



Canadian Air Transport  
Security Authority

Administration canadienne  
de la sûreté du transport aérien

# Quarterly Financial Report

For the Three and Six Months Ended  
September 30, 2023



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**CANADIAN AIR TRANSPORT SECURITY AUTHORITY  
MANAGEMENT'S NARRATIVE DISCUSSION  
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2023**

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Management's Narrative Discussion outlines the significant activities and initiatives, risks and financial results of the Canadian Air Transport Security Authority (CATSA) for the three and six months ended September 30, 2023. This Narrative Discussion should be read in conjunction with CATSA's unaudited condensed interim financial statements for the three and six months ended September 30, 2023, which have been prepared in accordance with Section 131.1 of the *Financial Administration Act* (FAA) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). This Narrative Discussion should also be read in conjunction with CATSA's *2023 Annual Report*, and the *Quarterly Financial Report for the three months ended June 30, 2023*. The information in this report is expressed in thousands of Canadian dollars and is current to November 22, 2023, unless otherwise stated.

***Forward-looking statements***

Readers are cautioned that this report includes certain forward-looking information and statements. These forward-looking statements contain information that is generally stated to be anticipated, expected or projected by CATSA. They involve known and unknown risks, uncertainties and other factors which may cause the actual results and performance of the organization to be materially different from any future results and performance expressed or implied by such forward-looking information.

***Materiality***

In assessing what information is to be provided in this report, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence the economic decisions of CATSA's stakeholders.

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**CORPORATE OVERVIEW**

Established on April 1, 2002, CATSA is an agent Crown corporation funded by parliamentary appropriations, and accountable to Parliament through the Minister of Transport. CATSA's mission is to protect the public by securing critical elements of the air transportation system.

CATSA delivers the mandate of security screening at 89 designated airports across the country through a third-party screening contractor model. Playing a pivotal role in Canada's civil aviation system, CATSA is responsible for the delivery of the following four mandated activities:

- Pre-board Screening (PBS): The screening of all passengers, their carry-on baggage and their belongings prior to their entry to the secure area of an air terminal building.
- Hold Baggage Screening (HBS): The screening of all passengers' checked ("hold") baggage for prohibited items such as explosives, prior to being loaded onto an aircraft.
- Non-passenger Screening (NPS): The screening of non-passengers such as flight personnel, ground crew and service providers, and their belongings (including vehicles and their contents) entering restricted areas at the highest-risk airports.

- **Restricted Area Identity Card (RAIC):** The management of the system that uses iris and fingerprint biometric identifiers to allow authorized non-passengers access to the restricted areas of airports. The final authority that determines access to the restricted areas of an airport is the airport authority.

In addition to its mandated activities, CATSA has an agreement with Transport Canada (TC) to conduct screening of cargo at small airports where capacity exists. This program was designed to screen limited amounts of cargo during off-peak periods and involves using existing resources, technology and procedures.

In prior years, CATSA provided screening services on a cost recovery basis to certain designated and non-designated airports. There are currently no arrangements in place for CATSA to provide services on a cost recovery basis.

## **OPERATING ENVIRONMENT**

Budget 2023 included incremental funding of \$1,746 million (net) over three years to continue to protect the public by securing critical elements of the air transportation system. This funding also supports the introduction of 100% NPS and improvements to wait time service levels beginning April 1, 2024.

Budget 2023 also announced initiatives aimed at reducing government spending. CATSA has identified options to address reductions in professional services and travel budgets, as well as overall operating expenses. CATSA will continue to work with TC and central agencies to implement these reductions, while recognizing the nature of the organization's air travel security screening service mandate.

Statistics from CATSA's Boarding Pass Security System, and other data sources, indicate that screened traffic across Canada increased from approximately 16.4 million passengers for the three months ended September 30, 2022, to 19.1 million passengers for the three months ended September 30, 2023. CATSA continues to support the aviation industry by working closely with its screening contractors, TC and external stakeholders.

## **RISKS AND UNCERTAINTIES**

CATSA maintains effective corporate risk management to ensure that risks are identified, assessed and managed appropriately. A full assessment of CATSA's corporate risks, potential impacts and risk mitigations is disclosed in CATSA's *2023 Annual Report*.

## ANALYSIS OF FINANCIAL RESULTS

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)

The following section provides information on key variances within the Condensed Interim Statement of Comprehensive Income (Loss) for the three and six months ended September 30, 2023, and September 30, 2022.

Key Financial Highlights - Condensed Interim Statement of Comprehensive Income (Loss)								
(Unaudited)	Three Months Ended September 30				Six Months Ended September 30			
(Thousands of Canadian dollars)	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
<b>Expenses<sup>1</sup></b>								
Screening services and other related costs	\$ 195,202	\$ 187,865	\$ 7,337	3.9%	\$ 387,146	\$ 349,448	\$ 37,698	10.8%
Equipment operating and maintenance	12,343	10,432	1,911	18.3%	24,146	20,297	3,849	19.0%
Program support and corporate services	22,896	22,155	741	3.3%	47,171	45,675	1,496	3.3%
Depreciation and amortization	11,264	11,045	219	2.0%	22,464	22,042	422	1.9%
<b>Total expenses</b>	<b>241,705</b>	<b>231,497</b>	<b>10,208</b>	<b>4.4%</b>	<b>480,927</b>	<b>437,462</b>	<b>43,465</b>	<b>9.9%</b>
<b>Other (income) expenses</b>	<b>(238)</b>	<b>(981)</b>	<b>743</b>	<b>75.7%</b>	<b>152</b>	<b>(1,333)</b>	<b>1,485</b>	<b>111.4%</b>
<b>Financial performance before revenue and government funding</b>	<b>241,467</b>	<b>230,516</b>	<b>10,951</b>	<b>4.8%</b>	<b>481,079</b>	<b>436,129</b>	<b>44,950</b>	<b>10.3%</b>
<b>Revenue</b>	<b>820</b>	<b>640</b>	<b>180</b>	<b>28.1%</b>	<b>1,497</b>	<b>810</b>	<b>687</b>	<b>84.8%</b>
<b>Government funding</b>								
Parliamentary appropriations for operating expenses	229,196	219,761	9,435	4.3%	453,723	412,479	41,244	10.0%
Amortization of deferred government funding related to capital expenditures	10,492	10,105	387	3.8%	20,947	20,191	756	3.7%
Parliamentary appropriations for lease payments	532	1,013	(481)	(47.5%)	1,061	2,019	(958)	(47.4%)
<b>Total government funding</b>	<b>240,220</b>	<b>230,879</b>	<b>9,341</b>	<b>4.0%</b>	<b>475,731</b>	<b>434,689</b>	<b>41,042</b>	<b>9.4%</b>
<b>Financial performance</b>	<b>\$ (427)</b>	<b>\$ 1,003</b>	<b>\$ (1,430)</b>	<b>(142.6%)</b>	<b>\$ (3,851)</b>	<b>\$ (630)</b>	<b>\$ (3,221)</b>	<b>(511.3%)</b>
<b>Other comprehensive income (loss)</b>	<b>12,578</b>	<b>(3,150)</b>	<b>15,728</b>	<b>499.3%</b>	<b>9,343</b>	<b>4,384</b>	<b>4,959</b>	<b>113.1%</b>
<b>Total comprehensive income (loss)</b>	<b>\$ 12,151</b>	<b>\$ (2,147)</b>	<b>\$ 14,298</b>	<b>666.0%</b>	<b>\$ 5,492</b>	<b>\$ 3,754</b>	<b>\$ 1,738</b>	<b>46.3%</b>

