

Canadian Tourism Commission

**Quarterly Financial Report for the quarter ending
March 31, 2026**

Introduction

The Canadian Tourism Commission (the “CTC”), doing business as Destination Canada, is a Crown corporation wholly owned by the Government of Canada. With a mandate to sustain a vibrant and profitable tourism industry, the organization enhances Canada’s competitiveness as a premier, international destination for leisure travel and business events. Working in partnership with public and private sectors, Destination Canada attracts visitors and drives tourism spending through marketing and development activities, and by sharing timely intelligence and encouraging collaboration that stimulates economic growth, supports entrepreneurial prosperity, and generates wealth and wellbeing for Canadians and their communities.

Narrative Discussion

The Narrative Discussion contained herein applies to the quarter.

Quarterly Results

(in thousands)

	Three months ended March 31, 2026	Three months ended March 31, 2025	Variance
Partner revenues	\$ 1,150	\$ 913	\$ 237
Partner revenues have increased compared to the prior year, primarily driven by stronger partner interest in the Canadian Tourism Data Collective platform, as well as an extension of the Australia and Germany campaigns from 2025 into Q1 2026.			
Interest revenue	107	139	(32)
Interest revenue decreased primarily due to lower interest rate on bank balances.			
Other revenue	161	151	10
Other revenue includes routine operational recoveries for office space and recoveries of commodity taxes.			
Marketing and sales	29,621	17,616	12,005
The net increase is primarily driven by \$7.5 million in additional expenditures under the International Convention Attraction Program (ICAP), as well as increased Q1 spending to drive summer and fall visitation in 2026.			
Analytics	2,730	2,712	18
The slight increase is primarily driven by higher investment in the DC brand measurement platform, partially offset by a decrease in the Global Traveller Research Program, with the majority of the work completed in 2025.			
Corporate services	2,320	2,030	290
The increase is primarily attributable to higher IT support costs, increased salary costs, and a lower amount of project costs capitalized compared to the prior year.			
Sector advancement	834	858	(24)
The overall decrease in expenses is primarily driven by lower general operating expenses.			
Destination development	651	273	378
The overall increase in expenses is mainly driven by event activation for MIPIM, the world's leading real estate and investor event, as well as the Tourism Investment Initiative, which began in late 2025 and will continue through summer 2026.			
Parliamentary appropriations	41,518	34,934	6,584
Variances are largely due to the timing and variability of cash flow needs. The \$6.6 million variance is mainly due to the recognition of appropriations related to the ICAP bid funds.			

Risks and uncertainties

As a federal Crown corporation operating in a dynamic global tourism market, Destination Canada maintains an enterprise risk management framework to monitor emerging risks, assess potential impacts and support informed decision-making in pursuit of sustainable tourism growth.

Our risk framework goes beyond standard business and financial risks and begins with first understanding the macro risks facing the economy, followed by the industry risks uniquely impacting the tourism sector. Together, this knowledge provides a foundation for identifying the strategic risks facing our organization, categorized under the following four lenses: economic, environmental, social, and governance.

<p>● High residual risk ● Medium-high residual risk ● Medium residual risk ● Low-medium residual risk ● Low residual risk</p>	
ECONOMIC	2026 Q1 ● 2025: ●
<p>Destination Canada’s Tourism 2030: A World of Opportunity strategy advances long-term sustainable growth for Canada’s tourism sector within a highly competitive and evolving global marketplace.</p> <p>Overall Summary: Global economic and geopolitical uncertainty, trade disruptions, inflationary pressures, and intensifying competition continue to weigh on travel demand to Canada, with direct implications for visitation, sector performance, and Destination Canada’s operating environment. Domestic labour shortages and competition for investment capital further constrain growth. At the same time, accelerated adoption of artificial intelligence is reshaping marketing, distribution, and traveller engagement; slower uptake across the organization or sector risks eroding effectiveness and competitive position. Recent geopolitical developments, combined with disruptions at major aviation hubs, fuel price volatility, and emerging supply pressures, have increased near-term risk to traveller confidence, affordability, air access, and reliability. Despite these headwinds, global demand is expected to reallocate rather than contract, creating opportunities for Canada as a stable, welcoming, and accessible destination.</p> <p>Mitigation Summary: Destination Canada continued to mitigate these risks through structured scenario planning, market diversification strategies and coordinated investment with provincial, territorial and municipal partners to align priorities and optimize return on public funds. We have increasingly leveraged advanced analytics, forecasting and AI-enabled tools to identify and target high-value opportunities and adjust programming in response to evolving economic and policy conditions, including trade measures. We’ve also continued to collaborate with technology partners and provide research, tools and market intelligence to the industry to support digital readiness and competitiveness across the tourism sector. We continue to monitor geopolitical and macroeconomic developments closely and adapt market strategies as conditions evolve, with a focus on maintaining competitiveness, supporting sector resilience and responding to shifts in global travel flows.</p> <p>Emerging or heightened risks:</p> <ul style="list-style-type: none"> ● Inbound tourism market There is a risk that Destination Canada may lose inbound market share due to shifting traveller preferences, increased competition and changes in key source markets as a result of changes to international air access, geopolitical tensions or sentiment. Without timely adaptation to evolving expectations for personalization, travel values, and digital experiences, Canada may experience declines in visitation, revenue and brand strength. We will mitigate this by deploying innovative marketing and go-to-market strategies to unlock demand in both existing markets and 	

