Unclassified

Quarterly Financial Report

For the Three Months Ended
June 30, 2026

CATSA ACSTA

Management's Narrative Discussion

For the Three Months Ended June 30, 2026

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 months ended June 30, 2026. This Narrative Discussion should be read in conjunction with CATSA's unaudited condensed interim financial statements for the three months ended June 30, 2026, 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 *2026 Annual Report.* The information in this report is expressed in thousands of Canadian dollars and is current to August 26, 2026, 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 partners.

Corporate Overview

Established on April 1, 2002, CATSA is an agent Crown corporation and is accountable to Parliament through the Minister of Transport. CATSA's mission is to protect the travelling public by providing the highest level of aviation security screening.

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 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 major 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 a limited amount of cargo at smaller airports where screening capacity exists, using existing resources, technology, and procedures.

Operating Environment

Government Funding

CATSA is funded by parliamentary appropriations and accountable to the Government of Canada through the Minister of Transport. The Government of Canada collects the Air Travellers Security Charge and funds CATSA through appropriations from the federal Consolidated Revenue Fund.

For 2026/27, CATSA has secured total funding of $1,302 million. This reflects a $30.5 million reduction from the comprehensive expenditure review (CER), with additional funding of $3.4 million to support FIFA 2026. Pursuant to the CER, CATSA's funding has been reduced by $31.8 million in 2027/28, and by $48.9 million annually beginning in 2028/29.

CATSA continues to seek long-term sustainable funding to deliver its mandate and continue to plan for investment and deployment of new technology.

Screening Services

Statistics from CATSA's Boarding Pass Security System, and other data sources, indicate that screened traffic across Canada increased to 17.6 million passengers for the three months ended June 30, 2026, compared to 17.2 million passengers for the same period in 2025. For 2026/27, CATSA expects passenger traffic growth comparable with the prior year, requiring CATSA to continue to work closely with its screening contractors, TC and external partners to support the aviation industry.

In 2025/26, CATSA signed an agreement with the Montreal Metropolitan Airport (MET) to provide screening operations on a cost-recovery basis under the framework established in the *CATSA Act*, as MET is not a designated airport under the *CATSA Aerodrome Designation Regulations*. In June 2026, CATSA commenced screening operations at MET.

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 *2026 Annual Report*.

During the three months ended June 30, 2026, CATSA's risks relating to the adequacy of government funding and resource, capability and skills availability trended lower. The reduction in the adequacy of government funding risk reflects CATSA's approved 2026/27 funding levels, while the reduction in the resource, capability and skills availability risk reflects progress on human resources strategies and the improvement of labour market conditions.

There have been no other significant changes to the corporate risk profile.

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 months ended June 30, 2026, and June 30, 2025.

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

(Thousands of Canadian dollars) (Unaudited)	Three months ended June 30			
	2026	**2025**	$ Change	% Change
Expenses[1]				
Screening services and other related costs	**$ 239,551**	$ 224,198	$ 15,353	6.8%
Equipment operating and maintenance	**11,740**	12,508	(768)	(6.1%)
Program support and corporate services	**27,090**	27,936	(846)	(3.0%)
Depreciation and amortization	**14,412**	13,870	542	3.9%
Total expenses	**292,793**	**278,512**	**14,281**	**5.1%**
Other (income) expenses	**(61)**	**1,431**	**(1,492)**	**(104%)**
Financial performance before revenue and government funding	**292,732**	**279,943**	**12,789**	**4.6%**
Revenue	**990**	**753**	**237**	**31.5%**
Government funding for				
Operating expenses	**274,014**	259,858	14,156	5.4%
Amortization of deferred capital expenditures	**13,491**	13,008	483	3.7%
Lease payments	**979**	978	1	0.1%
Total government funding	**288,484**	**273,844**	**14,640**	**5.3%**
Financial performance	**$ (3,258)**	**$ (5,346)**	**$ 2,088**	**39.1%**
Other comprehensive income	**23,126**	**9,893**	**13,233**	**133%**
Total comprehensive income	**$ 19,868**	**$ 4,547**	**$ 15,321**	**336%**

[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 11 of the unaudited condensed interim financial statements for the three months ended June 30, 2026.

Screening Services and Other Related Costs

Screening services and other related costs increased by $15,353 (6.8%) for the three months ended June 30, 2026, compared to the same period in 2025. The increase is mainly attributable to annual billing rate increases of $8,148 and increased passenger volumes, largely driven by FIFA 2026 related activities, which resulted in the purchase of additional screening hours of $2,308. Additional screening hours were also purchased to support enhanced non-passenger screening measures, totaling $2,311, and cost recovery screening operations at MET, totaling $1,234.

Other (Income) Expenses

Other (income) expenses decreased by $1,492 (104%) for the three months ended June 30, 2026, compared to the same period in 2025. The change from an expense position in 2025 to an income position in 2026 is primarily due to net gains on the fair value of derivative financial instruments.

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 $14,156 (5.4%) for the three months ended June 30, 2026, compared to the same period in 2025. The increase is primarily attributable to increased spending on 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 $483 (3.7%) for the three months ended June 30, 2026, compared to the same period in 2025. The increase is primarily attributable to higher depreciation and amortization expenses.

