



Quarterly Financial Report

For the Three and Nine Months Ended
December 31, 2023



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**CANADIAN AIR TRANSPORT SECURITY AUTHORITY
MANAGEMENT'S NARRATIVE DISCUSSION
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2023**

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 nine months ended December 31, 2023. This Narrative Discussion should be read in conjunction with CATSA's unaudited condensed interim financial statements for the three and nine months ended December 31, 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*, the *Quarterly Financial Report for the three months ended June 30, 2023*, and the *Quarterly Financial Report for the three and six months ended September 30, 2023*. The information in this report is expressed in thousands of Canadian dollars and is current to February 22, 2024, 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.

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 implementing changes to non-passenger screening and improvements to wait time service levels in 2024/25.

Budget 2023 also announced initiatives aimed at reducing government spending. CATSA has identified 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 14.8 million passengers for the three months ended December 31, 2022, to 16.1 million passengers for the three months ended December 31, 2023. CATSA continues to support the aviation industry by working closely with its screening contractors, TC and external stakeholders.

AIRPORT SCREENING SERVICE AGREEMENTS

On November 23, 2023, CATSA announced the new airport screening services contracts. The awarded companies will be responsible for delivering screening services at designated airports across Canada. The term of the new airport screening services contracts is from April 1, 2024 to March 31, 2029, and they are renewable for two additional five-year periods at CATSA's discretion.

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 nine months ended December 31, 2023, and December 31, 2022.

**Key Financial Highlights -
Condensed Interim Statement of
Comprehensive Income (Loss)**

(Unaudited)

(Thousands of Canadian dollars)	Three Months Ended December 31				Nine Months Ended December 31			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Expenses¹								
Screening services and other related costs	\$ 196,089	\$ 180,040	\$ 16,049	8.9%	\$ 583,235	\$ 529,488	\$ 53,747	10.2%
Equipment operating and maintenance	12,097	10,886	1,211	11.1%	36,243	31,183	5,060	16.2%
Program support and corporate services	25,718	22,298	3,420	15.3%	72,889	67,973	4,916	7.2%
Depreciation and amortization	11,266	11,120	146	1.3%	33,730	33,162	568	1.7%
Total expenses	245,170	224,344	20,826	9.3%	726,097	661,806	64,291	9.7%
Other expenses (income)	840	590	250	42.4%	992	(743)	1,735	233.5%
Financial performance before revenue and government funding	246,010	224,934	21,076	9.4%	727,089	661,063	66,026	10.0%
Revenue	772	763	9	1.2%	2,269	1,573	696	44.2%
Government funding								
Parliamentary appropriations for operating expenses	232,364	211,569	20,795	9.8%	686,087	624,048	62,039	9.9%
Amortization of deferred government funding related to capital expenditures	10,663	10,230	433	4.2%	31,610	30,421	1,189	3.9%
Parliamentary appropriations for lease payments	401	859	(458)	(53.3%)	1,462	2,878	(1,416)	(49.2%)
Total government funding	243,428	222,658	20,770	9.3%	719,159	657,347	61,812	9.4%
Financial performance	\$ (1,810)	\$ (1,513)	\$ (297)	(19.6%)	\$ (5,661)	\$ (2,143)	\$ (3,518)	(164.2%)
Other comprehensive (loss) income	(20,021)	4,999	(25,020)	(500.5%)	(10,678)	9,383	(20,061)	(213.8%)
Total comprehensive (loss) income	\$ (21,831)	\$ 3,486	\$ (25,317)	(726.2%)	\$ (16,339)	\$ 7,240	\$ (23,579)	(325.7%)

¹ 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 nine months ended December 31, 2023.

Screening Services and Other Related Costs

Screening services and other related costs increased by \$16,049 (8.9%) and by \$53,747 (10.2%) for the three and nine months ended December 31, 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 \$10,023 and \$56,259, respectively. The higher staffing level also positions CATSA to achieve 2024/25 objectives for improved passenger wait times and changes to the non-passenger screening program. The increases are also attributable to annual screening contractor billing rate increases totaling \$5,134 and \$13,125, respectively, and increases in other screening related costs of \$893 and \$1,204, respectively. The overall increase for the nine months ended December 31, 2023, is partially offset by lower spending on programs to support the recovery of the aviation industry totaling \$16,840.

