

Unclassified

2026 Annual Report

Canadian Air Transport Security Authority (CATSA)



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Land Acknowledgement

CATSA recognizes and affirms the sacred connection that Indigenous Peoples have to the lands that all Canadians call home.

CATSA renews its commitment to improving relationships nation-to-nation and to growing its own understanding of Indigenous Peoples and their cultures.

CATSA acknowledges the traditional, ancestral and unceded territory of all the First Nations, Métis, and Inuit that call this land home.

Doing so leads CATSA to recognize how the organization can contribute to the process of reconciliation.

Corporate Profile and Mandated Activities

Mandate

CATSA is an agent Crown corporation, accountable to Parliament through the Minister of Transport. CATSA delivers the mandate of security screening at 89 designated airports across the country through a third-party screening contractor model.

The organization fulfills a critical security mandate by ensuring the secure and efficient movement of people and goods across Canada's air transportation network and internationally, contributing to national security and economic growth. 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 and their carry-on baggage and 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.

Mission

CATSA protects the travelling public by providing the highest level of aviation security screening.

Vision

The travelling public and our partners benefit from the most secure aviation security screening service and the best client experience through our leadership.

Core Values

- **Integrity:** We are driven by a strong conviction in our mandate and mission. We are stewards of public funds, and we act ethically and transparently to foster accountability and public trust.
- **Innovation:** We are steadfast in our commitment to implementing forward-thinking, creative solutions to evolving and emerging challenges.
- **Collaboration:** We believe that collaboration is fundamental within the organization, across the aviation industry, and with our partners. We leverage our collective strengths and experience for the benefit of all.
- **Inclusivity:** In all aspects of our business, respect and inclusivity are central to our approach. We are leaders in the implementation of meaningful actions, dedicated to

creating a barrier-free experience for our clients, workforce, and the third-party screening officers.

Core Responsibility

As per the *Treasury Board Policy on Results*, Crown corporations are expected to comply with the requirement to identify Core Responsibilities to support Parliamentary reporting, including the Main Estimates, Supplementary Estimates and Public Accounts. CATSA has one Core Responsibility: to deliver effective, efficient, and consistent security screening at designated airports.

Legislative and Regulatory Frameworks

CATSA is subject to both domestic legislation and international standards. As its regulator, Transport Canada develops aviation security regulations, including the *Canadian Aviation Security Regulations* (2012), and establishes security measures that determine which screening technologies and procedures can be used. Screening technologies are informed by standards adopted by international partners such as the United States Transportation Security Administration and the European Civil Aviation Conference.

In addition, CATSA's activities are governed by a range of legislative and regulatory instruments addressing areas such as but not limited to access to information, privacy, accessibility, multiculturalism, corporate planning and reporting, financial administration, employment equity, official languages, and climate, as well as directives issued by the Treasury Board of Canada applicable to Crown corporations.

Cargo

In addition to its mandated activities, CATSA has an agreement with Transport Canada to conduct screening of a limited amount of cargo at smaller airports where screening capacity exists, using existing resources, technology, and procedures.

Cost-recovery and Other Designated Airports

Additionally, CATSA may provide screening services on a cost-recovery basis to both designated and non-designated airports upon the approval of the Minister of Transport. In 2025/26, CATSA signed an agreement with the Montreal Metropolitan Airport (MET) to support the upcoming launch of commercial operations. As MET is not a designated airport under the *CATSA Aerodrome Designation Regulations*, screening services will be provided as part of the cost recovery framework established in the *CATSA Act*.

Year at a Glance

In 2025/26, over 70 million passengers were screened at CATSA security checkpoints with 96% waiting less than 15 minutes at major airports, and 91% reporting a positive screening experience. These results reflect continued progress in delivering secure, efficient, and reliable screening for passengers.

Accelerated investments in technology and automation improved the passenger journey and strengthened screening effectiveness. This included deploying 56 computed tomography (CT) X-ray machines at nine airports, modernizing checkpoints, enhancing detection capabilities, and helping passengers move through the screening process more smoothly.

These upgrades were complemented by improvements to accessibility and passenger communications, including bilingual facilitator support. Targeted communications campaigns and a redesigned website were deployed to help passengers better understand the screening process and prepare for travel, enabling them to navigate checkpoints with greater ease and confidence. Together, these efforts supported the secure and reliable movement of people and goods across Canada's air transportation network.

Behind these results, CATSA collaborated with government and industry partners to advance key priorities including strengthening security, driving innovation and improving the passenger journey. Transport Canada, CATSA's regulator, played a critical role by enabling regulatory approvals, supporting relief measures, and validating new screening technologies.

CATSA continued to strengthen and adapt its approach to cybersecurity, working with federal partners to address evolving threats and reduce potential impacts.

