of land; therefore, the Ground Lease has been accounted for as an operating lease.

2. Significant accounting policies [continued]

Dividend income

Dividend income is recorded when the dividend is declared and collection is reasonably assured.

Taxes

Income arising from the operation of the Airport Authority is exempt from federal and provincial income taxes under the *Airport Transfer (Miscellaneous Matters) Act*.

A payment in lieu of taxes is made for municipal services and is based on the municipality's rates applied to the assessment of property values. Payments are recognized as an expense over the assessment term.

Operations of each subsidiary are subject to taxes in the jurisdictions in which the subsidiaries operate and recorded in payments in lieu of taxes, insurance and other. Taxes in these entities are measured using the future income taxes method.

Leases

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the term of the lease.

Employee future benefits

The Airport Authority has a contributory defined benefit pension plan ("DB plan") that covers employees of the Airport Authority who, immediately prior to joining the Airport Authority, were employees of the Federal Public Service; a defined contribution plan that covers new employees who have joined the Airport Authority since June 1992; and unfunded supplemental plans that cover its senior executives.

Defined benefit pension plans

The Airport Authority accrues its obligations under DB plans as the employees render the service necessary to earn the employment benefits.

2. Significant accounting policies [continued]

Employee future benefits [continued]

Defined benefit pension plans [continued]

The Airport Authority measures its accrued benefit obligations and the fair value of plan assets as at December 31 of each year, using the most recent funding valuation for the DB plan. The most recent actuarial valuation of the DB plan for funding purposes was as of December 31, 2023. The next valuation for funding purposes will be as of December 31, 2024, the results of which are expected to be available later in 2025.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service. Obligations for the DB plan are calculated using the assumptions from the actuarial funding valuation including an estimate of future salary levels, pension indexing, retirement ages of employees, and other actuarial factors. Obligations for the unfunded supplemental plans and non-pension benefit plans are calculated using assumptions that incorporate management's best estimate of cost escalation, retirement ages of employees, pension indexing and other actuarial factors.

The Airport Authority measures its defined benefit obligation for the unfunded supplemental pension plans and non-pension benefit plans using an accounting valuation.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value at the reporting date.

Remeasurements, which include settlement and actuarial gains and losses, arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period, differences in demographic and economic experience compared to expectations, or from changes in actuarial assumptions used to determine the accrued benefit obligation. These remeasurements are recognized directly in net assets and presented separately.

Past service costs arising from plan amendments are recognized immediately in the consolidated statement of operations.

Defined contribution benefit plans

The Airport Authority records contributions to defined contribution benefit plans as an expense, which is included in salaries, wages and benefits expense as services are rendered.

2. Significant accounting policies [continued]

Financial instruments

Recognition and measurement

The Airport Authority recognizes a financial asset or financial liability when the entity becomes a party to the contractual provisions of the financial instrument.

At initial acquisition, financial assets or financial liabilities acquired or assumed in an arm's length transaction are measured at fair value, adjusted for directly attributable financing fees and transaction costs if the instrument is subsequently measured at cost or amortized cost.

The following is a summary of the Airport Authority's financial instruments that are subsequently measured at cost or amortized cost: cash and cash equivalents, accounts receivable, other receivables, other long-term assets, accounts payable and accrued liabilities, deferred ground lease , and debentures.

Financing costs

The Airport Authority capitalizes all transaction costs relating to the acquisition of financing as an offset to the related debt and amortizes the costs to interest expense using the effective interest rate method over the term of the underlying debt.

Translation of foreign currencies

The Airport Authority records foreign currency denominated transactions in Canadian dollars at exchange rates in effect at the time of the transactions. Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the reporting date. Foreign exchange gains and losses are included in the results of operations in the period in which they occur.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of accrued revenue, allowance for doubtful accounts, percentage of completion for construction-in-progress, write-down of capital assets, useful lives for amortization of capital assets, accrued liabilities, assumptions with respect to defined benefit plans, and provisions for contingencies. Actual results could differ materially from those estimates.