Equipment Operating and Maintenance

Equipment operating and maintenance increased by \$1,211 (11.1%) and by \$5,060 (16.2%) for the three and nine months ended December 31, 2023, respectively, compared to the same periods in 2022. The increases are mainly attributable to costs associated with CATSA's transition to a new maintenance service provider and other equipment related spending.

Program Support and Corporate Services

Program support and corporate services increased by \$3,420 (15.3%) and by \$4,916 (7.2%) for the three and nine months ended December 31, 2023, respectively, compared to the same periods in 2022. The increases are primarily attributable to higher employee-related costs, resulting from an increase in the organization's workforce, higher spending on corporate priorities, including modernization of office space, and upgrades of key corporate systems.

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 \$20,795 (9.8%) and by \$62,039 (9.9%) for the three and nine months ended December 31, 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 \$433 (4.2%) and by \$1,189 (3.9%) for the three and nine months ended December 31, 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 (Loss) Income

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

Other comprehensive loss of \$20,021 for the three months ended December 31, 2023, was attributable to a remeasurement loss of \$40,771 on the defined benefit liability arising from a 100 basis point decrease in the discount rate between September 30, 2023, and December 31, 2023. This was offset by a remeasurement gain of \$20,750 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. Other comprehensive income of \$4,999 for the three months ended December 31, 2022, was attributable to a remeasurement gain resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions.

Other comprehensive loss of \$10,678 for the nine months ended December 31, 2023, was attributable to a remeasurement loss of \$13,472 on the defined benefit liability arising from a 30 basis point decrease in the discount rate between March 31, 2023, and December 31, 2023. This was offset by a remeasurement gain of \$2,794 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's

assumptions. Other comprehensive income of \$9,383 for the nine months ended December 31, 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 December 31, 2022. This was offset by a remeasurement loss of \$30,469 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 December 31, 2023, compared to March 31, 2023.

Key Financial Highlights -				
Condensed Interim Statement of Financial Position				
(Unaudited)	December 31,	March 31,		
(Thousands of Canadian dollars)	2023	2023	\$ Change	% Change
Current assets	\$ 152,367	\$ 162,537	\$ (10,170)	(6.3%)
Non-current assets	430,405	445,772	(15,367)	(3.4%)
Total assets	\$ 582,772	\$ 608,309	\$ (25,537)	(4.2%)
Current liabilities	\$ 159,123	\$ 164,738	\$ (5,615)	(3.4%)
Non-current liabilities	404,859	408,442	(3,583)	(0.9%)
Total liabilities	\$ 563,982	\$ 573,180	\$ (9,198)	(1.6%)

Assets

Current assets decreased by \$10,170 (6.3%) primarily attributable to the following:

- Decrease in cash of \$5,302 primarily due to the timing of disbursements to suppliers for goods and services;
- Decrease in trade and other receivables of \$2,284 due to a decrease in parliamentary appropriations receivable, partially offset by an increase in recoverable sales taxes; and
- Decrease in prepaids of \$3,170 due to the impact of amortization, less additions.

Non-current assets decreased by \$15,367 (3.4%) primarily attributable to the following:

- Decrease in property and equipment and intangible assets of \$10,077 primarily due to depreciation and amortization totaling \$31,594, partially offset by acquisitions totaling \$21,599;
- Decrease in employee benefits of \$9,167 primarily relating to CATSA's registered pension plan; and
- Increase in right-of-use assets of \$3,877 attributable to additions of \$6,013 mainly attributable to a reassessment of the lease term of CATSA's corporate headquarters lease, offset by depreciation of \$2,136.

Liabilities

Current liabilities decreased by \$5,615 (3.4%) primarily attributable to the following:

- Decrease in deferred government funding related to operating expenditures of \$2,562 due to a reduction in prepaids, as discussed above, offset by an increase in inventory;

- Decrease in trade and other payables of \$2,261 due to the timing of disbursements associated with obligations outstanding with suppliers; and
- Decrease in holdbacks of \$1,667 attributable to the final release associated with CATSA's HBS recapitalization program.

Non-current liabilities decreased by \$3,583 (0.9%) primarily attributable to the following:

- Decrease in the deferred government funding related to capital expenditures of \$10,015 due to amortization of deferred government funding related to capital expenditures of \$31,610 exceeding parliamentary appropriations used to fund capital expenditures of \$21,595;
- Increase in the non-current portion of lease liabilities of \$4,503 due to the reassessment of the lease term of CATSA's corporate headquarters lease, partially offset by ongoing lease payments; and
- Increase in employee benefits liability of \$1,794 relating to CATSA's other defined benefits plan.

