

Consolidated Financial Statements of

BRITISH COLUMBIA TRANSIT

And Independent Auditor's Report thereon

Year ended March 31, 2026

MANAGEMENT REPORT

Year ended March 31, 2026

The consolidated financial statements of British Columbia Transit ("BC Transit") are the responsibility of management and have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia ("the Province"). A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements.

These consolidated financial statements include some amounts based on management's best estimates and careful judgment. A precise determination of assets and liabilities is dependent upon future events and, consequently, the preparation of periodic consolidated financial statements necessarily involves the use of management's judgment in establishing the estimates and approximations used. The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available as at May 22, 2026.

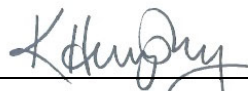
BC Transit's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the Code of Conduct applicable to all BC Transit officers and employees.

The consolidated financial statements have been examined by KPMG LLP, BC Transit's independent external auditors, and they express their opinion on the consolidated financial statements. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination, and their opinion on the consolidated financial statements. The Board of Directors meets regularly with management and the external auditors to satisfy itself that BC Transit's system of internal control is adequate and to ensure that responsibilities for financial reporting are being met.

On behalf of BC Transit:



Erinn Pinkerton
President and Chief Executive Officer
May 22, 2026



Kathy Humphrey
Vice President, Finance and Chief Financial Officer
May 22, 2026



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of British Columbia Transit, and
To the Minister of Transportation and Transit, Province of British Columbia

Opinion

We have audited the consolidated financial statements of British Columbia Transit (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2026
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2026, of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

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 Entity 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.



Emphasis of Matter – Financial Reporting Framework

We draw attention to note 2(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between the financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget and Transparency and Accountability Act of the Province of British Columbia 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- 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.
- 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 group 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants

Vancouver, Canada
May 22, 2026

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position
(Expressed in thousands of dollars)

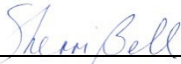
March 31, 2026, with comparative information for 2025

	2026	2025
Financial assets		
Cash and cash equivalents (note 3)	\$ 51,735	\$ 59,728
Accounts receivable (note 4)	127,388	90,438
Carbon credits	-	6,536
	179,123	156,702
Financial liabilities		
Accounts payable and accrued liabilities (note 5)	74,235	70,256
Due to Province	707	308
Deferred revenue and contributions (note 6)	122,817	117,111
Deferred capital contributions (note 7)	629,022	424,949
Debt (note 8)	172,417	121,655
Employee future benefits (note 9)	20,317	19,428
	1,019,515	753,707
Net debt	\$ (840,392)	\$ (597,005)
Non-financial assets		
Tangible capital assets (note 10)	\$ 867,678	\$ 624,267
Inventories	29,075	26,968
Prepaid expenses	5,822	7,210
	\$ 902,575	\$ 658,445
Accumulated surplus		
Accumulated operating surplus	\$ 62,478	\$ 60,917
Accumulated remeasurement (losses) gains	(295)	523
	\$ 62,183	\$ 61,440

Commitments (note 11), Contingent liabilities (note 12), Contractual rights (note 13)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:



Sherri Bell, Chair
May 22, 2026



Blair Redlin, Director
May 22, 2026

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended March 31, 2026, with comparative information for 2025

	Budget 2026 (note 17)	2026	2025
Revenue:			
Operations	\$ 83,391	\$ 86,171	\$ 84,715
Government transfers:			
Provincial (note 14)	183,820	178,508	163,851
Local government (note 14)	192,860	178,034	163,133
Amortization of deferred capital contributions (note 7)	60,943	55,558	50,826
Carbon credit income (loss) (note 15)	2,710	(952)	(544)
Investment and other	3,521	5,966	11,064
	527,245	503,285	473,045
Expenses (note 16):			
Operations	359,981	333,845	320,250
Maintenance	112,905	111,155	105,197
Administration	54,359	56,187	51,831
	527,245	501,187	477,278
Annual operating surplus (deficit)	-	2,098	(4,233)
Other:			
Loss on disposal of tangible capital assets, net of recoveries	-	(110)	(526)
Net contributions for land (note 14)	5,911	(414)	838
Other losses	-	(13)	(132)
	5,911	(537)	180
Annual surplus (deficit)	5,911	1,561	(4,053)
Accumulated operating surplus, beginning of year	60,917	60,917	64,970
Accumulated operating surplus, end of year	\$ 66,928	\$ 62,478	\$ 60,917

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

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Change in Net Debt
(Expressed in thousands of dollars)