Parliamentary appropriations for lease payments

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

Other Comprehensive Income

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

Other comprehensive income of $23,126 for the three months ended June 30, 2026, was attributable to a remeasurement gain of $27,840 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. This was partially offset by a remeasurement loss of $4,714 on the defined benefit liability arising from a 10-basis point decrease in the discount rate between March 31, 2026, and June 30, 2026.

Other comprehensive income of $9,893 for the three months ended June 30, 2025, was primarily attributable to a remeasurement gain of $4,993 on the defined benefit liability arising from a 10 basis point increase in the discount rate between March 31, 2025, and June 30, 2025. It was also attributable to a remeasurement gain of $4,900 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions.

For more information, refer to note 8 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 June 30, 2026, compared to March 31, 2026.

Key Financial Highlights - Condensed Interim Statement of Financial Position

(Thousands of Canadian dollars) (Unaudited)		June 30, 2026		March 31, 2026		$ Change	% Change
Current assets	$	192,500	$	207,162	$	(14,662)	(7.1%)
Non-current assets		562,000		538,605		23,395	4.3%
Total assets	**$**	**754,500**	**$**	**745,767**	**$**	**8,733**	**1.2%**
Current liabilities	$	201,149	$	213,332	$	(12,183)	(5.7%)
Non-current liabilities		460,195		459,147		1,048	0.2%
Total liabilities	**$**	**661,344**	**$**	**672,479**	**$**	**(11,135)**	**(1.7%)**

Assets

Current assets decreased by $14,662 (7.1%) primarily due to the following:

- Decrease in trade and other receivables of $10,174 due to a decrease in parliamentary appropriations receivable and recoverable sales taxes, partially offset by an increase in other screening services receivable;
- Decrease in cash of $2,609 mainly due to the timing of disbursements to suppliers for goods and services; and
- Decrease in prepaids of $2,006 due to the impact of amortization, less additions.

Non-current assets increased by $23,395 (4.3%) primarily due to the following:

- Increase in employee benefits assets of $23,822 relating to CATSA's Registered Pension Plan;
- Increase in right-of-use assets of $6,208, primarily due to additions of $7,548, partially offset by depreciation. Additions include an amendment to CATSA's corporate headquarters lease agreement; and
- Decrease in property and equipment and intangible assets of $6,635 primarily attributable to depreciation and amortization totaling $13,618, partially offset by acquisitions totaling $7,026.

Liabilities

Current liabilities decreased by $12,183 (5.7%) primarily due to the following:

- Decrease in trade and other payables of $13,344 due to the timing of disbursements associated with obligations outstanding with suppliers;
- Decrease in deferred government funding related to operating expenditures of $2,145 primarily due to a reduction in prepaids, as discussed above; and
- Increase in deferred revenue – other screening services of $3,503, reflecting the current portion of deferred revenue – other screening services.

Non-current liabilities increased by $1,048 (0.2%) primarily due to the following:

- Increase in the non-current portion of lease liabilities of $6,600, primarily attributable to additions totaling $7,686, partially offset by ongoing lease payments. Additions include an amendment to CATSA's corporate headquarters lease agreement; and
- Decrease in the deferred government funding related to capital expenditures of $6,502 due to amortization of deferred government funding related to capital expenditures of $13,491 exceeding parliamentary appropriations used to fund capital expenditures of $6,989.

Financial Performance Against Corporate Plan

As of the date of publishing, CATSA's *Summary of the 2026/27 to 2030/31 Corporate Plan* has not been tabled in Parliament. Until it is tabled in Parliament and made publicly available, CATSA will not be in a position to provide an explanation of significant differences between its financial results compared to those anticipated in the *Summary of the 2026/27 to 2030/31 Corporate Plan*.

Operating Expenditures Used

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

(Thousands of Canadian dollars) (Unaudited)	Three months ended June 30 2026	 2025
Financial performance before revenue and government funding	$ 292,732	$ 279,943
Revenue	(990)	(753)
Financial performance before government funding	291,742	279,190
Cost recovery adjustment [1]	(1,010)	-
Non-cash items		
Depreciation and amortization	(14,412)	(13,870)
Employee cost accruals [2]	(2,274)	(2,589)
Employee benefits expense [3]	(156)	(1,108)
Non-cash finance costs related to leases	(155)	(167)
Spare parts expense funded from capital	(42)	-
Write-off of property and equipment and intangible assets	(1)	-
Non-cash gain (loss) on foreign exchange recognized in financial	56	(117)
Net gain (loss) on fair value of derivative financial instruments	266	(1,481)
Appropriations used for operating expenses	**$ 274,014**	**$ 259,858**
Other items affecting funding		
Net change in prepaids and inventories [4]	(2,145)	(1,592)
Total operating appropriations used	**$ 271,869**	**$ 258,266**

1 MET screening operations are provided on a cost-recovery basis. Operating expenses incurred are not funded by appropriations, creating a reconciling item.

2 Employee cost accruals are accounting adjustments to record variable pay and accrued vacation used and incurred to June 30, 2026. These costs are only recorded at year-end, creating a reconciling item during interim periods.

3 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.