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		Nine Months Ended	
	December 31		December 31	
	2023	2022	2023	2022
Financial performance before revenue and government funding	\$ 246,010	\$ 224,934	\$ 727,089	\$ 661,063
Revenue	(772)	(763)	(2,269)	(1,573)
Financial performance before government funding	245,238	224,171	724,820	659,490
Non-cash items				
Depreciation and amortization	(11,266)	(11,120)	(33,730)	(33,162)
Employee benefits expense ¹	281	291	(283)	247
Employee cost accruals ²	(1,026)	(877)	(3,779)	(2,829)
Change in fair value of financial instruments at fair value through profit and loss	(663)	(970)	(651)	503
Non-cash finance costs related to leases	(174)	(65)	(332)	(202)
Loss on disposal of property and equipment	(62)	-	(65)	-
Non-cash gain (loss) on foreign exchange recognized in financial performance	36	139	124	17
Write-off of property and equipment and intangible assets	-	-	(17)	(16)
Appropriations used for operating expenses	\$ 232,364	\$ 211,569	\$ 686,087	\$ 624,048
Other items affecting funding				
Net change in prepaids and inventories ³	550	446	(2,562)	(3,512)
Total operating appropriations used	\$ 232,914	\$ 212,015	\$ 683,525	\$ 620,536

¹ 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.

² Employee cost accruals are accounting adjustments to record variable pay and accrued vacation used and incurred to December 31, 2023. These costs are only recorded for near-cash accrual purposes at year-end, creating a reconciling item during interim periods.

³ 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 December 31		Nine Months Ended December 31	
	2023	2022	2023	2022
	Explosives Detection Systems (EDS)	\$ 7,146	\$ 4,715	\$ 14,907
Non-Explosives Detection Systems (Non-EDS)	2,575	869	6,692	1,726
Lease payments	401	859	1,462	2,878
Total capital expenditures	\$ 10,122	\$ 6,443	\$ 23,061	\$ 12,812
Non-cash adjustment on foreign exchange related to capital expenditures	(20)	(148)	(4)	(148)
Total capital appropriations used	\$ 10,102	\$ 6,295	\$ 23,057	\$ 12,664

APPROPRIATIONS USED COMPARED TO CORPORATE PLAN

Parliamentary appropriations used for operating expenditures for the nine months ended December 31, 2023, are lower than planned. This is primarily due to delays in the introduction of Transport Canada's amendments to security measures relating to CATSA's non-passenger screening program. The remaining 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 nine months ended December 31, 2023.

Parliamentary appropriations used for capital expenditures for the nine months ended December 31, 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.



Nada Semaan
President and Chief Executive Officer

Ottawa, Canada

February 22, 2024



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

Ottawa, Canada

February 22, 2024

Condensed Interim Financial Statements of

**CANADIAN AIR TRANSPORT SECURITY
AUTHORITY**

December 31, 2023

(Unaudited)

CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Condensed Interim Statement of Financial Position
(Unaudited)

(In thousands of Canadian dollars)

	December 31, 2023	March 31, 2023
Assets		
Current assets		
Cash	\$ 8,483	\$ 13,785
Trade and other receivables (note 4)	127,193	129,477
Inventories (note 5)	12,027	11,419
Prepays	4,664	7,834
Derivative financial assets (note 15)	-	22
	152,367	162,537
Non-current assets		
Property and equipment (note 6)	355,435	367,255
Intangible assets (note 7)	14,575	12,832
Right-of-use assets (note 8)	17,458	13,581
Employee benefits asset (note 9)	42,937	52,104
	430,405	445,772
Total assets	\$ 582,772	\$ 608,309
Liabilities and Equity		
Current liabilities		
Trade and other payables	\$ 139,629	\$ 141,890
Holdbacks	151	1,818
Lease liabilities (note 11)	2,158	1,777
Deferred government funding related to operating expenses (note 12)	16,691	19,253
Derivative financial liabilities (note 15)	494	-
	159,123	164,738
Non-current liabilities		
Lease liabilities (note 11)	17,211	12,708
Deferred government funding related to capital expenditures (note 12)	369,165	379,180
Employee benefits liability (note 9)	18,338	16,544
Derivative financial liabilities (note 15)	145	10
	404,859	408,442
Equity		
Accumulated surplus	18,790	35,129
Total liabilities and equity	\$ 582,772	\$ 608,309