Year ended March 31, 2026, with comparative information for 2025

	Budget 2026 (note 17)	2026	2025
Annual surplus (deficit)	\$ 5,911	\$ 1,561	\$ (4,053)
Acquisition of tangible capital assets	(289,491)	(323,390)	(147,103)
Amortization of tangible capital assets	87,012	76,868	71,415
Disposal of tangible capital assets	-	3,111	2,215
	(196,568)	(241,850)	(77,526)
Acquisition of inventories	-	(38,551)	(43,430)
Consumption of inventories	-	36,444	39,702
Acquisition of prepaid expenses	-	(17,311)	(19,172)
Consumption of prepaid expenses	-	18,699	18,007
	-	(719)	(4,893)
Net remeasurement (losses) gains	-	(818)	2,179
Increase in net debt	(196,568)	(243,387)	(80,240)
Net debt, beginning of year	(597,005)	(597,005)	(516,765)
Net debt, end of year	\$ (793,573)	\$ (840,392)	\$ (597,005)

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

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used for):		
Operating transactions:		
Annual surplus (deficit)	\$ 1,561	\$ (4,053)
Non-cash changes to operations (note 18)	23,400	20,563
Changes in non-cash operating working capital (note 18)	(5,756)	31,726
	30,717	48,236
Capital transactions:		
Proceeds on disposal of tangible capital assets	259	12
Acquisition of tangible capital assets	(323,390)	(147,103)
	(323,131)	(147,091)
Investing transactions:		
Purchase of debt sinking funds and investments	(8,655)	(5,613)
Redemption of debt sinking funds and investments	7,404	-
	(1,251)	(5,613)
Financing transactions:		
Debt proceeds	160,290	247,909
Discounts and issuance costs on financing	(416)	3,542
Repayment of debt	(108,355)	(230,024)
Capital contributions received	234,153	91,105
	306,901	112,532
(Decrease) increase in cash and cash equivalents	(7,993)	8,064
Cash and cash equivalents, beginning of year	59,728	51,664
Cash and cash equivalents, end of year	\$ 51,735	\$ 59,728
Supplemental cash flow information:		
Cash paid for interest	\$ 7,236	\$ 8,292
Cash received from interest	1,100	3,263

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

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Remeasurement Gains and Losses
(Expressed in thousands of dollars)

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Accumulated remeasurement gains (losses), beginning of year	\$ 523	\$ (1,656)
Unrealized (losses) gains generated during the year from:		
Equity investments quoted in active market	(818)	2,179
Mark-to-market adjustment to carbon credits	(4,603)	(10,455)
Remeasurement loss realized and reclassified to the consolidated statement of operations from:		
Loss on sale of carbon credits	4,603	10,455
Net remeasurement (losses) gains	(818)	2,179
Accumulated remeasurement (losses) gains, end of year	\$ (295)	\$ 523

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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

1. Nature of operations:

British Columbia Transit (BC Transit) is a Crown corporation, established under the *British Columbia Transit Act*, as amended in 1998, to operate urban transit systems in the Province of British Columbia (the Province) outside of the Metro Vancouver Regional service area. BC Transit is included in the government reporting entity of the Province and reports to the Legislative Assembly through the Ministry of Transportation and Transit. BC Transit is exempt from income taxes under the *Income Tax Act*.

BC Transit is charged with coordinating the delivery of public transportation across British Columbia, except for those areas serviced by TransLink (Metro Vancouver). More than 1.9 million British Columbians in over 130 communities across the province have access to BC Transit local and regional transit services.

BC Transit's shared services model helps to ensure the most efficient and effective delivery of transit services across all transit systems. In most regional transit systems, service is provided through a partnership between BC Transit, a local government, and a contracted transit management company. Under this partnership model, BC Transit provides a variety of shared services for all transit systems, including asset management and construction, procurement, marketing, planning, scheduling, safety, and training expertise.

BC Transit directly operates the conventional service in the Victoria Regional Transit System. The funding of transit service is provided through customer fares, advertising revenues, property tax and in Victoria, a regional motor fuel tax, with the remainder funded through a partnership between local governments and the provincial government through BC Transit.

2. Summary of significant accounting policies:

(a) Basis of accounting:

These consolidated financial statements have been prepared in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province and supplemented by Regulation 198/2011, issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(a) Basis of accounting (continued):

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital are recorded and, referred to, as deferred capital contributions and recognized in revenue at the same rate the amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- Government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met; and
- Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified.

As a result, revenue recognized in the Consolidated Statement of Operations and Accumulated Surplus and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(b) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by BC Transit. Controlled organizations are consolidated with inter-organizational transactions, balances, and activities eliminated on consolidation.

The following organizations are controlled by BC Transit and are fully consolidated in these financial statements:

0915866 B.C. Ltd.

0925406 B.C. Ltd.

0922667 B.C. Ltd.

0928624 B.C. Ltd.

(c) Deferred contributions and revenue recognition

Government transfers received relate to contributions from federal, provincial and local governments to fund capital projects, operating costs, sinking fund, and interest payments.

Restricted contributions are reported as revenue based on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and are recognized as revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contribution has been met.

Transit user charges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and when services have been provided to the users. Transit passes purchased in advance of services being performed are deferred and recognized when the service is delivered.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(d) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding party or related Act, investment income earned on deferred contributions is added to the investment and forms part of the deferred contributions balance.

(e) Financial instruments:

Financial instruments are classified into two categories: fair value or cost.