4 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 Used

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

Reconciliation of Capital Expenditures to Capital Appropriations Used				
(Thousands of Canadian dollars) (Unaudited)	**Three months ended June 30**			
		2026		**2025**
Explosives Detection Systems (EDS)	$	5,783	$	14,309
Non-Explosives Detection Systems (Non-EDS)		1,243		1,098
Lease payments		979		978
Total capital expenditures	**$**	**8,005**	**$**	**16,385**
Cost recovery adjustment[1]		(37)		-
Total capital appropriations used	**$**	**7,968**	**$**	**16,385**

[1] Equipment purchased for MET is provided on a cost-recovery basis. Capital expenditures incurred are not funded by appropriations, creating a reconciling item.

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.

Neil Parry
Interim President and Chief Executive Officer

Ottawa, Canada
August 26, 2026

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

Ottawa, Canada
August 26, 2026

Condensed Interim Financial Statements of

Canadian Air Transport Security Authority

June 30, 2026

(Unaudited)

Condensed Interim Statement of Financial Position

(In thousands of Canadian dollars)	June 30, 2026	March 31, 2026
Assets		
Current assets		
Cash	$ 15,487	$ 18,096
Trade and other receivables (note 4)	145,785	155,959
Inventories	21,281	21,420
Prepaids	9,606	11,612
Derivative financial assets	341	75
	192,500	207,162
Non-current assets		
Property and equipment (note 5)	407,250	413,509
Intangible assets (note 6)	12,554	12,930
Right-of-use assets (note 7)	19,533	13,325
Employee benefits asset (note 8)	122,663	98,841
	562,000	538,605
Total assets	**$ 754,500**	**$ 745,767**
Liabilities and Equity		
Current liabilities		
Trade and other payables	$ 162,943	$ 176,287
Holdbacks	922	835
Lease liabilities (note 7)	2,894	3,178
Deferred operating funding (note 10)	30,887	33,032
Deferred revenue - other screening services	3,503	-
	201,149	213,332
Non-current liabilities		
Lease liabilities (note 7)	19,106	12,506
Deferred capital funding (note 10)	411,904	418,406
Employee benefits liability (note 8)	23,055	22,203
Deferred revenue - other screening services	6,130	6,032
	460,195	459,147
Equity		
Accumulated surplus	93,156	73,288
Total liabilities and equity	**$ 754,500**	**$ 745,767**

Contingencies (note 9) and contractual commitments (note 13)
The accompanying notes are an integral part of these condensed interim financial statements.

Condensed Interim Statement of Comprehensive Income (Loss)

(In thousands of Canadian dollars)	Three months ended June 30 2026	Three months ended June 30 2025
Expenses		
Pre-Board Screening	$ 181,493	$ 175,060
Hold Baggage Screening	50,505	46,250
Non-Passenger Screening	45,245	41,103
Restricted Area Identity Card Program	1,074	1,067
Corporate services	14,476	15,032
Total expenses (note 11)	292,793	278,512
Other (income) expenses		
Finance costs	156	169
Foreign exchange loss (gain)	48	(219)
Write-off of property and equipment and intangible assets	1	-
Net (gain) loss on fair value of derivative financial instruments	(266)	1,481
Total other (income) expenses	(61)	1,431
Financial performance before revenue and government funding	292,732	279,943
Revenue		
Other screening services	521	-
Finance income	469	735
Miscellaneous income	-	18
Total revenue	990	753
Government funding for		
Operating expenses	274,014	259,858
Amortization of deferred capital expenditures	13,491	13,008
Lease payments	979	978
Total government funding (note 10)	288,484	273,844
Financial performance	$ (3,258)	$ (5,346)
Other comprehensive income		
Item that will not be reclassified to financial performance		
Remeasurement of defined benefit plans (note 8)	23,126	9,893
Total comprehensive income	**$ 19,868**	**$ 4,547**

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

Condensed Interim Statement of Changes in Equity

(In thousands of Canadian dollars)

For the three months ended June 30:		Accumulated surplus
Balance, March 31, 2026	$	73,288
Financial performance		(3,258)
Remeasurement of defined benefit plans (note 8)		23,126
Balance, June 30, 2026	**$**	**93,156**

		Accumulated surplus
Balance, March 31, 2025	$	41,257
Financial performance		(5,346)
Remeasurement of defined benefit plans (note 8)		9,893
Balance, June 30, 2025	**$**	**45,804**

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

Condensed Interim Statement of Cash Flows

(In thousands of Canadian dollars)	Three months ended June 30	
	2026	2025
Cash flows provided by (used in)		
Operating activities		
Financial performance	$ (3,258)	$ (5,346)
Items not involving cash		
Depreciation and amortization (note 11)	14,412	13,870
Change in net employee benefits asset/liability	156	1,108
Other non-cash transactions	42	-
Write-off of property and equipment and intangible assets	1	-
Net (gain) loss on fair value of derivative financial instruments	(266)	1,481
Amortization of deferred capital funding (note 10)	(13,491)	(13,008)
Net change in working capital balances (note 15)	1,058	(79,549)
	(1,346)	(81,444)
Investing activities		
Government funding received for capital expenditures	16,521	15,022
Purchase of property and equipment and intangible assets	(16,960)	(13,230)
	(439)	1,792
Financing activities		
Lease principal payments	(824)	(823)
	(824)	(823)
Decrease in cash	(2,609)	(80,475)
Cash, beginning of period	18,096	102,215
Cash, end of period	**$ 15,487**	**$ 21,740**

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

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's mandate is to provide effective and efficient screening of persons who access aircraft or restricted areas through screening points, the property in their possession or control and the belongings or baggage that they give to an air carrier for transport. CATSA is funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport.