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		Nine months ended	
	December 31		December 31	
	2023	2022	2023	2022
Expenses				
Pre-Board Screening	\$ 148,363	\$ 138,732	\$ 444,800	\$ 402,385
Hold Baggage Screening	42,032	37,763	123,141	112,401
Non-Passenger Screening	39,534	34,412	115,111	105,782
Restricted Area Identity Card Program	1,147	1,191	3,238	3,361
Corporate services	14,094	12,246	39,807	37,877
Total expenses (note 13)	245,170	224,344	726,097	661,806
Other expenses (income)				
Net loss (gain) on fair value of derivative financial instruments	663	970	651	(503)
Finance costs	175	67	339	206
Loss on disposal of property and equipment	62	-	65	-
Foreign exchange gain	(60)	(447)	(80)	(462)
Write-off of property and equipment and intangible assets	-	-	17	16
Total other expenses (income)	840	590	992	(743)
Financial performance before revenue and government funding	246,010	224,934	727,089	661,063
Revenue				
Finance income	770	731	2,253	1,471
Miscellaneous income	2	32	16	32
Screening services - other	-	-	-	70
Total revenue	772	763	2,269	1,573
Government funding				
Parliamentary appropriations for operating expenses (note 12)	232,364	211,569	686,087	624,048
Amortization of deferred government funding related to capital expenditures (note 12)	10,663	10,230	31,610	30,421
Parliamentary appropriations for lease payments (note 14)	401	859	1,462	2,878
Total government funding	243,428	222,658	719,159	657,347
Financial performance	\$ (1,810)	\$ (1,513)	\$ (5,661)	\$ (2,143)
Other comprehensive (loss) income				
Item that will not be reclassified to financial performance				
Remeasurement of defined benefit plans (note 9)	(20,021)	4,999	(10,678)	9,383
Total comprehensive (loss) income	\$ (21,831)	\$ 3,486	\$ (16,339)	\$ 7,240

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)

For the three months ended December 31:

	Accumulated surplus
Balance, September 30, 2023	\$ 40,621
Financial performance	(1,810)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	(20,021)
Balance, December 31, 2023	\$ 18,790
Balance, September 30, 2022	\$ 41,528
Financial performance	(1,513)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	4,999
Balance, December 31, 2022	\$ 45,014

For the nine months ended December 31:

	Accumulated surplus
Balance, March 31, 2023	\$ 35,129
Financial performance	(5,661)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	(10,678)
Balance, December 31, 2023	\$ 18,790
Balance, March 31, 2022	\$ 37,774
Financial performance	(2,143)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	9,383
Balance, December 31, 2022	\$ 45,014

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		Nine months ended	
	December 31		December 31	
	2023	2022	2023	2022
Cash flows provided by (used in)				
Operating activities				
Financial performance	\$ (1,810)	\$ (1,513)	\$ (5,661)	\$ (2,143)
Items not involving cash				
Depreciation and amortization (note 13)	11,266	11,120	33,730	33,162
Change in fair value of financial instruments at fair value through profit and loss	663	970	651	(503)
Loss on disposal of property and equipment	62	-	65	-
Amortization of deferred government funding related to capital expenditures (note 12)	(10,663)	(10,230)	(31,610)	(30,421)
Change in net employee benefits asset/liability	(281)	(291)	283	(247)
Write-off of property and equipment and intangible assets	-	-	17	16
Other non-cash transactions	-	-	-	163
Net change in working capital balances (note 18)	(7,537)	(14,986)	(3,137)	31,698
	(8,300)	(14,930)	(5,662)	31,725
Investing activities				
Parliamentary appropriations received for capital funding (note 14)	12,599	4,141	18,189	7,057
Purchase of property and equipment	(5,006)	(811)	(13,291)	(5,763)
Purchase of intangible assets	(3,409)	(103)	(3,409)	(230)
	4,184	3,227	1,489	1,064
Financing activities				
Lease principal payments	(226)	(794)	(1,129)	(2,676)
	(226)	(794)	(1,129)	(2,676)
(Decrease) increase in cash	(4,342)	(12,497)	(5,302)	30,113
Cash, beginning of period	12,825	50,191	13,785	7,581
Cash, end of period	\$ 8,483	\$ 37,694	\$ 8,483	\$ 37,694

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 nine months ended December 31, 2023
(In thousands of Canadian dollars)

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 February 22, 2024.