new gateways, supported by advanced forecasting and economic modelling tools that allow us to quickly adjust market allocations and respond to emerging shocks.

- **Declining global tourism competitiveness**

There is a risk that Canada's global tourism competitiveness may decline due to external pressures — such as geopolitical volatility, global shocks and rising competition — and persistent structural challenges, including high costs, access limitations and seasonality. These factors may lead to reduced market share, diminished brand relevance and missed opportunities for growth, despite Destination Canada's efforts to mobilize stakeholders. Ongoing instability in global travel markets may intensify competitive pressure as destinations respond to shifting traveller demand and attempt to capture redirected international visitation. We will mitigate this by ensuring we are leveraging strategic communications with stakeholders, engaging with core tourism groups such as the Tourism Industry Association of Canada and national tourism sector associations, and focusing on the NorthStar 2030 aspirations of global competitiveness.

- **Technology disruption and productivity**

There is a risk that Destination Canada and the tourism sector may be unprepared for technological disruption, particularly in areas such as AI, affecting marketing, operations and service delivery. Without proactive investment in digital modernization and workforce upskilling, innovation and productivity may decline, weakening Canada's global tourism competitiveness. We will mitigate this by collaborating with leading technology partners to overcome barriers, enhance our knowledge and seize opportunities for implementation within our sector, including leveraging generative AI to transform our marketing and investment strategies and operations.

ENVIRONMENTAL

2026 Q1: ● 2025: ●

One of the key initiatives in our strategy is to support sector adoption of regenerative principles. This means balancing economic prosperity with environmental stewardship and social inclusivity. By promoting regenerative practices, Destination Canada supports visitor trust, protects local communities and preserves the natural and cultural assets that define tourism in Canada.

Overall Summary: There is a risk that climate change, environmental degradation or perceptions of insufficient sustainability practices within Destination Canada's operations or across the tourism ecosystem could negatively influence traveller sentiment, damage Canada's reputation and reduce visitation. Climate-related events may also affect perceptions of safety and destination readiness, with implications for sector performance.

Mitigation summary: Destination Canada advances regenerative tourism principles that support economic growth while promoting environmental stewardship and social inclusivity. We have integrated climate risk considerations into destination development planning to enhance long-term resilience, and inter-agency coordination has been strengthened to monitor and respond to climate-related events and their impacts on traveller perceptions and sector outcomes. In 2025, we introduced an internal Climate Action Plan to reduce the environmental footprint of our internal operations, while also collaborating with domestic and international partners to improve the consistency and rigor of sustainability measurement across the sector.

Emerging or heightened risks:

- **Climate Change's Impact on Tourism:**

There is a risk that the effects of climate change (e.g., forest fires, extreme weather, warm and dry winters, floods) and Canada's response to it (e.g. communications) reduce our country's capacity to accept travellers at times of high risk and adversely impact their perception of the health and safety of Canada, diminishing Canada as a destination. We will support the sector's crisis response, maximize tourism's economic benefits year-round, and work with airlines and industry partners to promote seasonal and regional dispersion of visitors, enhancing resilience against climate-related challenges.

SOCIAL

2026 Q1: ● 2025: ●

Public confidence and social license are essential to ensuring tourism contributes positively to communities and supports broad-based economic and social benefits.