In 2025/26, CATSA signed an agreement with the Montreal Metropolitan Airport (MET) to provide screening operations on a cost-recovery basis under the framework established in the CATSA Act, as MET is not a designated airport under the CATSA Aerodrome Designation Regulations. In June 2026, CATSA commenced screening operations at MET.

These condensed interim financial statements have been authorized for issuance by the Board of Directors on August 26, 2026.

2. Basis of preparation

These 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 CATSA's audited annual financial statements for the year ended March 31, 2026.

These condensed interim financial statements were prepared under the historical cost convention, except as required or permitted by IFRS and as indicated in note 3 of CATSA's audited annual financial statements for the year ended March 31, 2026. Historical cost is generally based on the fair value of the consideration given up in exchange for goods and services at the transaction date.

3. Summary of material accounting policy information

(a) Use of estimates and judgments

The preparation of these condensed interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions based on existing knowledge that affects the reported amounts and disclosures in the condensed interim financial statements and accompanying notes. Actual results may differ from judgments, estimates and assumptions.

In making estimates and using assumptions, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and assumptions have been applied in a manner consistent with prior periods. There are no known commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making these estimates in the condensed interim financial statements.

Estimates and underlying assumptions are regularly reviewed by management and changes in those estimates are recognized prospectively in the period of change, if the change affects that period only; or the period of the change and future periods, if the change affects both.

The critical estimates and assumptions utilized in preparing these condensed interim financial statements include:

- note 3(b), note 3(c), note 5 and note 6 – Property and equipment and intangible assets

Key estimates used for property and equipment include the determination of their useful lives and the valuation of work-in-progress. The key estimate used for intangible assets includes the determination of their useful lives. In determining the expected useful lives of these assets, CATSA considers past experience, industry trends and internally-specific factors, such as changing technologies and expectations for the in-service period of the assets. Changes to estimates of useful life would affect future depreciation or amortization expenses and future carrying values of assets. In determining the value of work-in-progress, CATSA considers estimates provided by internal experts. Changes to the stage of completion would affect trade and other payables and the values of assets.

- note 3(e) and note 7 – Leases

Key estimates used for right-of-use assets and lease liabilities include the determination of an appropriate incremental borrowing rate to discount the lease payments, when the interest rate implicit in the lease is not readily determinable. As CATSA does not have borrowing authority and, in practice, does not have readily observable approved or granted borrowing rates from a financial institution, CATSA's approach to determining its incremental borrowing rate is based on the Bank of Canada zero-coupon bond rate, CATSA's entity-specific credit spread, and the lease-specific spread. CATSA's entity-specific credit spread, and lease-specific spread are based on a publicly available yield curve that reflects Canadian agencies with investment grade ratings. The rate used to discount CATSA's lease payments is also based on the identified lease term.

- note 3(g) and note 8 – Employee benefits

Key estimates used for employee benefits include the discount rate, mortality rate, inflation rate, long-term rate of compensation increase and assumed medical cost trend rates. In determining the assumptions, CATSA takes into account past experience, the expertise of its actuaries, and current market conditions and rates. Changes to these assumptions would affect its employee benefits asset and liability, as well as financial performance and other comprehensive income or loss. A sensitivity analysis of changes in primary assumptions is presented in note 8.

The critical judgments made by management in preparing these condensed interim financial statements include:

- note 3(e) and note 7 – Leases

Judgments are required to determine whether it is reasonably certain that an extension or termination option will be exercised for contracts that contain a lease. In making this assessment, management considers several factors, including the nature of CATSA's work, proximity of other locations, lease extensions exercised in the past, market conditions, recent leasehold improvements and contract specific termination clauses.

Judgments are required in determining whether variable lease payments are in-substance fixed. In-substance fixed lease payments are payments that may, in form, contain variability but that, in substance, are unavoidable. Such payments are included in the measurement of the lease liability. In determining whether variable lease payments are in-substance fixed, CATSA reviews lease contracts to assess the nature of the payments, specifically identifying if payments are subject to adjustments based on actual costs incurred, or payments are based on services that are variable in nature.

(b) Property and equipment

Property and equipment consists of screening equipment, RAIC equipment, computer, electronic and other equipment, leasehold improvements and work-in-progress.

Recognition and measurement

Property and equipment are recorded at cost, less accumulated depreciation, except for work-in-progress, which is recorded at cost but not depreciated until the asset is available for use. Cost includes expenditures that are directly attributable to the acquisition and installation of the assets, including integration costs related to the installation of the assets at the airports to ensure they are in a condition necessary for their intended use. These costs include conveyor systems, platforms and other structures required to connect screening equipment to existing airport infrastructures.

The carrying amount of an item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing proceeds, if any, to the carrying amount and are recognized in financial performance.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to CATSA and that the cost of the item can be measured reliably. The cost of day-to-day servicing of property and equipment is recognized in financial performance as incurred.

Depreciation

Depreciation is calculated using the straight-line method and is applied over the estimated useful lives of the assets.