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.

CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements
(Unaudited)

(In thousands of Canadian dollars)

4. Trade and other receivables

Trade and other receivables are comprised of:

	December 31, 2023	March 31, 2023
Parliamentary appropriations (note 17)	\$ 116,582	\$ 120,464
GST and HST recoverable	9,100	7,396
PST recoverable	1,511	1,617
	<hr/>	<hr/>
	\$ 127,193	\$ 129,477

5. Inventories

Inventories are comprised of:

	December 31, 2023	March 31, 2023
Spare parts	\$ 11,542	\$ 9,822
RAIC	426	780
Uniforms	59	817
	<hr/>	<hr/>
	\$ 12,027	\$ 11,419

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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
Cost									
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)	-
Balance, March 31, 2023	\$ 163,194	\$ 658,885	\$ 20,722	\$ 3,332	\$ 28,193	\$ 118	\$ 8,009	\$ 11,868	\$ 894,321
Balance, March 31, 2023	\$ 163,194	\$ 658,885	\$ 20,722	\$ 3,332	\$ 28,193	\$ 118	\$ 8,009	\$ 11,868	\$ 894,321
Additions	14	5,596	-	702	376	-	137	11,265	18,090
Disposals	-	(80)	-	-	(262)	-	(2,182)	-	(2,524)
Write-offs	(299)	-	-	(578)	(1,338)	-	(18)	-	(2,233)
Reclassifications	2,345	3,314	-	-	1,280	-	199	(7,138)	-
Balance, December 31, 2023	\$ 165,254	\$ 667,715	\$ 20,722	\$ 3,456	\$ 28,249	\$ 118	\$ 6,145	\$ 15,995	\$ 907,654
Accumulated depreciation									
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)
Balance, March 31, 2023	\$ 113,594	\$ 366,901	\$ 16,563	\$ 2,358	\$ 20,589	\$ 108	\$ 6,953	\$ -	\$ 527,066
Balance, March 31, 2023	\$ 113,594	\$ 366,901	\$ 16,563	\$ 2,358	\$ 20,589	\$ 108	\$ 6,953	\$ -	\$ 527,066
Depreciation	3,967	22,536	489	266	2,262	10	300	-	29,830
Disposals	-	(19)	-	-	(262)	-	(2,178)	-	(2,459)
Write-offs	(297)	-	-	(578)	(1,325)	-	(18)	-	(2,218)
Balance, December 31, 2023	\$ 117,264	\$ 389,418	\$ 17,052	\$ 2,046	\$ 21,264	\$ 118	\$ 5,057	\$ -	\$ 552,219
Carrying amounts									
As at March 31, 2023	\$ 49,600	\$ 291,984	\$ 4,159	\$ 974	\$ 7,604	\$ 10	\$ 1,056	\$ 11,868	\$ 367,255
As at December 31, 2023	\$ 47,990	\$ 278,297	\$ 3,670	\$ 1,410	\$ 6,985	\$ -	\$ 1,088	\$ 15,995	\$ 355,435

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
Cost				
Balance, March 31, 2022	\$ 10,843	\$ 20,561	\$ -	\$ 31,404
Additions	18	231	-	249
Write-offs	(323)	(350)	-	(673)
Balance, March 31, 2023	\$ 10,538	\$ 20,442	\$ -	\$ 30,980
Balance, March 31, 2023	\$ 10,538	\$ 20,442	\$ -	\$ 30,980
Additions	3,162	247	100	3,509
Write-offs	(16)	(3,985)	-	(4,001)
Balance, December 31, 2023	\$ 13,684	\$ 16,704	\$ 100	\$ 30,488
Accumulated amortization				
Balance, March 31, 2022	\$ 5,525	\$ 11,134	\$ -	\$ 16,659
Amortization	787	1,375	-	2,162
Write-offs	(323)	(350)	-	(673)
Balance, March 31, 2023	\$ 5,989	\$ 12,159	\$ -	\$ 18,148
Balance, March 31, 2023	\$ 5,989	\$ 12,159	\$ -	\$ 18,148
Amortization	585	1,179	-	1,764
Write-offs	(14)	(3,985)	-	(3,999)
Balance, December 31, 2023	\$ 6,560	\$ 9,353	\$ -	\$ 15,913
Carrying amounts				
As at March 31, 2023	\$ 4,549	\$ 8,283	\$ -	\$ 12,832
As at December 31, 2023	\$ 7,124	\$ 7,351	\$ 100	\$ 14,575