BC Transit has elected to measure specific financial instruments at fair value, to correspond with how they are evaluated and managed. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified for the duration of the period they are held. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- | | |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. |
| Level 3 | Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued, in order to establish what the transaction price would have been on the measurement date in an arm's-length transaction. |

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Consolidated Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Consolidated Statement of Remeasurement Gains and Losses and recognized in the Consolidated Statement of Operations. Interest and dividends attributable to financial instruments are reported in the Consolidated Statement of Operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations. A write-down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(e) Financial instruments (continued):

(i) Carbon credits:

Carbon credits are financial assets recorded at fair value, less any selling costs. Provincial carbon credits are earned under the terms of the *Low Carbon Fuels Act* and validated by the Ministry of Energy and Climate Solutions. Federal carbon credits are earned under the federal *Clean Fuel Regulations* and are validated by Environment and Climate Change Canada. These financial assets are held for sale and are measured using a Level 2 valuation. Any changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is recognized in the Consolidated Statement of Operations as carbon credit income or expense.

(ii) Foreign currency:

Foreign currency is a financial asset recorded at fair value. Foreign currency transactions are translated into Canadian dollars at the exchange rate prevailing at the date of the transactions. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or Consolidated Statement of Financial Position date is recognized in the Consolidated Statement of Remeasurement Gains and Losses. Realized gains and losses are recognized in the Consolidated Statement of Operations in Other (losses) gains.

(iii) Debt sinking funds:

Investments in sinking funds consist of pooled investment portfolios and Canadian, provincial government and Crown corporation bonds managed by the British Columbia Investment Management Corporation (BCI), a corporation established under the *Public Sector Pension Plans Act*. Sinking fund investments are recorded at fair value and measured using a Level 1 valuation. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. Income on investments are recorded net of expenses on the Consolidated Statement of Operations.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(e) Financial instruments (continued):

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

(i) Cash and cash equivalents:

Cash and cash equivalents include cash in bank and in transit, certificates of deposit and short-term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have no term and are held for the purpose of meeting short-term cash commitments, rather than for investing. They are reported at fair value and are measured using a Level 1 valuation.

(ii) Accounts receivable:

Accounts receivable are recorded at cost, less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of cost and the net recoverable value when collectability and risk of loss exist. Changes in valuation allowance are recognized in the statement of operations.

(iii) Debt and other financial liabilities:

All debt and other financial liabilities are recorded using cost or amortized cost. Discounts and premiums arising on the issuance of debt are amortized over the term of the debt.

(f) Employee future benefits:

(i) Pension plan:

BC Transit and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. Multi-employer, jointly trusteesd pension plans follow defined contribution pension plan accounting. Contributions are expensed as they become payable.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(f) Employee future benefits (continued):

(ii) Employee future benefits:

Outside of the Public Service Pension Plan, BC Transit maintains various benefit arrangements available to retired employees including non-pension post-retirement benefits (retiree hospital, drugs, vision, medical), post-employment benefits (vacation, overtime) and continuation of long-term disability benefits. The future obligations under these benefit plans are accrued as the employees render the services necessary to earn the benefit. Management, using an estimate of salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Transit, and the cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime of active employees covered under the plan. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation and were effective March 31, 2026.

(g) Asset retirement obligation:

BC Transit maintains tangible capital assets to deliver transit services. Liabilities are recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the assets.

A liability is recognized when, as at the financial reporting date:

- (i) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) the past transaction or event giving rise to the liability has occurred;
- (iii) it is expected that future economic benefits will be given up; and
- (iv) a reasonable estimate of the amount can be made.

The liability is measured at the best estimate of the future cash flows required to settle the liability, discounted using a present value calculation, and adjusted yearly for accretion expense. The estimated amount of the asset retirement obligation is capitalized as part of the carrying value of the related tangible capital asset and amortized over the life of the asset following the amortization accounting policies outlined in note 2 (i).

As at March 31, 2026, BC Transit has not identified any asset retirement obligations that meet the criteria for recognition.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(h) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. The liability is recognized as management's estimate of the cost of remediation and post-remediation including operations, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) BC Transit is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

As at March 31, 2026, BC Transit has not identified any contaminated sites that meet the criteria for recognition.

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to the acquisition, design, construction, development, improvement or betterment of the asset. The costs, less the residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Exchanges, shelters, and other transit infrastructure	3 – 40
Buildings	3 – 40
Vehicles – including major components	2 – 20
Other equipment	2 – 25

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(i) Non-financial assets (continued):

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt with a corresponding entry made to deferred capital contributions. The contributed tangible capital assets are then amortized over their estimated useful lives.

(iii) Interest capitalization:

Interest is capitalized whenever debt is issued to finance the construction of tangible capital assets. Interest is capitalized from the date of advance of funds until the assets are available for service.

(iv) Inventories:

Inventories held for consumption are recorded at the lower of historical cost or replacement cost.

(v) Impairment of tangible capital assets:

BC Transit monitors the recoverability of tangible capital assets. Whenever events or changes in circumstances indicate that the tangible capital asset no longer contributes to the ability to provide transit services or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down to residual value.