Asset class	Useful life
PBS equipment	10 to 15 years
HBS equipment	10 to 15 years
NPS equipment	10 to 15 years
RAIC equipment	5 years
Computer, electronic and other equipment	5 to 10 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the related lease term or estimated useful life.

Depreciation methods, estimated useful lives and residual values are reviewed at least annually.

(c) Intangible assets

Separately acquired computer software licences are capitalized based on the costs incurred to acquire and bring the licences to use.

Certain costs incurred in connection with the development of software to be used internally or for providing screening services are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by CATSA are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development of the software product and to use it are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalization include both internal and external costs but are limited to those that are directly related to the specific project. All other costs associated with developing or maintaining computer software programs are expensed as incurred.

Intangible assets are amortized using the straight-line method over their estimated useful lives of five to 15 years.

(d) Impairment

CATSA's assets do not generate cash flows. Instead, all assets interact to support CATSA's mandated activities, which are primarily funded by parliamentary appropriations. Overall levels of cash flow, provided by budgetary funding, reflect public policy requirements and decisions. Therefore, CATSA is considered one cash-generating unit (CGU).

The carrying amounts of CATSA's property and equipment and intangible assets are reviewed at each reporting period to determine whether there is any indication of impairment. Assets are tested at the CGU level when they cannot be tested individually. Property and equipment and intangible assets are considered to be impaired if they are no longer able to contribute to CATSA's mandate.

(e) Leases

Contracts are considered to be a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

CATSA's right-of-use (ROU) assets are initially measured at cost based on the following:

- amount of the initial measurement of the lease liability; and
- lease payments made at or before the commencement date, less any lease incentives received.

An ROU asset is subsequently measured at cost less accumulated depreciation. The carrying amount of the right-of-use asset may be adjusted for certain remeasurements of the lease liability, if any. An ROU asset is depreciated using the straight-line method over the lease term. The lease term includes periods covered by an option to extend if CATSA is reasonably certain to exercise that option.

Lease Liabilities

CATSA's lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, CATSA's incremental borrowing rate, as identified above in note 3(a).

CATSA's entity-specific credit spread and lease-specific spread are based on a publicly available yield curve that reflects Canadian agencies with investment grade ratings.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured whenever:

- there is a change in the lease term, including a change in the assessment of whether an extension option will be exercised;
- the payments change due to changes in an index or rate, or a change in expected payments under a residual value guarantee; and
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

Based on the nature and use of CATSA's right-of-use assets, CATSA has two classes of underlying assets: office space and data centres. CATSA accounts for lease components and any non-lease components as a single lease component for its office space asset class. For its data centre asset class, CATSA separates non-lease components from lease components and accounts for them separately.

CATSA does not recognize right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less, or leases of low dollar value. In addition, CATSA does not include variable costs associated with leases in its lease liabilities and right of use assets. The above payments are recognized as an expense when incurred.

(f) Financial instruments

Non-derivative financial assets

Non-derivative financial assets include cash and receivables related to other screening services. The remaining receivables are not classified as non-derivative financial assets because they relate to statutory requirements of the federal and provincial governments.

Cash and receivables related to other screening services are recognized initially at fair value. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest rate method. At each reporting date, CATSA assesses, on a forward-looking basis, the expected credit losses on any financial assets measured at amortized cost.

CATSA derecognizes a non-derivative financial asset when the contractual rights to the cash flows from the asset are either collected, expire or are transferred to another party.

Non-derivative financial liabilities

Non-derivative financial liabilities include trade and other payables and holdbacks. Trade and other payables and holdbacks are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

CATSA derecognizes a non-derivative financial liability when its contractual obligations are discharged, cancelled or expired.

Derivative financial instruments

Derivative financial instruments include foreign exchange forward contracts entered into by CATSA for the purpose of managing its exposure to foreign currency risk as it relates to its request for parliamentary appropriations. CATSA does not apply hedge accounting to its derivative financial instruments.

(g) Employee benefits

Post-employment benefit plans – defined benefit

The employee benefits asset and liability presented in the condensed interim Statement of Financial Position represent the actual surplus or deficit of each of CATSA's defined benefit pension plans and its other defined benefits plan. The surplus or deficit is determined by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. The future benefit is then discounted to determine its present value, using a discount rate established at the end of the reporting period. The obligation is recognized over the period of employee service determined actuarially using the projected unit credit method. To the extent applicable, the fair value of any plan assets is deducted from the present value of the future benefit obligation. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined benefit costs are categorized as follows:

- service costs;
- net interest on the net defined benefit asset or liability;
- administration costs; and
- remeasurements.

Service costs are determined separately for each plan using the projected unit credit method, with actuarial valuations for accounting purposes being carried out at the end of each annual reporting period. Current service cost is recognized as employee costs in determining financial performance. Employee contributions are recorded as a reduction to service cost in the period in which the related service is rendered. Administration costs paid from the plan assets during the period exclude the costs of managing plan assets, as those costs are recorded against the actual return on plan assets.

Net interest is calculated by applying the discount rate used to discount the post-employment benefit obligation to the net defined benefit asset or liability, taking into account any changes in the net defined benefit asset or liability during the period as a result of contribution and benefit payments. Net interest is recognized as employee costs in determining financial performance.