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

3. Accounts receivable

	2024 $	2023 $
Current - 30 days past due	46,295	63,716
31-60 days past due	2,601	1,155
61 + days past due	4,578	2,740
Allowance for doubtful accounts	(2,550)	(1,765)
	50,924	65,846

	2024 $	2023 $
Allowance for doubtful accounts, beginning of year	1,765	1,513
Increase in allowance for doubtful accounts	785	614
Write-off of specific accounts	-	(362)
Allowance for doubtful accounts, end of year	2,550	1,765

4. Inventory

As at December 31, 2024 and 2023, the Airport Authority has a $nil valuation allowance on its inventory. For the year ended December 31, 2024, the cost of inventory recognized as goods and services and payments in lieu of taxes, insurance and other was $6.2 million [2023 - $4.7 million], of which $nil [2023 – $0.1 million] was as result of a write-off of obsolete inventory.

5. Partnership interests

	2024 $	2023 $
DOC Partnership *[a]*	10,479	7,018
VAPH *[b]*	61,122	47,480
	71,601	54,498

[a] DOC Partnership

For the year ended December 31, 2024, the Airport Authority recorded partnership income of $3.5 million [2023 - $1.5 million] from Templeton DOC Limited Partnership. The amount was recorded in the consolidated statement of operations and as an increase in partnership interests.

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

5. Partnership interest [continued]

[a] DOC Partnership [continued]

For the year ended December 31, 2024, the Airport Authority contributed $0.01 million [2023 - $nil] to Templeton DOC General Parner Ltd. to cover ongoing administrative expenditures. The amount was recorded as an increase in partnership interests. To date, the Airport Authority's net equity contribution to Templeton DOC Limited Partnership is $6.8 million [2023 - $6.8 million] and $0.02 million [2023 - $0.01 million] to Templeton DOC General Partner Ltd.

Summarized consolidated statements of financial position, operations, and cash flows of the Airport Authority's 50% share of the Templeton DOC Limited Partnership as at and for the years ended December 31, 2024 and 2023, are presented below:

	2024 $	2023 $
Assets	**93,638**	90,353
Liabilities	**83,179**	83,345
Net assets	**10,459**	7,008

	2024 $	2023 $
Revenue	**14,161**	13,504
Expenses	**10,710**	12,020
Net income	**3,451**	1,484

	2024 $	2023 $
Cash flows provided by (used in)		
Operating activities	**6,207**	6,000
Financing activities	**-**	(74)
Investing activities	**(1,340)**	(2,078)

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

5. Partnership interest [continued]

[b] VAPH and VAPM

For the year ended December 31, 2024, the Airport Authority recorded partnership income of $15.8 million [2023 – $13.0 million] in the consolidated statement of operations based on its partnership interest in VAPH. The amount was recorded as an increase in partnership interests.

During the year, the Airport Authority recognized partnership distributions from VAPH of $2.1 million [2023 - $1.6 million]. The distribution was recorded as a reduction in partnership interests.

Summarized consolidated statements of financial position, operations, and cash flows of VAPH as at and for the years ended December 31, 2024 and 2023, are presented below:

	2024 $	2023 $
Assets	61,018	47,392
Liabilities	9	11
Net assets	61,009	47,381

	2024 $	2023 $
Revenue and other income	15,756	13,019
Expenses	7	11
Net income	15,749	13,008

	2024 $	2023 $
Cash flows provided by (used in)		
Operating activities	982	784
Financing activities	(2,121)	(1,640)

Notes to Consolidated Financial Statements

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2024

6. Capital assets

	2024		
	Cost $	Accumulated amortization $	Net book value $
Buildings and other structures	3,110,953	(1,612,638)	1,498,315
Runways and other paved surfaces	878,054	(504,321)	373,733
Rapid transit infrastructure	300,069	(93,175)	206,894
Machinery and equipment	193,575	(141,828)	51,747
Furniture and fixtures	39,525	(36,232)	3,293
Computer equipment and software	311,279	(252,632)	58,647
Art collection	9,983	-	9,983
Construction-in-progress	313,631	-	313,631
	5,157,069	(2,640,826)	2,516,243

	2023		
	Cost $	Accumulated amortization $	Net book value $
Buildings and other structures	2,986,965	(1,494,486)	1,492,479
Runways and other paved surfaces	847,636	(465,671)	381,965
Rapid transit infrastructure	300,069	(87,108)	212,961
Machinery and equipment	188,614	(147,376)	41,238
Furniture and fixtures	41,059	(37,021)	4,038
Computer equipment and software	301,453	(238,892)	62,561
Art collection	9,983	-	9,983
Construction-in-progress	284,330	-	284,330
	4,960,109	(2,470,554)	2,489,555

For the year ended December 31, 2024, the Airport Authority recorded write-downs of $1.0 million [2023 – $2.4 million] of resulting from cancellations and changes in scope of various capital projects.