Screening Operations – By the Numbers

- 89 designated airports (71 active) across the country
- 111 pre-board screening checkpoints
- Over 300 pre-board screening lines, including:
 - 82 CT X-ray units
 - 23 family and accessible lines
 - 12 verified traveller lines
- 129 hold baggage screening checkpoints and 114 non-passenger screening checkpoints
- Over 9,300 third-party screening personnel and 175 bilingual facilitator positions to assist travellers
- 512 full-time equivalent CATSA employees that supported program delivery, oversight, training and technology development and deployment

Key Actions and Progress

- Secured supplementary funding for 2026/27 through close collaboration with government partners, underscoring confidence in the organization's forward-looking strategy.
- Exceeded security effectiveness targets, reinforcing the strength and reliability of Canada's screening system.
- Introduced flexible checkpoint solutions through pilot deployments of the modular CATSA Plus concept, improving operational efficiency and passenger throughput at space constrained checkpoints.
- Deployed additional full body scanners to enhance security effectiveness.
- Improved CATSA's communications and passenger preparedness through communications campaigns and website re-design, helping passengers to better understand the screening process and prepare for travel.
- Applied advanced analytics and artificial intelligence to strengthen oversight and operational efficiency, including traffic forecasting, and modernized screening analytics.
- Enhanced organizational capacity and workforce readiness by aligning leadership development, training, wellness and recognition initiatives, and workforce planning with CATSA's strategic priorities and diversity objectives.
- Strengthened aviation ecosystem collaboration through updated partner engagement strategies and improved data sharing.
- Improved accessibility and inclusion initiatives through the deployment of bilingual facilitators at major airports, targeted engagement with accessibility advocacy organizations, and the publication of the Accessibility Plan 2026 to 2029.
- Promoted and supported the use of both official languages at screening checkpoints and in the workplace through engagement with Official Language Minority Communities and implementation of an internal Official Languages Action Plan.

Message from the Chairperson

On behalf of the Board of Directors, I am very pleased to present CATSA's 2026 Annual Report. CATSA plays an essential role in Canada's air transportation system by supporting the secure and efficient movement of people and goods across the country and internationally.

In 2025/26, CATSA screened over 70 million passengers, with 96% waiting less than 15 minutes at Canada's largest airports, 91% reporting a positive screening experience, and 89% expressing confidence in security screening, exceeding CATSA's targets. These results reflect a secure, efficient, and reliable aviation system that underpins Canada's economy by enabling trade, tourism, and connectivity between communities, amid global disruption.

Over the past year, CATSA continued to advance its Strategic Plan while laying the foundation for the future of aviation security screening. The Board of Directors oversaw investments in screening modernization, continuous improvement of service delivery and operations, and organizational readiness to respond to evolving risks and rising expectations for service excellence. We are committed to supporting an aviation network that is secure, efficient, resilient, adaptable, and trusted by Canadians.

Innovation remained central to CATSA's success throughout 2025/26. Investments in modern screening technologies, digital tools, biometrics, and data-driven decision making enable streamlined operations. CATSA continues to pursue efficiencies in our operations to continuously improve our services to travellers, and maintain the highest levels of security effectiveness, while also contributing to the Government of Canada's priorities. By improving resource prioritization and information sharing across the aviation ecosystem, the organization is strengthening its ability to deliver today while preparing for future demands.

Service excellence grounded in respect and inclusivity is a core priority. The Board of Directors has placed particular emphasis on embedding accessibility into policies, programs, and service delivery, supporting a more barrier-free passenger journey. Engagement with persons with disabilities and advocacy organizations, the publication of CATSA's 2026 to 2029 Accessibility Plan, and continued support for passengers through initiatives such as bilingual facilitators at major airports, drove meaningful improvements for travellers.

On behalf of the Board of Directors, I extend my sincere appreciation to CATSA's government and industry partners for their collaboration and shared commitment to aviation security. I also thank my fellow Board members and CATSA's senior management for their dedication and stewardship, and CATSA employees and third-party screening personnel who carry out our mandate across the country.

Together, we support CATSA's important mission of ensuring that Canada's aviation security system continues to protect travellers, enable economic growth, and serve the public interest.



Thao Pham
Chairperson of the Board of Directors

Message from the President and Chief Executive Officer

I am pleased to highlight a year of strong operational performance and sustained security effectiveness at CATSA. These results reflect the close integration of strategy and service delivery across the organization.

Every day, our screening operations support the secure transportation of the travelling public. This year, our mandate was delivered in an increasingly complex and high-demand environment, marked by rising passenger volumes, underscoring the importance of operational excellence built on a foundation of security. Our ability to respond effectively is anchored in strategic direction developed within CATSA and executed through disciplined, high-performing operations.

Throughout the year, CATSA achieved solid performance in the context of rising passenger volumes and heightened security expectations. Screening operations supported over 70 million travellers across the country, with 96% of passengers waiting less than 15 minutes at Canada's busiest airports.

CATSA made exceptional progress in modernizing pre-board screening through the deployment of CT X-ray technology, exceeding the number of units planned for rollout during the year. This transition strengthened detection capabilities, streamlined checkpoint operations, and reduced the need for passengers to divest items, contributing to smoother passenger flow and increased throughput.