Remeasurement of defined benefit plans consists of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of changes in the asset ceiling (if applicable). When a funded plan gives rise to a net pension benefit asset, a remeasurement for the effect of the asset ceiling may occur if it is established that the surplus will not provide future economic benefits with respect to future service costs. Those future economic benefits are available under the terms of CATSA’s defined benefit pension plans, which allow CATSA to take contribution holidays when certain funding thresholds are met.

Remeasurement of defined benefit plans is recognized in other comprehensive income or loss and is included immediately in accumulated surplus (deficit) without reclassification to financial performance in a subsequent period.

Post-employment benefit plan – defined contribution

Employer contributions to the defined contribution pension plan are recognized as an employee cost in financial performance when employees have rendered service entitling them to the contributions.

Termination benefits

Termination benefits result from either CATSA’s decision to terminate employment or an employee’s decision to accept the entity’s offer of benefits in exchange for termination of employment. CATSA recognizes termination benefits at the earliest of when the entity can no longer withdraw the offer of those benefits or when restructuring costs are accrued if termination benefits are part of a restructuring plan. If benefits are payable more than 12 months after the reporting period, the liability is determined by discounting the obligation to its present value.

Short-term employee benefits

Short-term employee benefit obligations, such as salaries, annual leave and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized in trade and other payables for the amount expected to be paid when CATSA has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Provisions and contingencies

A provision is recognized when, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle a present legal or constructive obligation, and the obligation can be estimated reliably. In situations where the amount of the obligation cannot be measured with sufficient reliability or the cash outflows are not probable, a contingent liability is disclosed.

Contingent liabilities may arise from uncertainty as to the existence of a liability or represent an existing liability in respect of which settlement is not probable or, in extremely rare cases, the amount cannot be reliably measured. A liability is recognized when its existence is confirmed by a future event, settlement becomes probable and reliable measurement becomes possible.

Disputed claims

In the normal course of operations, CATSA receives claims requesting monetary compensation from various parties. A provision is accrued to the extent management believes it is probable that a disputed claim arising from a past event results in a present legal or constructive obligation, and the obligation can be estimated reliably. If the timing of the cash outflows associated with the disputed claim can be reasonably determined to be more than 12 months after the reporting period, the provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning costs

CATSA has future obligations associated with the disposal of certain screening equipment in an environmentally responsible manner, and the restoration of leased premises to an agreed upon standard at the end of the lease. To the extent that it is probable that these obligations will result in an outflow of economic benefits, CATSA recognizes a provision for decommissioning liabilities, and the costs are capitalized as part of the carrying amount of the related asset and depreciated over the asset's estimated useful life.

Given the nature of provisions and contingencies, judgments and estimates are required in determining the existence and amount of an obligation.

(i) Government funding

CATSA's primary source of funding is parliamentary appropriations received from the Government of Canada. Parliamentary appropriations are accounted for as Government of Canada grants and are recognized in financial performance on a systematic basis over the periods in which CATSA recognizes as expenses the related costs for which the grants are intended to compensate.

Appropriations related to operating expenses for future periods are recorded as deferred government funding related to operating expenses and are recognized in financial performance in the period in which the related expenses are incurred. Appropriations used for the purchase of property and equipment and intangible assets are recorded as deferred capital funding and are amortized on the same basis as the related assets.

Upon the disposal of funded depreciable assets, the related remaining deferred government funding is recognized in financial performance in the period of disposal.

Appropriations used for lease payments are recognized in financial performance in the period in which lease payments are made.

Unused parliamentary appropriations at year end are lapsed or reprofiled to future years.

(In thousands of Canadian dollars)

4. Trade and other receivables

Trade and other receivables are comprised of:

	June 30, 2026	March 31, 2026
Parliamentary appropriations	$ 129,741	$ 142,904
GST and HST recoverable	9,425	10,644
Other screening services	4,670	899
PST recoverable	1,949	1,512
	$ 145,785	**$ 155,959**

Other screening services relate to Montreal Metropolitan Airport (MET) screening operations provided on a cost-recovery basis.

5. Property and equipment

A reconciliation of property and equipment is as follows:

	PBS Equipment	HBS Equipment	NPS Equipment	RAIC Equipment	Computer, Electronic & Other Equipment	Leasehold Improve-ments	Work-in-progress	Total
Cost as at April 1, 2026	$ 224,882	$ 696,715	$ 22,352	$ 4,907	$ 31,761	$ 8,432	$ 44,213	$ 1,033,262
Additions	119	3,003	(7)	-	240	324	3,143	6,822
Disposals/ Write-offs	(1,003)	(212)	-	-	(113)	-	-	(1,328)
Transfers	6,487	5,946	-	410	1,930	397	(15,170)	-
Cost as at June 30, 2026	$ 230,485	$ 705,452	$ 22,345	$ 5,317	$ 33,818	$ 9,153	$ 32,186	$ 1,038,756
Accumulated depreciation as at April 1, 2026	$ 119,725	$ 454,392	$ 18,196	$ 2,398	$ 18,638	$ 6,404	$ -	$ 619,753
Depreciation	2,893	8,674	187	209	921	154		13,038
Disposals/ Write-offs	(961)	(212)	-	-	(112)	-	-	(1,285)
Transfers	-	-	-	-	21	(21)	-	-
Accumulated depreciation as at June 30, 2026	$ 121,657	$ 462,854	$ 18,383	$ 2,607	$ 19,468	$ 6,537	$ -	$ 631,506
Carrying amounts as at June 30, 2026	**$ 108,828**	**$ 242,598**	**$ 3,962**	**$ 2,710**	**$ 14,350**	**$ 2,616**	**$ 32,186**	**$ 407,250**