<sup>1</sup> The Condensed Interim Statement of Comprehensive Income (Loss) presents operating expenses by program activity, whereas operating expenses above are presented by major expense type, as disclosed in note 13 of the unaudited condensed interim financial statements for the three and six months ended September 30, 2023.

#### Screening Services and Other Related Costs

Screening services and other related costs increased by \$7,337 (3.9%) and by \$37,698 (10.8%) for the three and six months ended September 30, 2023, respectively, compared to the same periods in 2022. The increases are primarily attributable to increased passenger volumes, and higher staffing to improve passenger wait times, which resulted in the purchase of additional screening hours totaling \$16,261 and \$46,236, respectively. The increase is also attributable to annual screening contractor billing rate increases totaling \$3,712 and \$7,991, respectively. These increases were partially offset by lower spending on programs to support the recovery of the aviation industry and other screening related costs totaling \$12,636 and \$16,529, respectively.

#### Equipment Operating and Maintenance

Equipment operating and maintenance increased by \$1,911 (18.3%) and by \$3,849 (19.0%) for the three and six months ended September 30, 2023, respectively, compared to the same periods in 2022. The

increase is mainly attributable to costs associated with CATSA's transition to a new maintenance service provider and other equipment related spending.

### **Revenue**

Revenue increased by \$180 (28.1%) and by \$687 (84.8%) for the three and six months ended September 30, 2023, respectively, compared to the same periods in 2022. The increases are primarily attributable to higher finance income earned on cash balances.

### **Government Funding**

The Government of Canada collects the Air Travellers Security Charge and funds CATSA through appropriations from the federal Consolidated Revenue Fund for operating expenses and capital expenditures. Payments for CATSA's leases that are capitalized under IFRS 16 are funded through capital appropriations.

#### Parliamentary appropriations for operating expenses

Parliamentary appropriations for operating expenses increased by \$9,435 (4.3%) and by \$41,244 (10.0%) for the three and six months ended September 30, 2023, respectively, compared to the same periods in 2022. The increases are primarily attributable to increased spending for screening services and other related costs, as discussed above.

#### Amortization of deferred government funding related to capital expenditures

Amortization of deferred government funding related to capital expenditures increased by \$387 (3.8%) and by \$756 (3.7%) for the three and six months ended September 30, 2023, respectively, compared to the same periods in 2022. The increases are primarily attributable to increased depreciation and amortization expenses.

#### Parliamentary appropriations for lease payments

CATSA's lease payments are typically made in the same month that the appropriations are received, therefore there is no deferred funding associated with these appropriations.

Parliamentary appropriations for lease payments are lower than the prior year as CATSA reduced its office space.

### **Other Comprehensive Income (Loss)**

Other comprehensive income (loss) is composed of quarterly non-cash remeasurements resulting from changes in actuarial assumptions and the return on pension plan assets.

Other comprehensive income of \$12,578 for the three months ended September 30, 2023, was attributable to a remeasurement gain of \$31,582 on the defined benefit liability arising from an 80 basis point increase in the discount rate between June 30, 2023, and September 30, 2023. This was partially offset by a remeasurement loss of \$19,004 resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions. Other comprehensive loss of \$3,150 for the three months ended September 30, 2022, was attributable to a remeasurement loss of \$3,150 resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions.

Other comprehensive income of \$9,343 for the six months ended September 30, 2023, was attributable to a remeasurement gain of \$27,299 on the defined benefit liability arising from a 70 basis point increase in the discount rate between March 31, 2023 and September 30, 2023. This was partially offset by a

remeasurement loss of \$17,956 resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions. Other comprehensive income of \$4,384 for the six months ended September 30, 2022, was attributable to a remeasurement gain of \$39,852 on the defined benefit liability arising from a 100 basis point increase in the discount rate between March 31, 2022 and September 30, 2022. This was partially offset by a remeasurement loss of \$35,468 resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions.

For more information, refer to note 9 of the unaudited condensed interim financial statements.

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

The following section provides information on key variances within the Condensed Interim Statement of Financial Position as at September 30, 2023, compared to March 31, 2023.

<b>Key Financial Highlights -</b>				
<b>Condensed Interim Statement of Financial Position</b>				
(Unaudited)	September 30,	March 31,		
(Thousands of Canadian dollars)	2023	2023	\$ Change	% Change
Current assets	\$ 165,928	\$ 162,537	\$ 3,391	2.1%
Non-current assets	447,651	445,772	1,879	0.4%
<b>Total assets</b>	<b>\$ 613,579</b>	<b>\$ 608,309</b>	<b>\$ 5,270</b>	<b>0.9%</b>
Current liabilities	\$ 170,774	\$ 164,738	\$ 6,036	3.7%
Non-current liabilities	402,184	408,442	(6,258)	(1.5%)
<b>Total liabilities</b>	<b>\$ 572,958</b>	<b>\$ 573,180</b>	<b>\$ (222)</b>	<b>0.0%</b>

### Assets

Current assets increased by \$3,391 (2.1%) primarily attributable to the following:

- Increase in trade and other receivables of \$7,461 primarily due to an increase in parliamentary appropriations receivable and recoverable sales taxes; and
- Decrease in prepaids of \$2,737 due to the impact of amortization, less additions.

Non-current assets increased by \$1,879 (0.4%) primarily attributable to the following:

- Increase in employee benefits of \$7,301 relating to CATSA's registered pension plan and supplementary retirement plan;
- Increase in right-of-use assets of \$3,691 attributable to additions of \$5,184, primarily due to a reassessment of the lease term of CATSA's corporate headquarters lease, partially offset by depreciation of \$1,493; and
- Decrease in property and equipment and intangible assets of \$9,113 primarily due to depreciation and amortization totaling \$20,971, partially offset by acquisitions totaling \$11,878.