Overall Summary: There is a risk that tourism promotion and organizational practices may not fully reflect equitable and inclusive approaches or adequately consider the interests of local communities and stakeholders, which could affect public support and trust. Sustained workload pressures may also impact employee wellbeing and organizational resilience.

Mitigation Summary: Our evidence-based reporting on tourism's contribution to employment, regional development and community wellbeing continues to reinforce public and policy confidence. We integrate diversity, equity and inclusion considerations into our marketing, recruitment and procurement practices, and we continue to advance Indigenous reconciliation through sector initiatives and employee training. We also maintained measures to support staff mental health in order to enhance employee wellbeing and organizational resilience.

Emerging or heightened risks:

- **Public and Policy Support:**

There is a risk that we may not effectively strengthen Canadians' positive perceptions of tourism, leading to weaker community support, less favorable policies, and diminished visitor experiences. We will mitigate this by working to deepen Canadians' pride in their communities and their desire to host visitors, communicating the value of tourism and creating a more supportive policy environment where tourism can thrive.

GOVERNANCE

2026 Q1: ● 2025: ●

As a federal Crown corporation, Destination Canada is committed to upholding high standards of governance and accountability in accordance with applicable legislative and regulatory requirements.

Overall Summary: There is a risk that governance structures, oversight mechanisms or internal controls may not sufficiently adapt to emerging risks in a rapidly changing global environment, which could affect effectiveness, compliance and accountability.

Mitigation Summary: Destination Canada actively monitors emerging risks and undertakes regular scenario planning to ensure governance and oversight mechanisms remain responsive in a rapidly evolving global environment. Industry intelligence is shared with advisory committees and sector partners to inform strategic decision-making. In 2025, we completed the modernization of our policy suite to strengthen internal governance frameworks, enhanced cybersecurity measures, and conducted business continuity plan testing to reinforce operational resilience and sound stewardship of public

resources. In response to the accelerating adoption of AI globally and within the sector, we also launched targeted internal learning initiatives to strengthen staff capabilities and support the responsible use of AI. These measures are complemented by effective Board oversight.

Emerging or heightened risks:

- **Cybersecurity:**

There is a risk that increasing cyber threats could compromise our systems, leading to potential data breaches, operational disruptions, and loss of stakeholder trust. This risk is heightened during periods of geopolitical instability, which may increase the frequency and sophistication of cyber threats. We mitigate this risk by having established cybersecurity and IT consulting rosters to quickly address incidents and adapt to legislative changes. We will enhance cybersecurity by implementing robust protocols, conducting regular audits, and training staff to respond to threats. We'll also collaborate with government and industry partners to stay ahead of emerging threats and ensure system security.

Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.



Marsha Walden

*President and CEO
Vancouver, Canada
May 13, 2026*



Meaghan Ferrigno

*SVP, Chief Financial Officer and
Chief Data & Analytics Officer
Vancouver, Canada
May 13, 2026*

Canadian Tourism Commission**Statement of Financial Position**

As at March 31, 2026

(in thousands of Canadian dollars)

	Note	March 31, 2026	December 31, 2025
Financial assets			
Cash and cash equivalents	3	20,729	14,087
Accounts receivable	12		
Government of Canada		1,469	1,331
Partner		2,236	407
Other		26	23
Accrued benefit asset	7	3,317	3,317
Portfolio investments	4	989	983
		<u>28,766</u>	<u>20,148</u>
Liabilities			
Accounts payable and accrued liabilities	12		
Trade		11,017	11,832
Employee compensation		3,475	2,778
Government of Canada		66	840
Accrued benefit liability	7	1,625	1,657
Unearned revenue	17	4,557	708
Deferred lease inducements		82	21
		<u>20,822</u>	<u>17,836</u>
Net financial assets		<u>7,944</u>	<u>2,312</u>
Non-financial assets			
Prepaid expenses	2	3,330	2,323
Tangible capital assets	6	2,431	2,392
		<u>5,761</u>	<u>4,715</u>
Accumulated surplus	9	<u>13,705</u>	<u>7,027</u>

Canadian Tourism Commission**Statement of Operations***For the three months ended March 31**(in thousands of Canadian dollars)*