(vi) Prepaid expenses:

Prepaid expenses include prepaid insurance, parts credits, prepaid software, and prepaid property leases. These are expensed over the period they are expected to benefit.

(j) Use of estimates:

The preparation of consolidated 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 date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Areas requiring the use of estimates by management include assumptions used in the determination of amortization periods, measurement of employee future benefits and estimated provisions for certain accrued liabilities. Actual results could differ from these estimates.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

2. Summary of significant accounting policies (continued):

(k) New accounting pronouncements:

Effective on years ending on or after April 1, 2026, the Public Sector Accounting Board (PSAB) has issued a revised Conceptual Framework for Financial Reporting in the Public Sector and a new financial reporting model, including Section PS 1202, Financial Statement Presentation. These standards are effective for fiscal years beginning on or after April 1, 2026, with early adoption permitted only if the standards are adopted concurrently. Management is currently evaluating the impact of PS 1202 on the consolidated financial statements

3. Cash and cash equivalents:

Major components of cash and cash equivalents comprise the following:

	2026	2025
Cash	\$ 51,735	\$ 59,126
Cash equivalents	-	602
	<u>\$ 51,735</u>	<u>\$ 59,728</u>

4. Accounts receivable:

Accounts receivable comprise the following:

	2026	2025
Provincial:		
Operating	\$ 10,308	\$ 4,117
Capital grants	35,159	29,333
	<u>45,467</u>	<u>33,450</u>
Federal:		
Capital grants	40,915	25,512
Local governments	23,185	18,509
Trade and other	17,821	12,967
Total accounts receivable	<u>\$ 127,388</u>	<u>\$ 90,438</u>

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities comprise the following:

	2026	2025
Trade and other	\$ 33,310	\$ 32,673
Payable to operating companies	17,407	12,048
Salaries, wages, and benefits	12,250	12,464
Holdbacks	4,474	7,261
Accrued interest on long-term debt	3,929	3,519
Other	2,865	2,291
	<u>\$ 74,235</u>	<u>\$ 70,256</u>

6. Deferred revenue and contributions:

Deferred provincial and local government service funding contributions consist of operating contributions and restricted contributions that have been received but not yet earned.

Deferred local government contributions for assets relate to the operating costs and capital costs of assets required to provide transit service benefiting all local government partners. Differences between contributions received and costs incurred are deferred and used to fund transit services in future periods.

Deferred Victoria Regional Transit funds are held on behalf of the Victoria Regional Transit Commission (VRTC). These funds are restricted for the use of funding transit in the Capital Regional District. Inflows to the VRTC fund include property taxes, gas tax, interest and other grants received periodically. Outflows are in the form of municipal billings and occur on a monthly basis.

Deferred transit fares and other represent transit fares received in advance of services being performed and are recognized as revenue over the period the service is performed and delivered. The balance also includes minor other deferred amounts that will be recognized as the associated obligations are fulfilled.

The deferred revenue and contributions reported on the consolidated statement of financial position comprise the following:

	2026	2025
Provincial and local government service funding contributions	\$ 29,375	\$ 35,435
Provincial and local government contributions for assets	65,380	67,079
Victoria Regional Transit funds	24,154	10,757
Transit fares and other	3,908	3,840
Total deferred revenue and contributions	<u>\$ 122,817</u>	<u>\$ 117,111</u>

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

6. Deferred revenue and contributions (continued):

Continuity of deferred service funding, contributions and revenue:

	2026	2025
Provincial and local government service funding contributions:		
Balance, beginning of year	\$ 35,435	\$ 39,397
Service funding contributions received	143,268	135,032
Service funding recognized as revenue	(149,328)	(138,994)
Balance, end of year	29,375	35,435
Provincial and local government contributions for assets:		
Balance, beginning of year	67,079	61,544
Contributions received	27,007	29,674
Transfer to deferred capital contributions	(5,996)	-
Contributions recognized as revenue	(22,710)	(24,139)
Balance, end of year	65,380	67,079
Victoria Regional Transit fund:		
Balance, beginning of year	10,757	16,168
Revenue fuel tax received	17,494	17,641
Revenue property tax received	88,336	63,750
Investment and other income received	644	705
Government transfers recognized as revenue	(93,077)	(87,507)
Balance, end of year	24,154	10,757
Transit fares and other:		
Balance, beginning of year	3,840	2,780
Amounts received	5,886	7,972
Amounts recognized as other capital recoveries	(995)	-
Amounts recognized as revenue	(4,823)	(6,912)
Balance, end of year	3,908	3,840
Balance, end of year	\$ 122,817	\$ 117,111

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

7. Deferred capital contributions:

Deferred capital contributions include federal, provincial, and municipal grants for the purpose of acquiring tangible capital assets or contribution of tangible capital assets subject to amortization on the same basis as the related asset.