### Liabilities

Current liabilities increased by \$6,036 (3.7%) primarily attributable to the following:

- Increase in trade and other payables of \$10,903 due to the timing of disbursements associated with obligations outstanding with suppliers;
- Decrease in holdbacks of \$1,753 attributable to the final release associated with CATSA's HBS recapitalization program; and
- Decrease in deferred government funding related to operating expenditures of \$3,112 due to a reduction in inventories and prepaid expenses.

Non-current liabilities decreased by \$6,258 (1.5%) primarily attributable to the following:

- Decrease in the deferred government funding related to capital expenditures of \$9,053 due to amortization of deferred government funding related to capital expenditures of \$20,947 exceeding parliamentary appropriations used to fund capital expenditures of \$11,894;

- Decrease in employee benefits liability of \$1,478 relating to CATSA's other defined benefits plan; and
- Increase in the non-current portion of lease liabilities of \$4,283 due to the reassessment of the lease term of CATSA's corporate headquarters lease, partially offset by ongoing lease payments.



## FINANCIAL PERFORMANCE AGAINST CORPORATE PLAN

CATSA's operations are funded by parliamentary appropriations from the Government of Canada and are reflected in CATSA's *Summary of the 2023/24 to 2027/28 Corporate Plan*.

### PARLIAMENTARY APPROPRIATIONS USED

Appropriations used are reported on a near-cash accrual basis of accounting.

#### Operating Expenditures

The table below serves to reconcile financial performance reported under International Financial Reporting Standards (IFRS) and operating appropriations used.

Reconciliation of Financial Performance to Operating Appropriations Used (Unaudited) (Thousands of Canadian dollars)	Three Months Ended		Six Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
<b>Financial performance before revenue and government funding</b>	\$ 241,467	\$ 230,516	\$ 481,079	\$ 436,129
<b>Revenue</b>	(820)	(640)	(1,497)	(810)
<b>Financial performance before government funding</b>	240,647	229,876	479,582	435,319
<b>Non-cash items</b>				
Depreciation and amortization	(11,264)	(11,045)	(22,464)	(22,042)
Employee cost accruals <sup>1</sup>	(585)	290	(2,753)	(1,952)
Non-cash finance costs related to leases	(95)	(68)	(158)	(137)
Write-off of property and equipment and intangible assets	(2)	-	(17)	(16)
Change in fair value of financial instruments at fair value through profit and loss	419	1,016	12	1,473
Employee benefits expense <sup>2</sup>	70	(272)	(564)	(44)
Non-cash gain (loss) on foreign exchange recognized in financial performance	6	(36)	88	(122)
Loss on disposal of property and equipment	-	-	(3)	-
<b>Appropriations used for operating expenses</b>	<b>\$ 229,196</b>	<b>\$ 219,761</b>	<b>\$ 453,723</b>	<b>\$ 412,479</b>
<b>Other items affecting funding</b>				
Net change in prepaids and inventories <sup>3</sup>	(2,837)	(3,473)	(3,112)	(3,958)
<b>Total operating appropriations used</b>	<b>\$ 226,359</b>	<b>\$ 216,288</b>	<b>\$ 450,611</b>	<b>\$ 408,521</b>

<sup>1</sup> Employee cost accruals are accounting adjustments to record variable pay and accrued vacation used and incurred to September 30, 2023. These costs are only recorded for near-cash accrual purposes at year-end, creating a reconciling item during interim periods.

<sup>2</sup> Employee benefits expense is accounted for in the Condensed Interim Statement of Comprehensive Income (Loss) in accordance with IFRS. The reconciling item above represents the difference between cash payments for employee benefits and the accounting expense under IFRS.

<sup>3</sup> Prepaids and inventories funded through operating appropriations are expensed as the benefit is derived from the asset by CATSA. They are funded by appropriations when purchased, creating a reconciling item.

## CAPITAL EXPENDITURES

The table below serves to reconcile capital expenditures reported under IFRS and capital appropriations used.

Reconciliation of Capital Expenditures to Capital Appropriations Used (unaudited) (Thousands of Canadian dollars)	Three Months Ended September 30		Six Months Ended September 30	
	2023	2022	2023	2022
	Explosives Detection Systems (EDS)	\$ 7,388	\$ 2,229	\$ 7,761
Non-Explosives Detection Systems (Non-EDS)	3,318	504	4,117	857
Lease payments	532	1,013	1,061	2,019
<b>Total capital expenditures</b>	<b>\$ 11,238</b>	<b>\$ 3,746</b>	<b>\$ 12,939</b>	<b>\$ 6,369</b>
Non-cash adjustment on foreign exchange related to capital expenditures	20	-	16	-
<b>Total capital appropriations used</b>	<b>\$ 11,258</b>	<b>\$ 3,746</b>	<b>\$ 12,955</b>	<b>\$ 6,369</b>

## APPROPRIATIONS USED COMPARED TO CORPORATE PLAN

Parliamentary appropriations used for operating expenditures are in line with the operating budget in CATSA's approved *Summary of the 2023/24 to 2027/28 Corporate Plan* for the six months ended September 30, 2023.

Parliamentary appropriations used for capital expenditures for the six months ended September 30, 2023 are lower than planned. This is due to delays in capital spending associated with various EDS and Non-EDS projects, resulting mainly from vendor delays and changes in airport project plans.

CATSA is on track to meet the operating goals, objectives and financial results for the current year as outlined in CATSA's approved *Summary of the 2023/24 to 2027/28 Corporate Plan*.

## STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these unaudited condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, and The Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Report*, and for such internal controls as management determines are necessary to enable the preparation of the unaudited condensed interim 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 unaudited condensed interim financial statements.