	2026	2025
Revenues		
Partner revenues	1,150	913
Interest Income	107	139
Other	161	151
	<u>1,418</u>	<u>1,203</u>
Expenses		
Marketing and sales	29,621	17,616
Analytics	2,730	2,712
Corporate services	2,320	2,030
Sector advancement	834	858
Destination development	651	273
Amortization of tangible capital assets	146	160
	<u>36,302</u>	<u>23,649</u>
Net cost of operations before funding from the Government of Canada	(34,884)	(22,446)
Parliamentary appropriations	41,518	34,934
Surplus for the year	<u>6,634</u>	<u>12,488</u>
Accumulated operating surplus, beginning of period	7,027	9,033
Accumulated operating surplus, end of period	<u>13,661</u>	<u>21,521</u>

Canadian Tourism Commission

Statement of Remeasurement Gains and Losses

For the three months ended March 31

(in thousands of Canadian dollars)

	2026	2025
Accumulated remeasurement gain, beginning of period	1	119
Unrealized gain attributable to foreign exchange	44	23
Amounts reclassified to the statement of operations	(1)	(119)
Net remeasurement gain (loss) for the period	43	(96)
Accumulated remeasurement gain, end of period	44	23

Canadian Tourism Commission

Statement of Change in Net Financial Assets

For the three months ended March 31

(in thousands of Canadian dollars)

	2026	2025
Surplus for the year	6,634	12,488
Acquisition of tangible capital assets	(185)	(169)
Amortization of tangible capital assets	146	160
	(39)	(9)
Effect of change in other non-financial assets		
Decrease in prepaid expenses	(1,007)	(609)
	(1,007)	(609)
Net remeasurement gain (loss)	43	(96)
Increase in net financial assets	5,631	11,774
Net financial assets, beginning of period	2,312	4,702
Net financial assets, end of period	7,943	16,476

Canadian Tourism Commission**Statement of Cash Flows**

For the three months ended March 31
(in thousands of Canadian dollars)

	2026	2025
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	41,518	43,526
Partners	3,166	958
Other	85	126
Interest	107	140
Cash paid for:		
Cash payments to suppliers	(33,070)	(21,678)
Cash payments to and on behalf of employees	(5,016)	(4,731)
Cash provided by operating transactions	<u>6,790</u>	<u>18,341</u>
Capital transactions:		
Acquisition of tangible capital assets	(185)	(169)
Cash used in capital transactions	<u>(185)</u>	<u>(169)</u>
Investing transactions:		
Acquisition of portfolio investments	(6)	(7)
Cash used in investing transactions	<u>(6)</u>	<u>(7)</u>
Net remeasurement gain (loss) for the period	<u>43</u>	<u>(96)</u>
Net increase in cash during the period	<u>6,642</u>	<u>18,069</u>
Cash and cash equivalents, beginning of period	<u>14,087</u>	<u>14,892</u>
Cash and cash equivalents, end of period	<u>20,729</u>	<u>32,961</u>

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

1. AUTHORITY, OBJECTIVES AND DIRECTIVES

The Canadian Tourism Commission (the “Commission”), operating as Destination Canada, was established on January 2, 2001 under the *Canadian Tourism Commission Act* (the “Act”) and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Commission is for all purposes an agent of his Majesty in right of Canada. As a result, all obligations of the Commission are obligations of Canada. The Commission is not subject to income taxes.

As stated in section 5 of the Act, the Commission’s mandate is to:

- sustain a vibrant and profitable Canadian tourism industry;
- market Canada as a desirable tourist destination;
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and the governments of Canada, the provinces and the territories.

In December 2014, the Commission was issued directive PC 2014-1378 pursuant to section 89 of the *Financial Administration Act* directing the Commission to implement pension plan reforms. These reforms are to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions by December 31, 2017. The 50:50 cost-sharing ratio was fully implemented as of December 31, 2017.

In July 2015, the Commission was issued directive PC 2015-1109 pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditures policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Commission’s next corporate plan. The Commission implemented its new Travel, Hospitality, Conference and Event Expenditures Policy (“THCEE”) on August 21, 2015 which complied with the requirements of the directive. The Treasury Board issued revised directives and guidelines in 2017. On November 29, 2018, the Commission approved an updated THCEE policy to align with the new requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards (“PSAS”). Significant accounting policies are as follows:

a) Parliamentary appropriations

The Commission is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations used to fund core operations and capital expenditures are considered unrestricted and are recognized as revenues when the appropriations are authorized and any eligibility criteria are met. Parliamentary appropriations used to fund one-time activities are considered restricted when they have eligibility criteria and stipulations that give rise to an obligation that meets the definition of a liability. Restricted appropriations are recognized as deferred

appropriations when the stipulation gives rise to a liability. Restricted appropriation revenue is recognized as the stipulation liabilities are settled.