As the Airport Authority continues to review alternatives for the CORE program assets currently not in use, it is reasonably possible that changes in future conditions could alter the assumptions used and result in a further write-down.

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

7. Implementation costs – software services

For the year ended December 31, 2024, the Airport Authority amortized $1.1 million [2023 – $0.2 million] of capitalized software service implementation costs in goods and services and capitalized $12.5 million [2023 - $7.0 million] in directly attributable expenditures on implementation activities related to software services.

8. Other long-term assets

	2024		
	Cost	Accumulated amortization	Net book Value
	$	$	$
Operating lease receivables *[a]*	**26,638**	**-**	**26,638**
Accrued benefit asset *[note 16[a]]*	**19,313**	**-**	**19,313**
Operating lease inducements *[b]*	**1,514**	**(647)**	**867**
Long-term prepaid	**7,454**	**(3,540)**	**3,914**
Leasehold interest *[c]*	**4,640**	**(1,252)**	**3,388**
Total other long-term assets	**59,559**	**(5,439)**	**54,120**
Less: current portion of long-term prepaid	**(1,290)**	**-**	**(1,290)**
	58,269	**(5,439)**	**52,830**

	2023		
	Cost	Accumulated amortization	Net book Value
	$	$	$
Operating lease receivables *[a]*	24,487	-	24,487
Accrued benefit asset *[note 16[a]]*	15,310	-	15,310
Operating lease inducements *[b]*	3,365	(1,728)	1,637
Long-term prepaid	6,270	(1,702)	4,568
Leasehold interest *[c]*	4,640	(1,181)	3,459
Total other long-term assets	54,072	(4,611)	49,461
Less: current portion of long-term prepaid	(1,662)	-	(1,662)
	52,410	(4,611)	47,799

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

8. Other long-term assets [continued]

[a] For the year ended December 31, 2024, the Airport Authority recorded a net increase in concession and rental revenue across all leases of $2.1 million [2023 – net decrease of $0.1 million] as result of straight-line rent adjustments.

[b] In certain circumstances, the Airport Authority provides lease inducements to tenants. These lease inducements are recorded as long-term assets and recognized, on a straight-line basis, as a reduction of revenue over the term of the lease. For the year ended December 31, 2024, the Airport Authority provided lease inducements of $nil [2023 – $0.8 million] to tenants and recognized $0.8 million [2023 - $0.3 million] as a reduction of concession and rental revenue.

[c] In June 2008, the Airport Authority acquired a leasehold interest on Sea Island for $4.6 million, which included the estimated cost of decommissioning and demolishing the existing building on the land. Accordingly, the Ground Lease with Transport Canada was amended to include this additional site. The leasehold interest is being amortized over the remaining term of the Ground Lease. For the year ended December 31, 2024, the amortization of the leasehold interest was $0.1 million [2023 – $0.1 million].

9. Revolving credit facility

	2024 $	2023 $
Credit facility	**300,000**	300,000
Less: Outstanding letters of credit	**(17,291)**	(17,752)
Available credit facility	**282,709**	282,248

The Airport Authority has a revolving credit facility ["credit facility"] of $300.0 million [December 31, 2023 - $300.0 million] bearing interest at the bank prime rate, which was 5.45% as at December 31, 2024 [2023 – 7.2%], or at prevailing market interest rates if issuing bankers' acceptances. The credit facility was undrawn as at December 31, 2024 and 2023.

Subsequent to the year ended December 31, 2024, the bank prime rate was decreased to 5.20%, effective January 30, 2025.

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

10. Government remittances payable

Included in accounts payable and accrued liabilities are government remittances payable, which include amounts payable for sales, parking, payroll related taxes and ground lease payable.