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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)
Balance, March 31, 2023	\$ 12,688	\$ 893	\$ 13,581
Balance, March 31, 2023	\$ 12,688	\$ 893	\$ 13,581
Additions	6,013	-	6,013
Depreciation	(1,978)	(158)	(2,136)
Balance, December 31, 2023	\$ 16,723	\$ 735	\$ 17,458

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:

	December 31, 2023	March 31, 2023
Employee benefits asset		
Registered pension plan (RPP)	\$ 41,375	\$ 50,434
Supplementary retirement plan (SRP)	1,562	1,670
	42,937	52,104
Employee benefits liability		
Other defined benefits plan (ODBP)	(18,338)	(16,544)
	(18,338)	(16,544)
Employee benefits - net asset	\$ 24,599	\$ 35,560

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 December 31							
	RPP		SRP		ODBP		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Defined benefit cost (income) recognized in financial performance								
Current service cost	\$ 1,245	\$ 1,398	\$ 33	\$ 13	\$ 121	\$ 224	\$ 1,399	\$ 1,635
Administration costs	82	94	6	4	-	-	88	98
Interest cost on defined benefit obligation	2,572	2,130	80	49	206	198	2,858	2,377
Interest income on plan assets	(3,136)	(2,625)	(100)	(82)	-	-	(3,236)	(2,707)
	\$ 763	\$ 997	\$ 19	\$ (16)	\$ 327	\$ 422	\$ 1,109	\$ 1,403

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

Return on plan assets excluding interest income	\$ 20,482	\$ 4,714	\$ 268	\$ 285	\$ -	\$ -	\$ 20,750	\$ 4,999
Actuarial losses	(36,673)	-	(1,091)	-	(3,007)	-	(40,771)	-
	\$ (16,191)	\$ 4,714	\$ (823)	\$ 285	\$ (3,007)	\$ -	\$ (20,021)	\$ 4,999

	For the nine months ended December 31							
	RPP		SRP		ODBP		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Defined benefit cost (income) recognized in financial performance								
Current service cost	\$ 3,736	\$ 4,192	\$ 99	\$ 40	\$ 362	\$ 672	\$ 4,197	\$ 4,904
Administration costs	244	282	18	12	-	-	262	294
Interest cost on defined benefit obligation	7,716	6,390	240	147	620	596	8,576	7,133
Interest income on plan assets	(9,408)	(7,875)	(300)	(246)	-	-	(9,708)	(8,121)
	\$ 2,288	\$ 2,989	\$ 57	\$ (47)	\$ 982	\$ 1,268	\$ 3,327	\$ 4,210

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

Return on plan assets excluding interest income	\$ 2,695	\$(29,924)	\$ 99	\$ (545)	\$ -	\$ -	\$ 2,794	\$(30,469)
Actuarial (losses) gains	(12,124)	35,655	(357)	707	(991)	3,490	(13,472)	39,852
	\$ (9,429)	\$ 5,731	\$ (258)	\$ 162	\$ (991)	\$ 3,490	\$ (10,678)	\$ 9,383

For the three and nine months ended December 31, 2023, CATSA recognized an expense of \$311 (2022 - \$236) and \$934 (2022 - \$748), 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 December 31, 2023, remeasurement losses of \$20,021 resulted from a decrease in the discount rate of 100 basis points (from 5.60% at September 30, 2023 to 4.60% at December 31, 2023). This was partially offset by a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (9.66% actual versus 1.22% expected).

For the three months ended December 31, 2022, remeasurement gains of \$4,999 resulted primarily from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (3.15% actual versus 1.00% expected).

For the nine months ended December 31, 2023, remeasurement losses of \$10,678 resulted from a decrease in the discount rate of 30 basis points (from 4.90% at March 31, 2023 to 4.60% at December 31, 2023). This was partially offset by a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (4.72% actual versus 3.68% expected).

For the nine months ended December 31, 2022, remeasurement gains of \$9,383 resulted from an increase in the discount rate of 100 basis points (from 4.00% at March 31, 2022 to 5.00% at December 31, 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 (-8.70% actual versus 3.00% expected).