(In thousands of Canadian dollars)

6. Intangible assets

A reconciliation of intangible assets is as follows:

	Externally acquired software	Internally developed software	Under develop-ment	Total
Cost as at April 1, 2026	$ 13,187	$ 17,409	$ 2,399	$ 32,995
Additions	-	14	190	204
Transfers	-	179	(179)	-
Cost as at June 30, 2026	$ 13,187	$ 17,602	$ 2,410	$ 33,199
Accumulated amortization as at April 1, 2026	$ 8,002	$ 12,063	$ -	$ 20,065
Amortization	234	346	-	580
Accumulated amortization as at June 30, 2026	$ 8,236	$ 12,409	$ -	$ 20,645
Carrying amounts as at June 30, 2026	**$ 4,951**	**$ 5,193**	**$ 2,410**	**$ 12,554**

7. Leases

During the three months ended June 30, 2026, CATSA amended its corporate headquarters lease agreements, resulting in an increase in right-of-use assets and lease liability.

Right-of-use assets

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

	Office space	Data centres	Total
Balance, April 1, 2026	$ 13,046	$ 279	$ 13,325
Additions	7,548	-	7,548
Decreases	(546)	-	(546)
Depreciation	(725)	(69)	(794)
Balance, June 30, 2026	**$ 19,323**	**$ 210**	**$ 19,533**

(In thousands of Canadian dollars)

Lease liabilities

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:

	June 30, 2026	March 31, 2026
Balance, beginning of period	$ 15,684	$ 19,001
Additions	7,686	177
Finance costs	155	616
Lease payments (note 10)	(979)	(3,904)
Decreases	(546)	(206)
Balance, end of period	**$ 22,000**	**$ 15,684**
Balance, end of period		
Current	$ 2,894	$ 3,178
Non-current	19,106	12,506

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

	June 30, 2026	March 31, 2026
Less than one year	$ 3,417	$ 5,784
One to five years	15,478	5,211
Greater than five years	21,864	217
	$ 40,759	**$ 11,212**

(In thousands of Canadian dollars)

8. Employee benefits

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:

	June 30, 2026	March 31, 2026
Employee benefits asset		
Registered pension plan (RPP)	$ 118,262	$ 95,258
Supplementary retirement plan (SRP)	4,401	3,583
	122,663	98,841
Employee benefits liability		
Other defined benefits plan (ODBP)	(23,055)	(22,203)

Employee benefits costs

The elements of employee benefits costs are as follows:

	For the three months ended June 30							
	RPP		SRP		ODBP		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
Defined benefit cost (income) recognized in financial performance								
Current service cost	$ 1,103	$ 1,326	$ 29	$ 36	$ 158	$ 157	$ 1,290	$ 1,519
Administration costs	81	81	13	6	-	-	94	87
Interest cost on defined benefit obligation	3,026	2,882	106	104	293	274	3,425	3,260
Interest income on plan assets	(4,189)	(3,563)	(153)	(120)	-	-	(4,342)	(3,683)
	$ 21	**$ 726**	**$ (5)**	**$ 26**	**$ 451**	**$ 431**	**$ 467**	**$ 1,183**
Remeasurement of defined benefit plans recognized in other comprehensive income								
Return on plan assets excluding interest income	$ 27,138	$ 4,633	$ 702	$ 267	$ -	$ -	$ 27,840	$ 4,900
Actuarial (losses) gains	(4,113)	4,411	(139)	155	(462)	427	(4,714)	4,993
	$ 23,025	**$ 9,044**	**$ 563**	**$ 422**	**$ (462)**	**$ 427**	**$ 23,126**	**$ 9,893**

For the three months ended June 30, 2026, CATSA recognized an expense of $442 (2025 - $307) in relation to the defined contribution component of the RPP.

(In thousands of Canadian dollars)

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 (loss) income.

For the three months ended June 30, 2026, remeasurement gains of $23,126 resulted from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (9.69% actual versus 1.30% expected). This was partially offset by a decrease in the discount rate of 10 basis points (from 5.20% at March 31, 2026, to 5.10% at June 30, 2026).

For the three months ended June 30, 2025, remeasurement gains of $9,893 resulted from an increase in the discount rate of 10 basis points (from 4.80% at March 31, 2025 to 4.90% at June 30, 2025). The gains also resulted from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (2.75% actual versus 1.20% expected).

Employer contributions

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

	Three months ended June 30	
	2026	2025
Employer contributions		
SRP	$ 250	$ -
ODBP	61	75
	$ 311	**$ 75**

Starting July 1, 2024, the Canada Revenue Agency (CRA), in accordance with the *Income Tax Act*, required that CATSA take a forced employer contribution holiday for the defined benefit component of the RPP. For the year ending March 31, 2027, the total employer contributions to CATSA's defined benefit plans for the SRP and ODBP components, are estimated to be $766.

(In thousands of Canadian dollars)

9. 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 June 30, 2026, none of the above are expected, individually or in the aggregate, to have a material adverse effect on the financial statements.