	2024 $	2023 $
Transport Canada *[note 17[a]]*	4,405	18,352
TransLink	729	880
British Columbia Ministry of Finance	673	523
Canada Revenue Agency	7	458
	5,814	20,213

11. Deferred ground lease

The Government of Canada provided relief for 2021 ground lease payments to Canadian airports due to the significant decline in passenger traffic resulting from COVID-19. The relief allowed the Authority's payments for the 2021 fiscal year totaling $22.5 million to be deferred and repaid over a 10-year term bearing no interest, with repayments commencing January 1, 2024. The deferred ground lease payments were initially measured at fair value and subsequently measured at amortized cost using the effective interest rate of 1.76% which was internally consistent with existing financing activities at the time.

In January 2024, the Airport Authority began making repayments towards the deferred ground lease. As at December 31, 2024, the Airport Authority has repaid a cumulative total of $2.2 million of deferred rent to Transport Canada [2023 – $nil].

For the year ended December 31, 2024, the Airport Authority recorded interest expense of $0.3 million [2023 - $0.4 million] in the consolidated statement of operations relating to the deferred ground lease. As at December 31, 2024, the amortized cost of the deferred ground lease payments was $18.6 million [2023 – $20.6 million], of which $2.2 million [2023 – $2.2 million] was recorded in the current portion of ground lease payments.

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

12. Debentures

Series	Maturity	Interest	Redemption Premium	2024 $	2023 $
Series B	December 7, 2026	7.425%	+0.150%	**150,000**	150,000
Series F	November 10, 2045	3.857%	+0.370%	**200,000**	200,000
Series G	November 23, 2048	3.656%	+0.310%	**250,000**	250,000
Series H	October 18, 2049	2.874%	+0.295%	**300,000**	300,000
Series I	September 20, 2030	1.760%	+0.295%	**250,000**	250,000
Series J	September 21, 2050	2.800%	+0.425%	**350,000**	350,000
				1,500,000	1,500,000
Less unamortized deferred financing costs				**(7,894)**	(8,506)
				1,492,106	1,491,494

As at December 31, 2024, the Airport Authority has accrued debenture interest of $8.5 million [2023– $8.5 million], which is recorded in accounts payable and accrued liabilities.

The debentures are direct, unsecured and subordinated obligations of the Airport Authority. Interest is payable semi-annually in arrears in June and December for Series B, in May and November for Series F and G, in April and October for Series H, and in March and September for Series I and J. The debentures are redeemable at the option of the Airport Authority, in whole or in part, at any time.

For the Series B debentures, the redemption price at any time is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus the redemption premium.

For all the other series, the redemption price six months prior to maturity is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus its redemption premium. The redemption price within six months of maturity is par.

While the debentures are outstanding, the Airport Authority is required to maintain an interest coverage ratio of not less than 1.25:1. Any further issuances of debt with a maturity of 12 months or longer are subject to a minimum interest coverage ratio of 1.75:1 on a pro-forma basis. The Trust Indenture also places certain limitations on the Airport Authority in the areas of encumbrances of assets, sales of assets, acquisitions of corporations, investments and guarantees. As at December 31, 2024 and 2023, the Airport Authority was in compliance with its covenants.

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

13. Deferred capital and operating contributions

	2024 $	2023 $
Amortization of deferred capital contributions *[a]*	**8,296**	7,844
Operating contributions	**1,701**	818
	9,997	8,662

[a] Deferred capital contributions

	2023 $	Contributions Recorded	Amortization	2024 $
CATSA	69,616	**584**	**(6,765)**	**63,435**
Government of Canada	20,373	**4,607**	**(984)**	**23,996**
Province of British Columbia	1,117	**1,412**	**(273)**	**2,256**
Municipal and other	6,160	**5,675**	**(274)**	**11,561**
	97,266	**12,278**	**(8,296)**	**101,248**

14. Related party transactions

Related parties include the Board of Directors, key management personnel, subsidiaries, partnerships and affiliates. The Airport Authority has not engaged in any significant related party transactions with directors and key management personnel for the years ended December 31, 2024 and 2023.

The Airport Authority provides certain administrative support services including information technologies, legal, accounting and human resources to its subsidiaries for no consideration.

For the year ended December 31, 2024, the Airport Authority recognized $0.4 million [2023 – $0.4 million] of rental revenue from Templeton DOC Limited Partnership.