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



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Nada Semaan  
President and Chief Executive Officer

Ottawa, Canada

November 22, 2023



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Nancy Fitchett, CPA, CA  
Vice-President, Corporate Affairs and  
Chief Financial Officer

Ottawa, Canada

November 22, 2023

Condensed Interim Financial Statements of

**CANADIAN AIR TRANSPORT SECURITY  
AUTHORITY**

September 30, 2023

(Unaudited)

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Condensed Interim Statement of Financial Position  
(Unaudited)

(In thousands of Canadian dollars)

	September 30, 2023	March 31, 2023
<b>Assets</b>		
Current assets		
Cash	\$ 12,825	\$ 13,785
Trade and other receivables (note 4)	136,938	129,477
Inventories (note 5)	11,044	11,419
Prepays	5,097	7,834
Derivative financial assets (note 15)	24	22
	165,928	162,537
Non-current assets		
Property and equipment (note 6)	355,879	367,255
Intangible assets (note 7)	15,095	12,832
Right-of-use assets (note 8)	17,272	13,581
Employee benefits asset (note 9)	59,405	52,104
	447,651	445,772
<b>Total assets</b>	<b>\$ 613,579</b>	<b>\$ 608,309</b>
<b>Liabilities and Equity</b>		
Current liabilities		
Trade and other payables	\$ 152,793	\$ 141,890
Holdbacks	65	1,818
Lease liabilities (note 11)	1,775	1,777
Deferred government funding related to operating expenses (note 12)	16,141	19,253
	170,774	164,738
Non-current liabilities		
Lease liabilities (note 11)	16,991	12,708
Deferred government funding related to capital expenditures (note 12)	370,127	379,180
Employee benefits liability (note 9)	15,066	16,544
Derivative financial liabilities (note 15)	-	10
	402,184	408,442
Equity		
Accumulated surplus	40,621	35,129
<b>Total liabilities and equity</b>	<b>\$ 613,579</b>	<b>\$ 608,309</b>

Contingencies (note 10) and contractual arrangements (note 16)

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

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited)

(In thousands of Canadian dollars)

	Three months ended		Six months ended	
	September 30		September 30	
	2023	2022	2023	2022
<b>Expenses</b>				
Pre-Board Screening	\$ 148,961	\$ 143,510	\$ 296,437	\$ 263,653
Hold Baggage Screening	40,916	38,475	81,109	74,638
Non-Passenger Screening	38,301	35,779	75,577	71,370
Restricted Area Identity Card Program	995	1,155	2,091	2,170
Corporate services	12,532	12,578	25,713	25,631
Total expenses (note 13)	241,705	231,497	480,927	437,462
<b>Other (income) expenses</b>				
Finance costs	97	69	164	139
Foreign exchange loss (gain)	82	(34)	(20)	(15)
Write-off of property and equipment and intangible assets	2	-	17	16
Net gain on fair value of derivative financial instruments	(419)	(1,016)	(12)	(1,473)
Loss on disposal of property and equipment	-	-	3	-
Total other (income) expenses	(238)	(981)	152	(1,333)
Financial performance before revenue and government funding	241,467	230,516	481,079	436,129
<b>Revenue</b>				
Finance income	806	577	1,483	740
Miscellaneous income	14	-	14	-
Screening services - other	-	63	-	70
Total revenue	820	640	1,497	810
<b>Government funding</b>				
Parliamentary appropriations for operating expenses (note 12)	229,196	219,761	453,723	412,479
Amortization of deferred government funding related to capital expenditures (note 12)	10,492	10,105	20,947	20,191
Parliamentary appropriations for lease payments (note 14)	532	1,013	1,061	2,019
Total government funding	240,220	230,879	475,731	434,689
Financial performance	\$ (427)	\$ 1,003	\$ (3,851)	\$ (630)
<b>Other comprehensive income (loss)</b>				
Item that will not be reclassified to financial performance				
Remeasurement of defined benefit plans (note 9)	12,578	(3,150)	9,343	4,384
Total comprehensive income (loss)	\$ 12,151	\$ (2,147)	\$ 5,492	\$ 3,754

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

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Condensed Interim Statement of Changes in Equity  
(Unaudited)

(In thousands of Canadian dollars)

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**For the three months ended September 30:**

	Accumulated surplus
Balance, June 30, 2023	\$ 28,470
Financial performance	(427)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	12,578
<b>Balance, September 30, 2023</b>	<b>\$ 40,621</b>
Balance, June 30, 2022	\$ 43,675
Financial performance	1,003
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	(3,150)
<b>Balance, September 30, 2022</b>	<b>\$ 41,528</b>

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**For the six months ended September 30:**

	Accumulated surplus
Balance, March 31, 2023	\$ 35,129
Financial performance	(3,851)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	9,343
<b>Balance, September 30, 2023</b>	<b>\$ 40,621</b>
Balance, March 31, 2022	\$ 37,774
Financial performance	(630)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	4,384
<b>Balance, September 30, 2022</b>	<b>\$ 41,528</b>

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

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Condensed Interim Statement of Cash Flows  
(Unaudited)

(In thousands of Canadian dollars)

	Three months ended		Six months ended	
	September 30		September 30	
	2023	2022	2023	2022
<b>Cash flows provided by (used in)</b>				
<b>Operating activities</b>				
Financial performance	\$ (427)	\$ 1,003	\$ (3,851)	\$ (630)
Items not involving cash				
Depreciation and amortization (note 13)	11,264	11,045	22,464	22,042
Write-off of property and equipment and intangible assets	2	-	17	16
Amortization of deferred government funding related to capital expenditures (note 12)	(10,492)	(10,105)	(20,947)	(20,191)
Change in fair value of financial instruments at fair value through profit and loss	(419)	(1,016)	(12)	(1,473)
Change in net employee benefits asset/liability	(70)	(290)	564	44
Other non-cash transactions	-	236	-	163
Loss on disposal of property and equipment	-	-	3	-
Net change in working capital balances (note 18)	(5,391)	11,298	4,400	46,684
	(5,533)	12,171	2,638	46,655
<b>Investing activities</b>				
Parliamentary appropriations received for capital funding (note 14)	5,590	2,916	5,590	2,916
Purchase of property and equipment	(5,510)	(3,690)	(8,285)	(4,952)
Purchase of intangible assets	-	(127)	-	(127)
	80	(901)	(2,695)	(2,163)
<b>Financing activities</b>				
Lease principal payments	(437)	(945)	(903)	(1,882)
	(437)	(945)	(903)	(1,882)
(Decrease) increase in cash	(5,890)	10,325	(960)	42,610
Cash, beginning of period	18,715	39,866	13,785	7,581
Cash, end of period	\$ 12,825	\$ 50,191	\$ 12,825	\$ 50,191

Interest expense paid and interest income received approximate finance costs and finance income, respectively, in the Condensed Interim Statement of Comprehensive Income (Loss).

Supplementary cash flow information (note 18)

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



# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

For the three and six months ended September 30, 2023  
(In thousands of Canadian dollars)

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## 1. Corporate information

CATSA is a Crown corporation listed under Part I, Schedule III of the *Financial Administration Act* and is an agent of His Majesty in right of Canada. CATSA is responsible for securing specific elements of the air transportation system, from passenger and baggage screening, to screening airport workers.