As a result of the Commission's year-end date (December 31) being different than the Government of Canada's year-end date (March 31), the Commission is funded by portions of appropriations from two government fiscal years. Refer to Note 4.

The Commission will have a deferred parliamentary appropriations balance at period-end when the restricted funding received for the period exceeds the restricted appropriations recognized for the related fiscal period. When restricted appropriations recognized exceed the restricted funding received, the amount will be included in the parliamentary appropriations receivable balance.

The Commission does not have the authority to exceed approved appropriations.

b) Partner revenues

The Commission provides various goods and services to a diverse group of payors, including both Canadian and foreign organizations. Revenues from transactions with performance obligations occur when there is an enforceable promise to transfer goods or services directly to a payor in return for promised consideration. For each performance obligation, the Commission evaluates whether the performance obligations are satisfied over a period of time or at a point in time. Where a performance obligation is satisfied over time, the Commission measures its progress of satisfying the performance obligation considering the characteristics of the services being provided and the pattern of benefit to the payor. Where a performance obligation is satisfied at a point in time, the Commission recognizes revenue when the payor obtains control of the benefits associated with the promised service. Where consideration is received prior to the provision of services or delivery of goods, it is recorded as unearned revenue, provided the definition of a liability is met, and recognized as revenue as each performance obligation is completed.

The Commission does not have any revenue sources generated from non-recurring activities.

Revenue from exchange transactions

Leisure Consumer Marketing

The Commission performs leisure marketing services to promote demand for travel to Canada, targeting high-value guests in global markets through campaigns, content creation, and collaboration with provinces, destinations, and commercial partners to extend reach and convert interest into travel.

Revenue is typically recognized over a period of time as the services are provided over the term of the agreement. In certain scenarios where the payor must approve the content created before it is delivered, revenue is recognized at a point in time, specifically when the payor grants approval, thereby fulfilling the performance obligation associated with that content.

Business Events

Business event services consist of organizing and promoting events and activities that position Canada as a destination for conferences, meetings and incentive travel by engaging global decision-makers. This encompasses coordinating and promoting Canada at tourism-related conferences and events that involve various prominent media outlets. These efforts aim to highlight the diverse

attractions and experiences available at Canadian destinations and to facilitate collaboration and networking opportunities.

Revenue is recognized over a period of time as the contracted services are rendered.

Leisure Travel Trade

Leisure travel trade includes services provided to travel trade partners and intermediaries, including cooperative marketing partnerships, participation in events and travel agent engagement to support the promotion and sale of travel to Canada.

Revenue is recognized over a period of time as the services are provided over the term of the agreement.

Analytics

The Commission provides subscription-based access to data and analytics services through the Canadian Tourism Data Collective, an AI-powered platform. This platform provides access to comprehensive tourism data, research, and insights in one location, reducing the need to consult multiple data sources and supporting collaboration and innovation.

Revenue is recognized proportionately over the term of the subscription.

c) Other revenues

Other revenues consist of cost recoveries from co-location partners, capital asset sales and other miscellaneous revenues. These items are recognized as revenue in the period in which the transaction or event occurred that gives rise to the revenue.

d) Foreign currency translation

Monetary assets and monetary liabilities denominated in foreign currencies are translated into Canadian dollars at the applicable year-end exchange rate. Non-monetary assets and non-monetary liabilities denominated in foreign currencies are translated into Canadian dollars at historical exchange rates. Revenue and expense items are translated during the year at the exchange rate in effect on the date of the transaction. Amortization expenses of tangible capital assets are translated at historical rates to which the assets relate. Realized gains and losses are considered operating expenses and are included in the Statement of Operations as Corporate services. Unrealized gains and losses are reported in the Statement of Remeasurement Gains and Losses and in the Statement of Change in Net Financial Assets (Debt). The Commission does not hedge against the risk of foreign currency fluctuations.

e) Cash and cash equivalents

Cash and cash equivalents include cash in bank and money market funds redeemable on demand. These items are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

f) Portfolio investments

Portfolio investments are measured at amortized cost. Interest income related to these investments is calculated based on the effective interest method.

g) Prepaid expenses

Payments made prior to the related services being rendered are recorded as a prepaid expense. Prepaid expenses are recognized as an expense as the related services are rendered. Prepaid expenses consist of program and operating expenses such as subscriptions, marketing activities with provincial and territorial marketing organizations and tradeshow expenditures.

h) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and the amount of any write-downs or disposals. Tangible capital assets are written down when conditions indicate they no longer contribute to the ability to provide services and are accounted for as expenses in the Statement of Operations.

Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	remaining term of lease
Office furniture	5 years
Computer hardware	3 years
Computer software	5 years

Tangible capital assets under development are not subject to amortization. Upon being placed in service and becoming available for use, the associated costs are reclassified to the appropriate tangible capital asset category and amortized accordingly.

i) Unearned revenue

Unearned revenue consists of consideration from payors that do not yet qualify for revenue recognition. When revenues are received from payors in advance of the Commission fully satisfying a performance obligation in an exchange transaction, they are recognized as unearned revenue until the performance obligation has been satisfied by the Commission.

j) Deferred lease inducements

Deferred lease inducements consist of various office lease inducements including reimbursement of leasehold improvement costs and free rent periods. These inducements are deferred and recognized as a straight-line reduction to office lease expenses over the term of the lease.

k) Employee future benefits

The Commission offers a number of funded and unfunded defined benefit pension plans, other unfunded defined benefit plans (which include post-employment benefits, post-retirement benefits and non-vested sick leave), as well as defined contribution pension plans. The pension plans include a statutory plan, a supplemental plan and a plan to cover certain employees working outside of Canada. Other benefit plans include post-employment severance benefits and post-retirement health, dental and life insurance benefits and non-vested sick leave. The defined benefit pension plans provide benefits based on years of service and average pensionable earnings at retirement.

The defined benefit component of the statutory plan and the supplemental plan has been closed effective December 30, 2017 and benefits and service of plan participants were frozen as of that date.

The Commission funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with Consumer Price Index increases.

The costs and obligations of the defined benefit plans are actuarially determined using the projected benefit method prorated on service that incorporates management's best estimates of the rate of employee turnover, the average retirement age, the average cost of claims per person, future salary and benefit levels, expected return on plan assets, future medical costs, and other actuarial factors. For the purpose of calculating the expected return on plan assets, those plan assets are based on the market value of plan assets.

Past service costs arising from plan amendments are recognized in the years in which the plan amendment occurred.

The unamortized actuarial gains and losses incurred prior to the plan settlement that relate to the obligation settled are recognized in the period of settlement. This amount is included as part of the gain or loss arising on settlement. Gains and losses determined upon a plan settlement are accounted for in the Statement of Operations in the period of settlement.

Actuarial gains and losses are amortized over expected average remaining service lifetime ("EARSL") of active employees. If no active employees are remaining, actuarial gains and losses are amortized fully in the next fiscal year. For 2025, EARSL has been determined to be 0 years (0 years – 2024) for the Supplementary Retirement Plan for certain employees of the Commission ("SRP"), 10 years (10 years – 2024) for the Pension Plan for Employees of the Commission in Japan and China ("WWP"), 0 years (0 years – 2024) for non-pension post-retirement benefits, 14 years (14 years – 2024) for severance benefits and 14 years (14 years – 2024) for sick leave benefits.

Employees working in the United Kingdom (UK) participate in the Global Affairs Canada defined benefit pension plans administered by the Government of Canada. The assets of these plans cannot be allocated among participating employers, and as such, these plans are deemed "multi-employer" plans and accounted for as defined contribution plans. The Commission's contributions to these plans reflect the full benefit cost of the employer. These amounts vary depending upon the plan and are based on a percentage of the employee's gross earnings. Contributions may change over time depending on the experience of the plans since the Commission is required under present legislation to make adjustments for the rate of contributions to cover any actuarial deficiencies of these plans. Contributions represent the total pension obligations of the Commission for these employees and are recognized in the Statement of Operations during the year in which the services are rendered.

Gains and losses determined upon a plan curtailment are accounted for in the period of curtailment.

l) Financial instruments

Financial assets consist of Cash and cash equivalents, Accounts receivable and Portfolio investments, while financial liabilities consist of Accounts payable and accrued liabilities. Financial assets and financial liabilities are measured at amortized cost, which approximates their fair value.

m) Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ significantly from those estimates. The most significant estimates involve the determination of the employee future benefits liability and related accrued benefit asset, contingencies, accrued liabilities and partner revenues. There is uncertainty regarding partner revenue recognized as management may not be able to estimate if all performance obligations have been satisfied at the date of the financial statements.