	2026	2025
Balance, beginning of year	\$ 424,949	\$ 369,411
Contributions and other additions	255,382	107,891
Impairment and disposal of capital assets	(1,747)	(1,527)
Transfer from deferred revenue and contributions	5,996	-
Amortization	(55,558)	(50,826)
	\$ 629,022	\$ 424,949

8. Debt:

BC Transit's long-term debt, including principal and interest, is either held or guaranteed by the Province. BC Transit has not experienced any losses to date under this guarantee. Under the British Columbia Transit Act, BC Transit is subject to a borrowing ceiling limit of \$500 million in total. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request.

In November 2002, BC Transit entered into a loan agreement pursuant to section 54(1) of the Financial Administration Act with the Minister of Finance and Corporate Relations to lend a maximum principal amount not to exceed \$90 million in Canadian currency. Terms and conditions of the loan state the Minister will use reasonable commercial efforts to comply with the borrowing requirements of BC Transit; however, the terms and conditions of the loan are within the sole discretion of the Minister. The maximum term on the loan is one year, can be renewed for another term as approved by the Minister, and is due upon maturity. Interest on the loan is based on money market rates.

BC Transit is required under Debt Management Branch policies to maintain sinking fund investments, including all interest earned, for the repayment of related long-term debt at maturity. Sinking funds are not required for debt with a term of less than five years and a principal amount under \$20 million. BC Transit does not hold any debt that meets the criteria for exemption from sinking fund requirements.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements

(Expressed in thousands of dollars)

Year ended March 31, 2026

8. Debt (continued):

The total amount of debt, including bond discounts and premiums, and the amount of sinking fund assets available to retire the debt are as follows:

	2026	2025
Short-term debt has a weighted average rate of 2.18%, maturing in June 2026, with a three-month term	\$ 50,000	\$ -
Short-term debt has a weighted average rate of 3.64%, maturing in June 2025, with a three-month term	-	19,985
Long-term debt has a weighted average coupon rate of 4.55% maturing at various dates to 2055, amortized from 7 to 30 years	190,646	-
Long-term debt has a weighted average coupon rate of 4.57%, maturing at various dates to 2040, amortized from 7.5 to 30 years	-	169,466
Debt sinking funds	(68,229)	(67,796)
Total debt	\$ 172,417	\$ 121,655

The total long-term debt principal and interest payments for the next five years and thereafter are as follows:

2027	\$ 46,320
2028	9,687
2029	16,810
2030	28,285
2031	5,222
Thereafter	116,056

Sinking fund investments are managed by BCI and have cost and market values as follows:

	2026		2025	
	Cost	Market value	Cost	Market value
Provincial bonds	\$ 3,816	\$ 3,814	\$ 4,091	\$ 4,092
Money market funds	64,708	64,415	63,182	63,704
Total sinking funds	\$ 68,524	\$ 68,229	\$ 67,273	\$ 67,796

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

8. Debt (continued):

Debt sinking fund installments in each of the next five years and thereafter are as follows:

2027	\$	6,630
2028		4,981
2029		4,915
2030		4,613
2031		3,933
Thereafter		25,280

In April 2017, BC Transit entered into an unsecured revolving credit facility with a Canadian financial institution totaling \$10 million. Interest on the credit facility is based on the prime lending rate which is a variable per annum reference rate of interest for loans made by the Bank of Canada in Canadian dollars. Interest accrues on a day-to-day basis. As of March 31, 2026, the facility was not in use.

9. Employee future benefits:

(a) Employee future benefit:

BC Transit provides sick leave and other benefits to its employees. Funding is provided when the benefits are paid and accordingly, there are no plan assets. These employee-related liabilities will require funding in future periods and are set out below.

Continuity of employee future benefits liability:

	2026	2025
Accrued benefit liability:		
Balance, beginning of year	\$ 19,428	\$ 20,590
Current benefit cost and event-driven expense	2,531	666
Interest	271	248
Amortization of actuarial gain	(1,683)	(1,829)
Benefits paid	(230)	(247)
Balance, end of year	20,317	19,428
Unamortized actuarial gain	(8,388)	(9,754)
Employee future benefit obligation	\$ 11,929	\$ 9,674

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

9. Employee future benefits (continued):

(a) Employee future benefit (continued):

The employee future benefits liability reported on the statement of financial position comprises:

	2026	2025
Non-pension post-retirement benefits	\$ 4,658	\$ 4,574
Post-employment benefits	2,537	1,384
Continuation of long-term disability benefits	4,734	3,716
Total employee future benefit obligation	11,929	9,674
Unamortized actuarial gain	8,388	9,754
	\$ 20,317	\$ 19,428

The unamortized actuarial gain on future payments is amortized over the expected period of the liability which is 9 years (2025 - 9 years) for post-employment benefits and 8 years (2025 - 8 years) for post-retirement benefits.