(d) Employer contributions

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

	Three months ended		Nine months ended	
	December 31		December 31	
	2023	2022	2023	2022
Employer contributions				
RPP	\$ 1,147	\$ 1,612	\$ 2,658	\$ 4,247
SRP	181	30	207	50
ODBP	62	52	179	160
	\$ 1,390	\$ 1,694	\$ 3,044	\$ 4,457

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Notes to the Condensed Interim Financial Statements
(Unaudited)

(In thousands of Canadian dollars)

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 December 31, 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 nine months ended December 31, 2023, there were no provisions recorded.

(b) Contingencies – Decommissioning costs

During the nine months ended December 31, 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.

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:

	December 31, 2023	March 31, 2023
Balance, beginning of period	\$ 14,485	\$ 17,236
Additions	6,013	511
Decreases	-	(92)
Lease payments (note 14)	(1,462)	(3,435)
Finance costs	333	265
Balance, end of period	\$ 19,369	\$ 14,485
Balance, end of period		
Current	\$ 2,158	\$ 1,777
Non-current	17,211	12,708

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Notes to the Condensed Interim Financial Statements
(Unaudited)

(In thousands of Canadian dollars)

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

	Three months ended		Nine months ended	
	December 31		December 31	
	2023	2022	2023	2022
Variable lease payments	\$ 588	\$ 587	\$ 1,367	\$ 1,956
Short-term leases	44	2	113	2
Low value leases	15	15	36	45
Other lease costs (note 13)	\$ 647	\$ 604	\$ 1,516	\$ 2,003

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

For the three and nine months ended December 31, 2023, CATSA recognized a total cash outflow for leases of \$1,048 (2022 - \$1,463) and \$2,978 (2022 - \$4,881), respectively.

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

	December 31,	March 31,
	2023	2023
No later than 1 year	\$ 4,805	\$ 4,840
Later than 1 year and no later than 5 years	13,436	14,221
Later than 5 years	878	982
	\$ 19,119	\$ 20,043

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Notes to the Condensed Interim Financial Statements
(Unaudited)

(In thousands of Canadian dollars)

12. Deferred government funding

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

	December 31, 2023	March 31, 2023
Deferred government funding related to operating expenses		
Balance, beginning of period	\$ 19,253	\$ 18,241
Parliamentary appropriations used to fund operating expenses (note 14)	683,525	849,013
Parliamentary appropriations for operating expenses recognized in financial performance	(686,087)	(848,001)
Balance, end of period	\$ 16,691	\$ 19,253
Deferred government funding related to capital expenditures		
Balance, beginning of period	\$ 379,180	\$ 406,579
Parliamentary appropriations used to fund capital expenditures (note 14)	21,595	13,016
Amortization of deferred government funding related to capital expenditures recognized in financial performance	(31,610)	(40,415)
Balance, end of period	\$ 369,165	\$ 379,180
Total deferred government funding, end of period	\$ 385,856	\$ 398,433

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		Nine months ended	
	December 31		December 31	
	2023	2022	2023	2022
Screening services and other related costs				
Payments to screening contractors	\$ 191,482	\$ 174,710	\$ 570,194	\$ 515,167
Uniforms and other screening costs	3,348	3,267	9,335	8,652
Trace and consumables	1,259	2,063	3,706	5,669
	196,089	180,040	583,235	529,488
Equipment operating and maintenance				
Equipment maintenance and spare parts	11,509	10,568	34,834	30,023
RAIC	341	312	735	896
Training and certification	247	6	674	264
	12,097	10,886	36,243	31,183
Program support and corporate services				
Employee costs	17,093	15,930	52,015	48,919
Office and computer expenses	4,612	1,804	8,924	5,502
Other administrative costs ¹	1,732	1,406	4,962	4,514
Professional services and other business related costs ²	1,451	2,322	4,770	6,438
Other lease costs (note 11)	647	604	1,516	2,003
Communications and public awareness	183	232	702	597
	25,718	22,298	72,889	67,973
Depreciation and amortization				
Depreciation of property and equipment (note 6)	9,996	9,721	29,830	28,891
Depreciation of right-of-use assets (note 8)	643	862	2,136	2,654
Amortization of intangible assets (note 7)	627	537	1,764	1,617
	11,266	11,120	33,730	33,162
	\$ 245,170	\$ 224,344	\$ 726,097	\$ 661,806

¹ Other administrative costs include insurance, network and telephone expenses, and facilities maintenance.