Provisions

During the three months ended June 30, 2026, there were no provisions recorded.

Contingencies – Decommissioning costs

During the three months ended June 30, 2026, there have been no material changes to contingencies related to decommissioning costs. For a description of these costs, refer to note 9 of CATSA's audited annual financial statements for the year ended March 31, 2026.

10. Government funding

Government funding

CATSA's *Summary of the 2026/27-2030/31 Corporate Plan* has not yet been tabled in Parliament and, therefore, the total amount of parliamentary appropriations available for the current year is not yet publicly available. As a result, disclosure of parliamentary appropriations approved compared to parliamentary appropriations used has not been provided.

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

	Three months ended June 30	
	2026	2025
Parliamentary appropriations received	$ 275,500	$ 193,000
Amounts related to prior periods	(124,434)	(46,027)
Parliamentary appropriations receivable	120,803	111,293
Government funding for operating expenses	**$ 271,869**	**$ 258,266**

(In thousands of Canadian dollars)

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 June 30 2026	2025
Parliamentary appropriations received	$ 16,521	$ 15,022
Amounts related to prior periods	(18,470)	(13,638)
Parliamentary appropriations receivable	8,938	14,023
Government funding for capital expenditures	6,989	15,407
Government funding for capital lease payments (note 7)	979	978
Government funding for capital expenditures and lease payments	**$ 7,968**	**$ 16,385**

Deferred government funding

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

	June 30, 2026	March 31, 2026
Deferred operating funding		
Balance, beginning of period	$ 33,032	$ 27,379
Government funding for operating expenses used	271,869	1,071,434
Government funding for operating expenses recognized in financial performance	(274,014)	(1,065,781)
Net change in prepaids and inventories	(2,145)	5,653
Balance, end of period	**$ 30,887**	**$ 33,032**
Deferred capital funding		
Balance, beginning of period	$ 418,406	$ 389,690
Government funding for capital expenditures	6,989	83,566
Amortization of deferred capital funding	(13,491)	(54,850)
Balance, end of period	**$ 411,904**	**$ 418,406**
Total deferred government funding, end of period	**$ 442,791**	**$ 451,438**

(In thousands of Canadian dollars)

11. 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 June 30	
	2026	2025
Screening services and other related costs		
Payments to screening contractors	$ 235,820	$ 220,581
Uniforms and other screening costs	2,371	2,640
Trace and consumables	1,360	977
	239,551	224,198
Equipment operating and maintenance		
Equipment maintenance and spare parts	11,458	11,798
RAIC	241	276
Training and certification	41	434
	11,740	12,508
Program support and corporate services		
Employee costs	20,781	22,486
Office and computer expenses	3,137	2,521
Professional services and other business related costs [1]	1,563	1,263
Other administrative costs [2]	873	917
Other lease costs	552	476
Communications and public awareness	184	273
	27,090	27,936
Depreciation and amortization		
Depreciation of property and equipment (note 5)	13,038	12,445
Depreciation of right-of-use assets (note 7)	794	840
Amortization of intangible assets (note 6)	580	585
	14,412	13,870
	$ 292,793	**$ 278,512**

[1] Other business related costs include travel expenses, conference fees, membership and association fees, and meeting expenses.

[2] Other administrative costs include insurance, network and telephone expenses, and facilities maintenance.

12. 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 CATSA's derivative financial instruments approximate their carrying amount due to the nature of the instruments.

CATSA's derivative financial instruments are categorized as Level 2, based on observable inputs other than quoted prices. There were no transfers between levels during the three months ended June 30, 2026, or the year ended March 31, 2026.

13. Contractual commitments

During the three months ended June 30, 2026, there have been no material changes to CATSA's contractual commitments, other than the usage against contracts relating to Payments to screening contractors.

For a description of CATSA's contractual commitments, refer to note 13 of CATSA's audited annual financial statements for the year ended March 31, 2026.

14. Related party transactions

CATSA had the following transactions with related parties:

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, as disclosed in note 10. Parliamentary appropriations receivable are included in trade and other receivables and disclosed in note 4.

Transactions with CATSA's post-employment benefit plans

Transactions with the 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 8. No other transactions were made during the three month period.

(In thousands of Canadian dollars)

15. Supplementary cash flow information

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

	Three months ended June 30	
	2026	2025
Trade and other receivables [1]	$ 780	$ (61,675)
Inventories	139	1,052
Prepaids	2,006	540
Trade and other payables [2]	(942)	(17,874)
Holdbacks [3]	8	-
Deferred operating funding	(2,145)	(1,592)
Deferred revenue - other screening services [4]	1,212	-
	$ 1,058	**$ (79,549)**

[1] The change in Trade and other receivables excludes an amount of $9,394 (2025 – $385) in relation to government funding for capital expenditures, as the amount relates to investing activities.

[2] The change in Trade and other payables excludes an amount of $12,402 (2025 – $2,177) in relation to the acquisition of Property and equipment and Intangible assets, as the amount relates to investing activities.

[3] The change in Holdbacks excludes an amount of $79 (2025 – $0) in relation to the acquisition of property and equipment, as the amount relates to investing activities.

[4] The change in Deferred revenue – other screening services excludes an amount of $2,389 (2025 – $0) in relation to the acquisition of property and equipment, as the amount relates to investing activities.