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

15. AIF – use of funds

The AIF is collected on the airline ticket by air carriers under a Memorandum of Agreement ["MOA"] between several Canadian airport authorities, air carriers and the Air Transport Association of Canada. Under the MOA, all AIF revenue collected is to be used to fund capital and related financing costs of airport infrastructure development as jointly agreed with the air carriers.

For the year ended December 31, 2024, the Airport Authority recorded $219.6 million [2023 - $214.0 million] main terminal AIF revenue, and main terminal AIF eligible capital expenditures totalled $188.6 million [2023 - $238.8 million]. The remainder of the revenue was from the south terminal passenger facility charge. As at December 31, 2024, the cumulative main terminal AIF revenue totalling $3.1 billion [2023 - $2.8 billion] was used to fund the cumulative main terminal AIF eligible capital expenditures totalling $5.3 billion [2023 - $5.1 billion] in accordance with the MOA.

16. Employee future benefits

[a] Funded pension plans

Defined benefit plan

Information regarding the Airport Authority's defined benefit pension plan is as follows:

	2024 $	2023 $
Fair value of plan assets	**82,864**	76,922
Accrued benefit obligation	**63,551**	61,612
Accrued benefit asset	**19,313**	15,310

The accrued benefit asset is included in other long-term assets [note 8].

Total cash payments

In April 2011, amendments were made to the Pension Benefits Standards Regulations, which permitted plan sponsors to secure structured letters of credit in lieu of making solvency payments to the pension plan, up to a limit of 15% of plan assets. On August 31, 2011, the Airport Authority issued a letter of credit to fund its required solvency payments to its defined benefit plan. During the year ended December 31, 2024, the letter of credit was cancelled [2023 – $1.6 million].

Total cash payments for employee future benefits for the year ended December 31, 2024, consisting of cash contributed by the Airport Authority to its funded pension plans [the defined benefit plan and defined contribution plans], were $5.6 million [2023 – $4.2 million].

16. Employee future benefits [continued]

[b] Unfunded pension plans

Pension expense for the year ended December 31, 2024, was $1.6 million [2023 - $1.6 million] and has been recognized in salaries, wages, and benefits on the consolidated financial statements. Based on an actuarial report, the total accrued benefit liability of these plans as of December 31, 2024 was $20.0 million [2023 – $18.6 million], which is included in other long-term liabilities.

[c] Retiring allowance

The total accrued benefit liability of this plan was $4.4 million [2023 – $4.1 million], of which the current portion of $0.5 million [2023 – $0.5 million] is recorded in accounts payable and accrued liabilities and $3.8 million [2023 – $3.6 million] in other long-term liabilities.

17. Commitments, contingencies and guarantees

[a] Ground Lease

The Ground Lease governs both the economic and day-to-day relations between the Airport Authority and the Government of Canada for a term ending on June 30, 2072.

Under the Ground Lease, Transport Canada is required to assume all costs associated with environmental remediation of any noxious or hazardous substance when such substance was present prior to the commencement of the Ground Lease on July 1, 1992. Transport Canada has taken the position that payment is contingent upon the actual issue of a direction from a government agency requiring the clean-up. The Airport Authority is of the view that compliance with the law, the Ground Lease and the general duty to the environment are the tests to determine when an obligation exists. These matters are under active discussion, and as such no obligation is recorded in the consolidated financial statements.

The ground lease expense is based on a progressive scale of percentages of the Airport Authority's revenue as defined the Ground Lease. At a minimum, the required monthly payments are based on the immediately preceding year's actual ground lease expense while the expense is calculated as a percentage of current year's revenue.

The difference between the Airport Authority's remitted monthly ground lease installments and total actual ground lease expense for the year ended December 31, 2024 is $4.4 million [2023 - $17.6 million]. This amount is included in the accounts payable and accrued liabilities as at December 31, 2024.

17. Commitments, contingencies and guarantees [continued]

[b] Commitments

(i) As at December 31, 2024, in connection with the construction of certain capital projects, the Airport Authority has capital commitments outstanding of approximately $136.6 million [2023 - $113.7 million].

(ii) As at December 31, 2024, in connection with the operation of the Airport, the Airport Authority has total operating commitments of over the next 5 years of approximately $297.6 million [2023 - $245.9 million].