² 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 nine months ended December 31 are as follows:

	2023	2022
Parliamentary appropriations approved for the fiscal year	\$ 1,074,515	\$ 922,689
Parliamentary appropriations used to date to fund operating expenses	(683,525)	(620,536)
Parliamentary appropriations used to date to fund capital expenditures and lease payments	(23,057)	(12,664)
Unused parliamentary appropriations	\$ 367,933	\$ 289,489

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

	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Parliamentary appropriations received	\$ 238,000	\$ 242,000	\$ 690,813	\$ 604,825
Amounts received related to prior periods	(115,611)	(135,321)	(117,813)	(89,625)
Parliamentary appropriations receivable	110,525	105,336	110,525	105,336
Parliamentary appropriations used to fund operating expenses (note 12)	\$ 232,914	\$ 212,015	\$ 683,525	\$ 620,536

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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 December 31		Nine months ended December 31	
	2023	2022	2023	2022
Parliamentary appropriations received	\$ 12,599	\$ 4,141	\$ 18,189	\$ 7,057
Amounts receivable related to prior periods	(8,955)	(3,569)	(2,651)	(2,135)
Parliamentary appropriations receivable	6,057	4,864	6,057	4,864
Parliamentary appropriations used to fund capital expenditures (note 12)	9,701	5,436	21,595	9,786
Parliamentary appropriations used to fund lease payments (note 11)	401	859	1,462	2,878
Parliamentary appropriations used to fund capital expenditures and lease payments	\$ 10,102	\$ 6,295	\$ 23,057	\$ 12,664

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:

	December 31, 2023		March 31, 2023	
	Carrying Amount	Fair Value (Level 2)	Carrying Amount	Fair Value (Level 2)
Financial instruments measured at fair value				
Derivative financial assets ¹	\$ -	\$ -	\$ 22	\$ 22
Derivative financial liabilities ¹	639	639	10	10

¹ The fair value is based on a discounted cash flow model based on observable inputs.

There were no transfers between levels during the nine months ended December 31, 2023, or the year ended March 31, 2023.

CANADIAN AIR TRANSPORT SECURITY AUTHORITY

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16. Contractual commitments

During the three and nine months ended December 31, 2023, CATSA announced the new airport screening services contracts. The term of the new contracts is from April 1, 2024 to March 31, 2029, and they are renewable for two additional five-year periods at CATSA's discretion. The impact of the new contracts to CATSA's contractual commitment balances totals \$4,706,700.

There have been no other material changes to CATSA's contractual commitments, other than normal purchasing activity relating to property and equipment and intangible assets and the usage of existing contracts relating to payments to screening contractors and equipment maintenance and spare parts.

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 nine months ended December 31, 2023, government funding of \$243,428 (2022 – \$222,658) and \$719,159 (2022 – \$657,347), respectively, is recognized in the 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 \$116,582 (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 nine month periods.

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Notes to the Condensed Interim Financial Statements
(Unaudited)

(In thousands of Canadian dollars)

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		Nine months ended	
	December 31		December 31	
	2023	2022	2023	2022
Decrease (increase) in trade and other receivables	\$ 6,847	\$ 26,152	\$ 5,690	\$ (16,825)
(Increase) decrease in inventories	(983)	(383)	(608)	658
Decrease (increase) in prepaids	433	(63)	3,170	2,691
(Decrease) increase in trade and other payables	(14,384)	(41,142)	(8,834)	48,876
Decrease in provisions	-	-	-	(200)
Increase in holdbacks	-	4	7	10
Increase (decrease) in deferred government funding related to operating expenses	550	446	(2,562)	(3,512)
	\$ (7,537)	\$ (14,986)	\$ (3,137)	\$ 31,698

For the three and nine months ended December 31, 2023, the change in trade and other receivables excludes amounts of \$2,898 (2022 – \$1,295) and \$3,406 (2022 – \$2,729), respectively, in relation to government funding related to capital expenditures, as these amounts relate to investing activities.

For the three and nine months ended December 31, 2023, the change in trade and other payables excludes amounts of \$1,220 (2022 – \$4,533) and \$6,573 (2022 – \$3,807), respectively, in relation to the acquisition of property and equipment and intangible assets, as these amounts relate to investing activities.

For the three and nine months ended December 31, 2023, the change in holdbacks excludes amounts of \$86 (2022 – \$137) and \$1,674 (2022 – \$134), respectively, in relation to the acquisition of property and equipment, as these amounts relate to investing activities.