The actuarial assumptions adopted in measuring BC Transit's accrued benefit obligations are as follows:

	2026	2025
Discount rate	4.2% - 4.7%	3.8% - 4.3%
Expected future inflationary increases	2.5%	2.5%
Weighted average health care trend – end of year	5.8% in 2026 grading to 3.5% in and after 2037	6.2% in 2025 grading to 3.5% in and after 2037
Dental trend – end of year	3.5%	3.5%

(b) Public service pension plan:

BC Transit and its employees contribute to the Public Service Pension Plan, a jointly trusteesd pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. The plan has approximately 163,789 active and retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2023, indicated a funding surplus of \$4,491 million for basic pension benefits. The next valuation will be as at March 31, 2026 with results available January 2027.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

9. Employee future benefits (continued):

(b) Public service pension plan (continued):

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year. This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore, there is no consistent and reliable basis for allocating the obligation, assets and costs to individual employers participating in the plan.

The total amount paid into this pension plan by BC Transit for the year ended March 31, 2026, for employer contributions was \$11,135 (2025 - \$10,863).

10. Tangible capital assets:

Cost	2025	Additions	Disposals	Transfers	2026
Land	\$ 79,369	\$ -	\$ -	\$ 2,443	\$ 81,812
Exchanges, shelters, and other transit infrastructure	87,442	-	-	14,533	101,975
Buildings	233,961	-	(64)	7,104	241,001
Vehicles	627,339	-	(44,537)	116,924	699,726
Other equipment	103,398	-	(5,474)	19,868	117,792
Capital projects in progress	89,243	323,390	(1,539)	(160,872)	250,222
	\$ 1,220,752	\$ 323,390	\$ (51,614)	\$ -	\$ 1,492,528

Accumulated amortization	2025	Disposals	Amortization	Transfers	2026
Exchanges, shelters, and other transit infrastructure	\$ 57,087	\$ -	\$ 4,183	\$ -	\$ 61,270
Buildings	56,374	(53)	8,600	-	64,921
Vehicles	408,336	(43,008)	55,170	-	420,498
Other equipment	74,688	(5,442)	8,915	-	78,161
	\$ 596,485	\$ (48,503)	\$ 76,868	\$ -	\$ 624,850

Net book value	2026	2025
Land	\$ 81,812	\$ 79,369
Exchanges, shelters, and other transit infrastructure	40,705	30,355
Buildings	176,080	177,587
Vehicles	279,228	219,003
Other equipment	39,631	28,710
Capital projects in progress	250,222	89,243
	\$ 867,678	\$ 624,267

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

10. Tangible capital assets (continued):

Cost	2024	Additions	Disposals	Transfers	2025
Land	\$ 78,710	\$ -	\$ -	\$ 659	\$ 79,369
Exchanges, shelters, and other transit infrastructure	76,347	-	-	11,095	87,442
Buildings	143,964	-	(891)	90,888	233,961
Vehicles	615,325	-	(35,103)	47,117	627,339
Other equipment	100,247	-	(7,607)	10,758	103,398
Capital projects in progress	103,119	147,103	(462)	(160,517)	89,243
	\$ 1,117,712	\$ 147,103	\$ (44,063)	\$ -	\$ 1,220,752

Accumulated amortization	2024	Disposals	Amortization	Transfers	2025
Exchanges, shelters, and other transit infrastructure	\$ 51,634	\$ -	\$ 5,453	\$ -	\$ 57,087
Buildings	51,090	(379)	5,663	-	56,374
Vehicles	390,030	(33,948)	52,254	-	408,336
Other equipment	74,164	(7,521)	8,045	-	74,688
	\$ 566,918	\$ (41,848)	\$ 71,415	\$ -	\$ 596,485

Net book value	2025	2024
Land	\$ 79,369	\$ 78,710
Exchanges, shelters, and other transit infrastructure	30,355	24,713
Buildings	177,587	92,874
Vehicles	219,003	225,295
Other equipment	28,710	26,083
Capital projects in progress	89,243	103,119
	\$ 624,267	\$ 550,794

Capital projects in progress having a value of \$250,222 (2025 - \$89,243) have not been amortized. Amortization of these assets will commence when the asset is available for service.

During the year, assets with a net book value of \$3,111 (2025 - \$2,215) were written off.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

11. Commitments:

BC Transit has entered various contracts as part of the normal course of operations and capital programs. These consist of outstanding commitments from contracts for leased properties (operating leases), contracts with vendors and operating partners for transit operations (operating contracts), vehicle purchases, and contracts for construction projects including facilities and equipment, exchanges and on-street infrastructure, and technology (capital contracts). Amounts are as summarized below:

	2027	2028	2029	2030	2031
Operating leases	\$ 2,238	\$ 2,152	\$ 2,182	\$ 2,515	\$ 2,591
Operating contracts	18,394	10,829	10,352	10,623	11,080
Vehicle purchases	86,448	186,041	31,513	21,191	-
Capital contracts	84,165	5,366	1,424	901	881
	\$ 191,245	\$ 204,388	\$ 45,471	\$ 35,230	\$ 14,480

12. Contingent liabilities:

In conducting its usual business activities, BC Transit is involved in various legal proceedings and litigation, the outcome of which is uncertain. With respect to unsettled claims at March 31, 2026, management has determined that BC Transit has defenses and appropriate insurance coverage in place. In the event any claims against BC Transit are successful, management expects that such claims will not have a material effect on the financial position of BC Transit.