CATSA is funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport. In prior years, CATSA provided screening services on a cost recovery basis to certain designated and non-designated airports. There are currently no arrangements in place for CATSA to provide services on a cost recovery basis.

These condensed interim financial statements have been authorized for issuance by the Board of Directors on November 22, 2023.

## 2. Basis of preparation

The condensed interim financial statements have been prepared in accordance with Section 131.1 of the *Financial Administration Act* and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB) and approved by the Accounting Standards Board of Canada.

Section 131.1 of the *Financial Administration Act* requires that most parent Crown corporations prepare and make public quarterly financial reports in compliance with the Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Report*. These condensed interim financial statements have not been audited or reviewed by CATSA's external auditor.

As permitted by IAS 34, these interim financial statements are presented on a condensed basis and therefore do not include all necessary disclosures to conform, in all material respects, with IFRS disclosure requirements applicable to annual financial statements. These condensed interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements. Accordingly, they should be read in conjunction with the audited annual financial statements for the year ended March 31, 2023.

## 3. Summary of significant accounting policies

Significant accounting policies used in these condensed interim financial statements are disclosed in note 3 of CATSA's audited annual financial statements for the year ended March 31, 2023, and the condensed interim financial statements for the three months ended June 30, 2023.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

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## 4. Trade and other receivables

Trade and other receivables are comprised of:

	September 30, 2023	March 31, 2023
Parliamentary appropriations (note 17)	\$ 124,566	\$ 120,464
GST and HST recoverable	10,707	7,396
PST recoverable	1,665	1,617
	<hr/>	<hr/>
	\$ 136,938	\$ 129,477

## 5. Inventories

Inventories are comprised of:

	September 30, 2023	March 31, 2023
Spare parts	\$ 10,560	\$ 9,822
RAIC	394	780
Uniforms	90	817
	<hr/>	<hr/>
	\$ 11,044	\$ 11,419

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 6. Property and equipment

A reconciliation of property and equipment is as follows:

	PBS equipment	HBS equipment	NPS equipment	RAIC equipment	Computers, integrated software and electronic equipment	Office furniture and equip- ment	Leasehold improve- ments	Work-in- progress	Total
<b>Cost</b>									
Balance, March 31, 2022	\$ 162,849	\$ 658,011	\$ 20,722	\$ 3,989	\$ 28,932	\$ 129	\$ 10,113	\$ 14,543	\$ 899,288
Additions	709	2,714	-	194	437	-	803	8,048	12,905
Disposals	(5,745)	(5,134)	-	(95)	(1,494)	(11)	(2,937)	-	(15,416)
Write-offs	(1,318)	(280)	-	(756)	(485)	-	-	(7)	(2,846)
Impairments	-	-	-	-	292	-	-	98	390
Reclassifications	6,699	3,574	-	-	511	-	30	(10,814)	-
<b>Balance, March 31, 2023</b>	<b>\$ 163,194</b>	<b>\$ 658,885</b>	<b>\$ 20,722</b>	<b>\$ 3,332</b>	<b>\$ 28,193</b>	<b>\$ 118</b>	<b>\$ 8,009</b>	<b>\$ 11,868</b>	<b>\$ 894,321</b>
Balance, March 31, 2023	\$ 163,194	\$ 658,885	\$ 20,722	\$ 3,332	\$ 28,193	\$ 118	\$ 8,009	\$ 11,868	\$ 894,321
Additions	373	1,084	-	54	16	-	93	6,856	8,476
Disposals	-	-	-	-	(228)	-	(188)	-	(416)
Write-offs	(299)	-	-	(98)	(399)	-	(18)	-	(814)
Reclassifications	2,308	3,314	-	-	512	-	199	(6,333)	-
<b>Balance, September 30, 2023</b>	<b>\$ 165,576</b>	<b>\$ 663,283</b>	<b>\$ 20,722</b>	<b>\$ 3,288</b>	<b>\$ 28,094</b>	<b>\$ 118</b>	<b>\$ 8,095</b>	<b>\$ 12,391</b>	<b>\$ 901,567</b>
<b>Accumulated depreciation</b>									
Balance, March 31, 2022	\$ 115,612	\$ 342,894	\$ 15,973	\$ 2,853	\$ 19,608	\$ 95	\$ 9,527	\$ -	\$ 506,562
Depreciation	5,027	29,399	590	356	2,966	24	363	-	38,725
Disposals	(5,745)	(5,134)	-	(95)	(1,491)	(11)	(2,937)	-	(15,413)
Write-offs	(1,300)	(258)	-	(756)	(494)	-	-	-	(2,808)
<b>Balance, March 31, 2023</b>	<b>\$ 113,594</b>	<b>\$ 366,901</b>	<b>\$ 16,563</b>	<b>\$ 2,358</b>	<b>\$ 20,589</b>	<b>\$ 108</b>	<b>\$ 6,953</b>	<b>\$ -</b>	<b>\$ 527,066</b>
Balance, March 31, 2023	\$ 113,594	\$ 366,901	\$ 16,563	\$ 2,358	\$ 20,589	\$ 108	\$ 6,953	\$ -	\$ 527,066
Depreciation	2,626	14,990	327	175	1,509	10	197	-	19,834
Disposals	-	-	-	-	(228)	-	(185)	-	(413)
Write-offs	(297)	-	-	(98)	(386)	-	(18)	-	(799)
<b>Balance, September 30, 2023</b>	<b>\$ 115,923</b>	<b>\$ 381,891</b>	<b>\$ 16,890</b>	<b>\$ 2,435</b>	<b>\$ 21,484</b>	<b>\$ 118</b>	<b>\$ 6,947</b>	<b>\$ -</b>	<b>\$ 545,688</b>
<b>Carrying amounts</b>									
As at March 31, 2023	\$ 49,600	\$ 291,984	\$ 4,159	\$ 974	\$ 7,604	\$ 10	\$ 1,056	\$ 11,868	\$ 367,255
As at September 30, 2023	\$ 49,653	\$ 281,392	\$ 3,832	\$ 853	\$ 6,610	\$ -	\$ 1,148	\$ 12,391	\$ 355,879

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 7. Intangible assets

A reconciliation of intangible assets is as follows:

	Externally acquired software	Internally developed software	Under development	Total
<b>Cost</b>				
Balance, March 31, 2022	\$ 10,843	\$ 20,561	\$ -	\$ 31,404
Additions	18	231	-	249
Write-offs	(323)	(350)	-	(673)
<b>Balance, March 31, 2023</b>	<b>\$ 10,538</b>	<b>\$ 20,442</b>	<b>\$ -</b>	<b>\$ 30,980</b>
Balance, March 31, 2023	\$ 10,538	\$ 20,442	\$ -	\$ 30,980
Additions	3,162	-	240	3,402
Write-offs	(16)	(3,985)	-	(4,001)
<b>Balance, September 30, 2023</b>	<b>\$ 13,684</b>	<b>\$ 16,457</b>	<b>\$ 240</b>	<b>\$ 30,381</b>
<b>Accumulated amortization</b>				
Balance, March 31, 2022	\$ 5,525	\$ 11,134	\$ -	\$ 16,659
Amortization	787	1,375	-	2,162
Write-offs	(323)	(350)	-	(673)
<b>Balance, March 31, 2023</b>	<b>\$ 5,989</b>	<b>\$ 12,159</b>	<b>\$ -</b>	<b>\$ 18,148</b>
Balance, March 31, 2023	\$ 5,989	\$ 12,159	\$ -	\$ 18,148
Amortization	356	781	-	1,137
Write-offs	(14)	(3,985)	-	(3,999)
<b>Balance, September 30, 2023</b>	<b>\$ 6,331</b>	<b>\$ 8,955</b>	<b>\$ -</b>	<b>\$ 15,286</b>
<b>Carrying amounts</b>				
As at March 31, 2023	\$ 4,549	\$ 8,283	\$ -	\$ 12,832
As at September 30, 2023	\$ 7,353	\$ 7,502	\$ 240	\$ 15,095

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 8. Right-of-use assets

A reconciliation of right-of-use assets is as follows:

		Office space		Data centres		Total
Balance, March 31, 2022	\$	15,466	\$	1,103	\$	16,569
Additions		511		-		511
Decreases		(92)		-		(92)
Depreciation		(3,197)		(210)		(3,407)
<b>Balance, March 31, 2023</b>	<b>\$</b>	<b>12,688</b>	<b>\$</b>	<b>893</b>	<b>\$</b>	<b>13,581</b>
Balance, March 31, 2023	\$	12,688	\$	893	\$	13,581
Additions		5,184		-		5,184
Depreciation		(1,388)		(105)		(1,493)
<b>Balance, September 30, 2023</b>	<b>\$</b>	<b>16,484</b>	<b>\$</b>	<b>788</b>	<b>\$</b>	<b>17,272</b>

During the three and six months ended September 30, 2023, CATSA reassessed the lease term for its headquarters office space lease, which resulted in an increase to the right-of-use assets of \$5,157.

## 9. Employee benefits

### (a) Employee benefits asset and liability

Employee benefits asset and liability recognized and presented in the Condensed Interim Statement of Financial Position are detailed as follows:

		September 30, 2023		March 31, 2023
<b>Employee benefits asset</b>				
Registered pension plan (RPP)	\$	57,182	\$	50,434
Supplementary retirement plan (SRP)		2,223		1,670
		59,405		52,104
<b>Employee benefits liability</b>				
Other defined benefits plan (ODBP)		(15,066)		(16,544)
		(15,066)		(16,544)
<b>Employee benefits - net asset</b>	<b>\$</b>	<b>44,339</b>	<b>\$</b>	<b>35,560</b>

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## (b) Employee benefits costs

The elements of employee benefits costs are as follows:

	For the three months ended September 30							
	RPP		SRP		ODBP		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Defined benefit cost (income) recognized in financial performance</b>								
Current service cost	\$ 1,245	\$ 1,397	\$ 33	\$ 13	\$ 121	\$ 224	\$ 1,399	\$ 1,634
Administration costs	81	94	6	4	-	-	87	98
Interest cost on defined benefit obligation	2,572	2,130	80	49	207	199	2,859	2,378
Interest income on plan assets	(3,136)	(2,625)	(100)	(82)	-	-	(3,236)	(2,707)
	\$ 762	\$ 996	\$ 19	\$ (16)	\$ 328	\$ 423	\$ 1,109	\$ 1,403

### Remeasurement of defined benefit plans recognized in other comprehensive income (loss)

Return on plan assets excluding interest income	\$ (18,817)	\$ (3,018)	\$ (187)	\$ (132)	\$ -	\$ -	\$ (19,004)	\$ (3,150)
Actuarial gains	28,406	-	848	-	2,328	-	31,582	-
	\$ 9,589	\$ (3,018)	\$ 661	\$ (132)	\$ 2,328	\$ -	\$ 12,578	\$ (3,150)

	For the six months ended September 30							
	RPP		SRP		ODBP		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Defined benefit cost (income) recognized in financial performance</b>								
Current service cost	\$ 2,491	\$ 2,794	\$ 66	\$ 27	\$ 241	\$ 448	\$ 2,798	\$ 3,269
Administration costs	162	188	12	8	-	-	174	196
Interest cost on defined benefit obligation	5,144	4,260	160	98	414	398	5,718	4,756
Interest income on plan assets	(6,272)	(5,250)	(200)	(164)	-	-	(6,472)	(5,414)
	\$ 1,525	\$ 1,992	\$ 38	\$ (31)	\$ 655	\$ 846	\$ 2,218	\$ 2,807

### Remeasurement of defined benefit plans recognized in other comprehensive income (loss)

Return on plan assets excluding interest income	\$ (17,787)	\$ (34,638)	\$ (169)	\$ (830)	\$ -	\$ -	\$ (17,956)	\$ (35,468)
Actuarial gains	24,549	35,655	734	707	2,016	3,490	27,299	39,852
	\$ 6,762	\$ 1,017	\$ 565	\$ (123)	\$ 2,016	\$ 3,490	\$ 9,343	\$ 4,384

For the three and six months ended September 30, 2023, CATSA recognized an expense of \$282 (2022 - \$240) and \$623 (2022 - \$513), respectively, in relation to the defined contribution component of the RPP.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## (c) Significant actuarial assumptions

Assumptions used to measure the defined benefit plan assets and liabilities are reviewed and, as necessary, revised at each reporting period. This typically includes reviewing the discount rates and actual rate of return on the plan assets against rates previously estimated, to reflect the current assumptions and circumstances. Changes to actuarial assumptions result in remeasurement gains and/or losses recognized in other comprehensive income (loss).

For the three months ended September 30, 2023, remeasurement gains of \$12,578 resulted from an increase in the discount rate of 80 basis points (from 4.80% at June 30, 2023 to 5.60% at September 30, 2023). This was partially offset by a lower actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (-6.03% actual versus 1.23% expected).

For the three months ended September 30, 2022, remeasurement losses of \$3,150 resulted from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (-0.17% actual versus 1.00% expected).