The duration and economic severity of tariffs on the economy and trade between the US and Canada on the Commission's operations is currently unknown. As a result, an estimate of the financial impact of these developments on the Commission's future results of operations and financial position cannot be made at this time.

n) Related party transactions

Through common ownership, the Commission is related to all Government of Canada created departments, agencies and Crown corporations. The Commission's transactions with these entities are in the normal course of operations and are measured at the exchange amount.

Related parties also include key management personnel (KMP) having authority for planning, controlling, and directing the activities of the Commission, as well as their close family members. The Commission has defined its KMP to be members of the Board of Directors and management employees at the Senior Vice-President level and above.

o) Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. The Commission records inter-entity transactions at the exchange amount except the following:

- Audit services received without charge between commonly controlled entities.
- In-kind contributions received from commonly controlled entities.

The value of the audit services is considered insignificant in the context of the financial statements as a whole and inter-entity in-kind contributions are not recognized in the financial statements.

3. FINANCIAL STATEMENT PRESENTATION

These unaudited interim financial statements should be read in conjunction with the annual financial statements of the Canadian Tourism Commission (the "Commission") as at and for the year ended December 31, 2025, and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at March 31, 2026, are unaudited and are presented in Canadian dollars.

4. PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations approved for the Government fiscal period April 1, 2025, to March 31, 2026, are \$125.0 million which includes \$95.5 million base funding, \$19.5 million relating to the 2023 Federal Budget, and \$10 million from the 2024 Fall Economic Statement purpose to attract major international conventions, conferences, and event to Canada. The Commission does not have the authority to exceed approved appropriations.

5. ACCUMULATED SURPLUS (000S)

The accumulated surplus is comprised of:

(in thousands)	March 31, 2026		December 31, 2025	
Accumulated operating surplus	\$	13,661	\$	7,026
Accumulated remeasurement gain		44		1
Accumulated surplus	\$	13,705	\$	7,027

6. TANGIBLE CAPITAL ASSETS (000S)

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Assets Under Development*	March 31, 2026
Cost of tangible capital assets, opening	955	1,856	61	699	533	4,104
Acquisitions	8	47	17	-	113	185
Disposals	-	-	-	-	-	-
Transfers	-	117	-	-	(117)	-
Cost of tangible capital assets, closing	963	2,020	78	699	529	4,289
Accumulated amortization, opening	787	405	25	495	-	1,712
Amortization expense	31	94	3	18	-	146
Disposals	-	-	-	-	-	-
Accumulated amortization, closing	818	499	28	513	-	1,858
Net book value	145	1,521	50	186	529	2,431

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Assets Under Development*	2025 Total
Cost of tangible capital assets, opening	1,076	1,096	1,858	691	-	4,721
Acquisitions	116	760	11	41	533	1,461
Disposals	(237)	-	(1,808)	(33)	-	(2,078)
Transfers	-	-	-	-	-	-
Cost of tangible capital assets, closing	955	1,856	61	699	533	4,104
Accumulated amortization, opening	868	110	1,653	435	-	3,066
Amortization expense	143	295	180	75	-	693
Disposals	(224)	-	(1,808)	(15)	-	(2,047)
Accumulated amortization, closing	787	405	25	495	-	1,712
Net book value	168	1,451	36	204	533	2,392

* Assets under development as at March 31, 2026 include \$0.5 million of computer software, which were not yet being amortized.

7. International Convention Attraction Program

Building on its inaugural year in 2024, the International Convention Attraction Program (ICAP) was in its first full year of delivery in 2025 and continued to operate into 2026 through an integrated program model to support the pipeline and conversion of international business events. The integrated program operates through three reinforcing areas: strategic marketing to support Canada's brand; engagement with international decision-makers through participation in global trade shows; and the securing of major international business events by supporting Destination Marketing Organizations (DMOs) through the bid process, with subvention funding acting as a catalyst at the final decision-making stage.

The provision of subvention funding under the program is subject to specific eligibility and authorization criteria, which govern the timing of expense recognition.

1. A DMO must meet the eligibility criteria established by the Commission to receive the fund; and
2. The transfer to the DMO must be authorized by the Commission by the financial statement date.

As of March 2026, the Commission recognized \$14,202,000 in combined program expenditures under Business Events, which are presented in Marketing and sales in the Statement of Operations.