BC Transit provides secured letters of credit and construction bonds where required for development permits or other activities. The letters of credit and bonds are held by a beneficiary who can request a draw on BC Transit's bank account for the specified amount in the event of non-compliance. As of March 31, 2026, there were four letters of credit and six construction bonds outstanding for a total amount of \$38,566 (2025 - \$15,246), none of which have been drawn upon.

13. Contractual rights:

BC Transit has two contractual rights contribution agreements with the Province which are summarized below:

- (i) Funding to acquire tangible capital assets as part of Canada and British Columbia's Investing in Canada Infrastructure Program. Approved projects under the contribution agreement allow federal funding of up to \$165,505 and provincial funding of up to \$163,903 for future fiscal years to fund eligible expenditures incurred to October 31, 2033, as defined within the agreement.
- (ii) Funding to acquire tangible capital assets as part of Canada's Zero Emission Transit Fund Program. Approved projects under the contribution agreement allow federal funding of up to \$28,990 and provincial funding of up to \$23,192 for future fiscal years to fund eligible expenditures incurred to December 31, 2027, as defined within the agreement.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

14. Government transfers:

The transfers reported on the statement of operations are:

	2026	2025
Government transfers:		
Provincial contributions:		
Operating transfers	\$ 178,508	\$ 163,851
Amortization of deferred capital contributions	32,225	30,369
Capital contribution recovery on write-off of tangible capital assets	1,237	828
Contributions for land	929	616
Land contributions transferred to deferred capital contributions	(2,098)	-
	210,801	195,664
Federal contributions:		
Amortization of deferred capital contributions	19,935	17,356
Capital contribution recovery on write-off of tangible capital assets	470	676
	20,405	18,032
Local government contributions:		
Transfers under cost share agreements	178,034	163,133
Amortization of deferred capital contributions	3,068	2,704
Capital contribution recovery (reimbursement) on write-off of tangible capital assets	(151)	173
Contributions for land	755	222
	181,706	166,232
Other:		
Amortization of deferred capital contributions	330	397
Capital contribution recovery on write-off of tangible capital assets	40	-
Total government transfers	\$ 413,282	\$ 380,325

In addition to the ongoing government funding programs, BC Transit signed a contribution agreement with the Province under the federal Safe Restart Agreement and the BC Restart Plan. In 2021, this agreement provided for \$88,300 in a one-time contribution funded 50/50 by the federal and provincial governments to provide financial relief to Local Government Partners and help ensure that affordable transit services continue through the COVID-19 recovery period. Under this agreement, local governments limited average annual public fare increases to 2.3 per cent and worked with BC Transit to maintain essential transit service levels to March 31, 2024. In 2022, BC Transit signed an extension to this agreement which provided an additional \$28,080 in funding and extended the terms to March 31, 2026.

Included in operations revenue is \$13,670 (2025 - \$13,478) from the provincial government to pay for fares under the BC Bus Pass and the Free Transit for Children 12 and Under programs.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

15. Carbon credit loss:

	2026	2025
Carbon credits validated	\$ 3,651	\$ 9,911
Loss on sale of carbon credits	(4,603)	(10,455)
Total carbon credit loss	\$ (952)	\$ (544)

16. Classification of expense by object:

	Budget	2026	2025
Contracted transit services	\$ 164,767	\$ 162,518	\$ 143,246
Salaries, wages, and benefits	143,787	144,876	135,719
Materials, contracts and other services	123,419	109,252	119,060
Amortization of tangible capital assets	87,012	76,868	71,415
Interest	8,260	7,673	7,838
Total operating expenses	\$ 527,245	\$ 501,187	\$ 477,278

17. Budget data:

The budget data presented in these consolidated financial statements was included in the 2025/26-2027/28 Service Plan, approved by the Board of Directors on February 19, 2025, and by the Government of British Columbia on February 19, 2025.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

18. Additional Information for the Statement of Cash Flows:

	2026	2025
Non-cash changes to operations:		
Amortization of tangible capital assets	\$ 76,868	\$ 71,415
Amortization of prepaids	190	348
Amortization of debt premium	(324)	(135)
(Gain) loss on disposal of tangible capital assets, net of recoveries	110	526
Use of deferred contributions to fund tangible capital asset disposals	995	150
Amortization of deferred capital contributions	(55,558)	(50,826)
Long-term disability benefits expense	1,119	(915)
	23,400	20,563
Changes in non-cash operating working capital:		
Accounts receivable	(15,721)	7,073
Accounts payable and accrued liabilities	3,979	15,311
Carbon credits	6,536	18,446
Due to Province	399	(838)
Deferred revenue and contributions	11,702	2,778
Employee future benefits	(230)	(247)
Inventories	(2,107)	(3,728)
Prepaid expenses	1,198	(1,513)
	\$ (5,756)	\$ (31,726)

19. Financial instruments:

(a) Fair value:

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Carbon credits, debt and debt sinking funds are reflected on the statement of financial position at fair value.