For the six months ended September 30, 2023, remeasurement gains of \$9,343 resulted from an increase in the discount rate of 70 basis points (from 4.90% at March 31, 2023 to 5.60% at September 30, 2023). This was partially offset by a lower actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (-4.50% actual versus 2.45% expected).

For the six months ended September 30, 2022, remeasurement gains of \$4,384 resulted from an increase in the discount rate of 100 basis points (from 4.00% at March 31, 2022 to 5.00% at September 30, 2022). This was partially offset by a lower actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (-11.49% actual versus 2.00% expected).

## (d) Employer contributions

Employer contributions paid to the defined benefit plans are as follows:

	Three months ended		Six months ended	
	September 30		September 30	
	2023	2022	2023	2022
Employer contributions				
RPP	\$ 1,089	\$ 1,639	\$ 1,511	\$ 2,635
SRP	26	-	26	20
ODBP	64	54	117	108
	\$ 1,179	\$ 1,693	\$ 1,654	\$ 2,763

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

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Total employer contributions to the defined benefit plans are estimated to be \$5,306 for the year ending March 31, 2024.

## 10. Provisions and contingencies

Several claims, audits and legal proceedings have been asserted or instituted against CATSA. By nature, these amounts are subject to many uncertainties and the outcome of the individual matters is not always predictable. As at September 30, 2023, claims, audits and legal proceedings are not expected, individually or in the aggregate, to have a material adverse effect on the financial statements.

### (a) Provisions

During the six months ended September 30, 2023, there were no provisions recorded.

### (b) Contingencies – Decommissioning costs

During the six months ended September 30, 2023, there have been no material changes to contingencies related to decommissioning costs. For a description of CATSA's decommissioning costs, refer to note 10(b) of the audited annual financial statements for the year ended March 31, 2023.



# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 11. Lease liabilities

CATSA has leases for office space and data centres. CATSA has included extension options in the measurement of its lease liabilities when it is reasonably certain to exercise the extension option.

A reconciliation of lease liabilities is as follows:

	September 30, 2023		March 31, 2023	
Balance, beginning of period	\$	14,485	\$	17,236
Additions		5,184		511
Decreases		-		(92)
Lease payments (note 14)		(1,061)		(3,435)
Finance costs		158		265
<b>Balance, end of period</b>	<b>\$</b>	<b>18,766</b>	<b>\$</b>	<b>14,485</b>
Balance, end of period				
Current	\$	1,775	\$	1,777
Non-current		16,991		12,708

During the three and six months ended September 30, 2023, CATSA reassessed the lease term for one of its contracts, which resulted in an increase in lease liabilities of \$5,157.

CATSA recognized the following expenses not included in the measurement of the lease liabilities as follows:

	Three months ended September 30		Six months ended September 30	
	2023	2022	2023	2022
Variable lease payments	\$ 307	\$ 670	\$ 779	\$ 1,369
Short-term leases	33	-	69	-
Low value leases	8	15	21	30
<b>Other lease costs (note 13)</b>	<b>\$ 348</b>	<b>\$ 685</b>	<b>\$ 869</b>	<b>\$ 1,399</b>

Variable lease payments include operating costs, property taxes, insurance, and other service-related costs.

For the three and six months ended September 30, 2023, CATSA recognized a total cash outflow for leases of \$880 (2022 - \$1,698) and \$1,930 (2022 - \$3,418), respectively.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

The following table presents the undiscounted cash flows for contractual lease obligations:

	September 30, 2023	March 31, 2023
No later than 1 year	\$ 4,827	\$ 4,840
Later than 1 year and no later than 5 years	12,727	14,221
Later than 5 years	840	982
	<b>\$ 18,394</b>	<b>\$ 20,043</b>

## 12. Deferred government funding

A reconciliation of the deferred government funding liability is as follows:

	September 30, 2023	March 31, 2023
<b>Deferred government funding related to operating expenses</b>		
Balance, beginning of period	\$ 19,253	\$ 18,241
Parliamentary appropriations used to fund operating expenses (note 14)	450,611	849,013
Parliamentary appropriations for operating expenses recognized in financial performance	(453,723)	(848,001)
Balance, end of period	\$ 16,141	\$ 19,253
<b>Deferred government funding related to capital expenditures</b>		
Balance, beginning of period	\$ 379,180	\$ 406,579
Parliamentary appropriations used to fund capital expenditures (note 14)	11,894	13,016
Amortization of deferred government funding related to capital expenditures recognized in financial performance	(20,947)	(40,415)
Balance, end of period	\$ 370,127	\$ 379,180
<b>Total deferred government funding, end of period</b>	<b>\$ 386,268</b>	<b>\$ 398,433</b>

For additional information on government funding, see note 14.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 13. Expenses

The Condensed Interim Statement of Comprehensive Income (Loss) presents operating expenses by program activity. The following table presents operating expenses by major expense type:

	Three months ended September 30		Six months ended September 30	
	2023	2022	2023	2022
<b>Screening services and other related costs</b>				
Payments to screening contractors	\$ 190,855	\$ 183,706	\$ 378,712	\$ 340,457
Uniforms and other screening costs	2,820	2,716	5,987	5,385
Trace and consumables	1,527	1,443	2,447	3,606
	195,202	187,865	387,146	349,448
<b>Equipment operating and maintenance</b>				
Equipment maintenance and spare parts	11,860	10,029	23,325	19,455
Training and certification	291	96	427	258
RAIC	192	307	394	584
	12,343	10,432	24,146	20,297
<b>Program support and corporate services</b>				
Employee costs	16,606	16,094	34,922	32,989
Office and computer expenses	2,546	1,674	4,312	3,698
Other administrative costs <sup>1</sup>	1,718	1,455	3,230	3,108
Professional services and other business related costs <sup>2</sup>	1,459	2,045	3,319	4,116
Other lease costs (note 11)	348	685	869	1,399
Communications and public awareness	219	202	519	365
	22,896	22,155	47,171	45,675
<b>Depreciation and amortization</b>				
Depreciation of property and equipment (note 6)	9,926	9,602	19,834	19,170
Depreciation of right-of-use assets (note 8)	751	903	1,493	1,792
Amortization of intangible assets (note 7)	587	540	1,137	1,080
	11,264	11,045	22,464	22,042
	\$ 241,705	\$ 231,497	\$ 480,927	\$ 437,462

<sup>1</sup> Other administrative costs include insurance, network and telephone expenses, and facilities maintenance.