(iii) On June 21, 2017, the Airport Authority and a third party entered into a 30-year mutually beneficial agreement based on the four pillars of sustainability – economic, social, environmental, and governance. The agreement includes a revenue sharing arrangement whereby the Airport Authority will pay, on an annual basis, to the third party an amount equal to 1% of the Airport Authority's revenue as defined in the agreement.

[c] Guarantees

(i) On November 14, 2022, the Templeton DOC Limited Partnership entered into a new loan agreement with a banking consortium (the "Loan Agreement"). The Loan Agreement includes principal repayment guarantees from the partners of the Templeton DOC Limited Partnership to a maximum amount of $50.0 million plus the costs to enforce. The maximum amount of the Airport Authority's guarantee is $25.0 million plus half of the costs to enforce.

(ii) On February 18, 2015, the Airport Authority entered into an agreement to guarantee the payment of the obligations of DOC Partnership to the utility company for electrical services, up to an amount of $1.0 million plus applicable taxes. The initial term of the guarantee was until February 28, 2020. The term of the guarantee was extended to December 17, 2023 by way of a letter of credit issued on November 1, 2021, and was subsequently extended until the obligation is settled.

[d] Legal claims

In the normal course of operations, the Airport Authority becomes involved in various claims and legal proceedings. While the final outcome with respect to these claims and legal proceedings cannot be predicted with certainty, management believes that the resolution of these proceedings will not have a material adverse effect on the Airport Authority's financial position or the results of its operations. As at December 31, 2024, there were no material claims pending against the Airport Authority.

18. Customer concentration

The Airport Authority derives approximately $91.1 million [2023 – $88.7 million] in landing fees, terminal fees, and rental revenue from one airline and $33.1 million [2023 – $32.1 million] in concessions and rental revenue from one concession operator. The Airport Authority believes that the cessation of operations of the airline or concession operator would not have a material long-term effect on the Airport Authority's revenue or operations as the lost revenue would eventually be earned from other service providers.

19. Financial instruments and risk management

The Airport Authority primarily has exposure to credit, currency, interest rate and liquidity risk on its financial instruments.

Credit risk

The Airport Authority is subject to credit risk through its financial assets. Ongoing credit valuations are performed on these accounts and valuation allowances are maintained for potential credit losses. The credit quality of financial assets can be assessed by reference to external credit ratings or historical information about the customer. As at December 31, 2024, the Airport Authority held cash security deposits in the amount of $7.1 million [2023 - $2.9 million] and letters of credit in the amount of $27.9 million [2023 – $30.0 million] from its customers.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. The accounts receivable aging and allowance for doubtful accounts reconciliation are detailed in note 3.

The Airport Authority's revenue is dependent on the domestic, transborder and international air transportation industry. Due to this geographical diversification, the concentration of credit risk is considered to be minimal.

Currency risk

The Airport Authority has minimal transactions denominated in foreign currencies, as the majority of revenue, expenses and capital asset expenditures are denominated in Canadian dollars.

Interest rate risk

The Airport Authority is exposed to interest rate risk on its credit facility which is charged at the bank prime rate. The Airport Authority has no bank indebtedness as at December 31, 2024 [2023 – $nil] either in the form of bankers' acceptances or drawings on the credit facility [note 9]. The balance of outstanding debt is by way of debentures [note 12], which have fixed interest rates for their term and, therefore, any changes in market interest rates do not impact the Airport Authority's interest payments.

[unless otherwise stated, all amounts are in thousands of Canadian dollars]

19. Financial instruments and risk management [continued]

Liquidity risk

The Airport Authority manages liquidity risk by maintaining adequate cash or available credit facilities. Cash flow projections are continually updated and reviewed by management to ensure a sufficient continuity of funding.

20. Supplementary cash flow information

[a] Net change in non-cash working capital balances related to operations

	2024 $	2023 $
Accounts receivable	12,749	(11,496)
Other receivables	(3,484)	(1,604)
Inventory	(1,129)	(2,273)
Prepaid expenses	(1,165)	(2,494)
Accounts payable and accrued liabilities	(12,827)	(19,471)
Deferred revenue	6,718	3,064
	862	(34,274)

[b] Other supplementary information

	2024 $	2023 $
Non-cash transactions:		
Construction-in-progress accrual	35,434	33,752
Deferred capital contribution accrual	519	3,779
Employee future benefits plan remeasurement	2,390	2,175