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts for financial instruments. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

19. Financial instruments (continued):

(b) Risks associated with financial assets and liabilities:

BC Transit is exposed to financial risks from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange risks as well as credit risk and liquidity risk.

(i) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument or financial asset will fluctuate because of changes in market prices. Market risk comprises commodity price risk, interest rate risk, foreign exchange risk and credit risk as discussed below.

(ii) Commodity price risk:

BC Transit is exposed to commodity price risk. Commodity price risk and volatility has a significant impact on BC Transit's fuel costs and carbon credit gains and losses. Management continually monitors the exposure to fuel commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices with negotiated discounts and the use of alternative fueling technologies. Management does not have the authority under the *Financial Administration Act of British Columbia* to directly enter into financial commodity derivative contracts. The ability for management to execute physical hedge agreements with suppliers is governed under formal policies and is subject to limits established by the Board of Directors. No such hedge agreements were entered into during the year. Management monitors the exposure to carbon credit market volatility. Risk mitigation strategies include engaging market specialists to broker and sell credits, working to secure new credit agreements, and managing the timing of credit sales to maximize value.

(iii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. BC Transit is exposed to interest rate risk to the extent that there are changes in the prime interest rate. BC Transit may, from time to time, enter into interest rate swap contracts to manage exposure to interest rates and cash flow risk. No such derivative contracts were entered into during the year.

(iv) Foreign exchange risk

BC Transit is exposed to currency risk on purchases of various capital assets and parts from suppliers requiring payment in either US dollars or pounds sterling. These risks are monitored and can be mitigated by management by entering into foreign currency option agreements. There were no such arrangements entered into during the year.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

19. Financial instruments (continued):

(b) Risks associated with financial assets and liabilities (continued):

(v) *Sensitivity Analysis*

The following table is a sensitivity analysis indicating the impact on net surplus (deficit) of a change in each type of market risk discussed above. The sensitivity analysis is based on reasonable possible movement within the forecast period, being one year. These assumptions may not be representative of actual movements in these risks and should not be relied upon. Given the volatility in the financial and commodity markets, the actual percentage changes may differ significantly from the outcomes noted below. Each risk is contemplated independent of other risks.

Estimated impact of a 1% change on annual deficit:		
Interest rate risk	\$	352
Foreign exchange risk		399
Commodity risk (fuel)		270

(vi) Liquidity risk:

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and funding management initiatives. Accounts payable and accrued liabilities are due in the next fiscal year. Maturity of long-term debt is disclosed in Note 8. Other financial instrument commitments with future minimum payments are disclosed in Note 11.

(vii) Credit risk:

Credit risk is the potential for financial loss to BC Transit if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents and debt sinking funds where they are invested in Canadian money market and bond funds. It is management's opinion that BC Transit is not exposed to any significant credit risk due to the credit worthiness of the investments and collectability of accounts receivable.

(c) Capital disclosures:

BC Transit defines capital as accumulated surplus plus deferred capital contributions. BC Transit receives the majority of these capital funds from federal, provincial and municipal government partners.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

19. Financial instruments (continued):

(c) Capital disclosures (continued):

BC Transit's objective when managing capital is to meet its current Service Plan initiatives with the current funding available. BC Transit manages its capital structure in conjunction with the Province and makes adjustments to its Service Plan and related budgets based on available government funding. The focus is to ensure that service levels are preserved within the funding restrictions by the Province and municipal partners.

BC Transit is not subject to debt covenants or other restrictions with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined by the funding party. BC Transit has complied with the external restrictions on any external funding provided.

20. Related-party transactions:

There are certain parties that are considered related due to their ability to exercise control over the financial and operating policies of BC Transit. All transactions between BC Transit and its related parties are considered to possess commercial substance and are consequently recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As a Crown corporation of the Province, BC Transit and the Province are considered related parties. Provincial transactions and balances have been disclosed elsewhere in the financial statements (Note 14), other than carbon credit income which was received from the province in the year.

The BC Transit Board of Directors and Senior Leadership Team are also considered related parties. Transactions consist of remuneration and expense reimbursement.

21. Investment in transportation property and Casualty Company Inc.

In January 2010, the Board of Directors approved the withdrawal from the Transportation Property and Casualty Company Inc. Program (TPCCP). As a replacement to TPCCP, BC Transit procured a comprehensive stand-alone insurance coverage program effective April 1, 2010, which is renewed annually. Claims which have been registered and served prior to the withdrawal from the TPCCP program, continue to be settled in an orderly manner and BC Transit will continue to monitor these claims. The filing and settlement of such claims are subject to applicable statutory limitation periods.

22. Economic dependency:

BC Transit is dependent on receiving government transfers from the Province and Local Government Partners for its continued existence and ability to carry out its normal activities.

23. Comparative amounts:

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2026

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2026 financial statements.