<sup>2</sup> Other business related costs include travel expenses, conference fees, membership and association fees, and meeting expenses.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 14. Government funding

Parliamentary appropriations approved for the fiscal year and amounts used by CATSA during the six months ended September 30 are as follows:

	2023	2022
Parliamentary appropriations approved for the fiscal year	\$ 1,029,729	\$ 897,221
Parliamentary appropriations used to date to fund operating expenses	(450,611)	(408,521)
Parliamentary appropriations used to date to fund capital expenditures and lease payments	(12,955)	(6,369)
<b>Unused parliamentary appropriations</b>	<b>\$ 566,163</b>	<b>\$ 482,331</b>

The following table reconciles parliamentary appropriations for operating expenses that were received and receivable with the amount of appropriations used:

	Three months ended September 30		Six months ended September 30	
	2023	2022	2023	2022
Parliamentary appropriations received	\$ 234,813	\$ 156,825	\$ 452,813	\$ 362,825
Amounts received related to prior periods	(124,065)	(75,858)	(117,813)	(89,625)
Parliamentary appropriations receivable	115,611	135,321	115,611	135,321
<b>Parliamentary appropriations used to fund operating expenses (note 12)</b>	<b>\$ 226,359</b>	<b>\$ 216,288</b>	<b>\$ 450,611</b>	<b>\$ 408,521</b>

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
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The following table reconciles parliamentary appropriations for capital expenditures and lease payments that were received and receivable with the amount of appropriations used:

	Three months ended		Six months ended	
	September 30		September 30	
	2023	2022	2023	2022
Parliamentary appropriations received	\$ 5,590	\$ 2,916	\$ 5,590	\$ 2,916
Amounts receivable related to prior periods	(3,819)	(3,752)	(2,651)	(2,135)
Parliamentary appropriations receivable	8,955	3,569	8,955	3,569
Parliamentary appropriations used to fund capital expenditures (note 12)	10,726	2,733	11,894	4,350
Parliamentary appropriations used to fund lease payments (note 11)	532	1,013	1,061	2,019
Parliamentary appropriations used to fund capital expenditures and lease payments	\$ 11,258	\$ 3,746	\$ 12,955	\$ 6,369

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 15. Fair values of financial instruments

Derivative financial instruments are recorded at fair value in the Condensed Interim Statement of Financial Position. The fair values of cash, trade and other payables, and current holdbacks approximate their carrying amount due to the current nature of these instruments.

The carrying amounts and corresponding fair values of CATSA's remaining financial assets and liabilities are as follows:

	September 30, 2023		March 31, 2023	
	Carrying Amount	Fair Value (Level 2)	Carrying Amount	Fair Value (Level 2)
<b>Financial instruments measured at fair value</b>				
Derivative financial assets <sup>1</sup>	\$ 24	\$ 24	\$ 22	\$ 22
Derivative financial liabilities <sup>1</sup>	-	-	10	10

<sup>1</sup> The fair value is based on a discounted cash flow model based on observable inputs.

There were no transfers between levels during the six months ended September 30, 2023, or the year ended March 31, 2023.

## 16. Contractual commitments

During the three and six months ended September 30, 2023, there have been no material changes to CATSA's contractual commitments, other than the usage of contracts relating to payments to screening contractors.

For a description of CATSA's contractual commitments, refer to note 16 of the audited annual financial statements for the year ended March 31, 2023.

## 17. Related party transactions

CATSA had the following transactions with related parties:

- (a) Government of Canada, its agencies and other Crown corporations

CATSA is wholly owned by the Government of Canada, and is under common control with other Government of Canada departments, agencies and Crown corporations. CATSA enters into transactions with these entities in the normal course of operations. These related party transactions are based on normal trade terms applicable to all individuals and corporations.

CATSA's primary source of funding is parliamentary appropriations received from the Government of Canada. For the three and six months ended September 30, 2023, government funding of \$240,220 (2022 – \$230,879) and \$475,731 (2022 – \$434,689), respectively, is recognized in the

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Condensed Interim Statement of Comprehensive Income (Loss), and includes parliamentary appropriations for operating expenses, parliamentary appropriations for lease payments, and amortization of deferred government funding related to capital expenditures. Parliamentary appropriations receivable of \$124,566 (March 31, 2023 – \$120,464), are included in trade and other receivables in the Condensed Interim Statement of Financial Position.

(b) Transactions with CATSA's post-employment benefit plans

Transactions with the RPP, SRP and ODBP are conducted in the normal course of business. The transactions with CATSA's post-employment benefit plans consist of contributions as disclosed in note 9. No other transactions were made during the three and six month periods.

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## 18. Net change in working capital balances and supplementary cash flow information

The following table presents the net change in working capital balances:

	Three months ended		Six months ended	
	September 30		September 30	
	2023	2022	2023	2022
Decrease (increase) in trade and other receivables	\$ 4,542	\$ (58,826)	\$ (1,157)	\$ (42,977)
Decrease in inventories	373	112	375	1,041
Decrease in prepaids	2,464	3,125	2,737	2,754
(Decrease) increase in trade and other payables	(9,940)	70,558	5,550	90,018
Decrease in provisions	-	(200)	-	(200)
Increase in holdbacks	7	2	7	6
Decrease in deferred government funding related to operating expenses	(2,837)	(3,473)	(3,112)	(3,958)
	\$ (5,391)	\$ 11,298	\$ 4,400	\$ 46,684

For the three and six months ended September 30, 2023, the change in trade and other receivables excludes amounts of \$5,136 (2022 – \$183) and \$6,304 (2022 – \$1,434), respectively, in relation to government funding related to capital expenditures, as these amounts relate to investing activities.

For the three and six months ended September 30, 2023, the change in trade and other payables excludes amounts of \$5,166 (2022 – \$1,108) and \$5,353 (2022 – \$726), respectively, in relation to the acquisition of property and equipment and intangible assets, as these amounts relate to investing activities.

For the three and six months ended September 30, 2023, the change in holdbacks excludes amounts of \$30 (2022 – \$24) and \$1,760 (2022 – \$3), respectively, in relation to the acquisition of property and equipment, as these amounts relate to investing activities.



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## **19. Security Screening Services Commercialization Act**

As part of Budget 2019, the Government of Canada announced its intention to introduce legislation to enable the creation of an independent, not-for-profit entity, established by industry, which would assume the responsibility for aviation screening at Canada's airports. The Security Screening Services Commercialization Act (SSSCA) received Royal Assent in June 2019. The SSSCA allows for the sale of CATSA's assets and liabilities and the transfer of screening operations to a new Designated Screening Authority (DSA).

During the quarter, CATSA was informed that the DSA and the Government of Canada have agreed to discontinue negotiations regarding the sale. CATSA will continue to execute its mandate, realize its assets, and discharge its liabilities in the normal course of business.