Partnerships remain fundamental to CATSA's success. Close collaboration with Transport Canada, airport authorities, airlines, and screening contractors enabled effective operational delivery, regulatory alignment, and enhanced data sharing. These relationships support better decision-making, improved coordination during peak periods, and increased transparency and accountability across the aviation system.

CATSA's Crown corporation structure enables operational efficiency, accountability, and excellence, providing the flexibility to respond to evolving pressures and invest where it delivers the greatest impact. This approach supports consistent results, strong performance and the highest standards of aviation security.

Above all, CATSA's performance was made possible by the dedication and professionalism of its people. I extend sincere appreciation to our employees and to the third-party screening personnel across the country who deliver security screening services every day. Their commitment, adaptability, and focus on service underscores how operational excellence, supported by a clear, strategic mandate, delivers tangible results for passengers.



Neil Parry
Interim President and Chief Executive Officer

Advancing our Strategic Plan - Overview of Activities

Momentum and transformation continued to shape CATSA's operations in 2025/26, with a focus on strengthening security effectiveness, enhancing the passenger journey, and improving efficiency. Efforts included enhancements to the passenger experience, investments in its workforce, and progress on forward-looking innovation that will shape the future of aviation security.

These efforts moved CATSA from planning to action and strengthened its readiness to meet evolving demands.

The following overview highlights the activities undertaken along the four strategic pillars set out in CATSA's [Strategic Plan](#).

Promote an Integrated Aviation Ecosystem

Collaboration across the aviation ecosystem created a more seamless and inclusive journey for passengers. Working alongside Transport Canada, industry partners, and third party contractors - as well as organizations such as the Office of the Commissioner of Official Languages, Office of the Chief Accessibility Officer, Canadian Transportation Agency, Communications Security Establishment, Canadian Association of Chiefs of Police, Canada Border Services Agency, and Parliamentary Protective Services - shared priorities were reinforced across security, accessibility, and service delivery. This integrated partnership model is critical in a volatile global environment, where rapid operational changes can affect aviation services, including shifts in flight profiles and declines in transborder traffic.

These partnerships supported new screening technologies, strengthened secure data sharing and cybersecurity alignment, and improved coordination across the sector.

Domestic stakeholder engagement

As part of the Domestic Stakeholder Engagement Strategy, CATSA launched a partner newsletter to enhance information sharing, highlight new initiatives, and showcase progress made toward strategic objectives bringing the organization's story directly to partners.

In June 2025, representatives from the Canadian Airports Council and the National Airlines Council of Canada participated in the strategic meeting of CATSA's Board of Directors to examine and align on key drivers anticipated to influence CATSA's long-term strategy. This collaboration enhances strategic direction setting by facilitating the exchange of perspectives and discussion of industry priorities.

Data sharing enhancements

Improving screening operations for passengers requires CATSA to collaborate with third-party contractors to enhance data reporting and information sharing. CATSA developed innovative tools to enhance data sharing and reporting with screening contractors, while maintaining robust compliance and data integrity controls.

Increased Transparency and Accountability

Passenger confidence in security screening services requires transparency and accountability. CATSA launched a public dashboard to share performance indicators such as wait time service levels, passenger feedback, screening volumes, and workforce demographics. The dashboard can be accessed through the [Corporate Performance](#) section of the website.

Elevate the Client Experience

Delivering reliable, secure, efficient, respectful, and barrier-free screening services in both official languages is a key commitment. To inform its operations with a deeper understanding of client needs, CATSA engaged with the public and persons with lived experience on a variety of topics, including accessibility and airport improvements.

CATSA's Service Strategy

A Service Strategy was launched to enhance the passenger experience through initiatives such as the exploration of biometrics to support greater passenger autonomy, enabling a more seamless and client centred screening experience.

Screened traffic and wait time service levels

In 2025/26, CATSA screened over 70.3 million passengers, marking a 2.2% increase from 2024/25. In 2026, global passenger traffic is expected to grow by 4.9% from 2025 levels with the North American region expected to grow by just 1.5%, reflecting prevailing market conditions in the region¹. CATSA expects to screen 74.5 million passengers in 2026/27, reflecting an approximate 6% increase from 2025/26.

Passengers benefited from consistently strong screening performance, with 96% screened within 15 minutes at Class 1 airports, exceeding the 95% target. During peak periods, 91.7% of passengers were screened within 15 minutes, surpassing the 85% service level target.

Passenger experience survey data collected at screening checkpoints reflects sustained progress in delivering a positive, client-focused screening experience. 91% of passengers conveyed satisfaction with their screening experience, including 88% of passengers who utilized CATSA's Family and Accessible lines. This reflects the deployment of new screening technologies, improved screening capacity at select airports, and efforts made by our screening contractors to optimize the deployment of their screening officers during peak periods.

Supporting airport improvements

Passengers travelling through Calgary International Airport received a streamlined screening experience, with improved domestic passenger flow. Opened on December 10, 2025, the new checkpoint features seven CT X-ray lines at a centralized pre-board screening checkpoint.

Additionally, CATSA collaborated with Kelowna International Airport to enhance terminal services as part of broader infrastructure improvements. This included introducing CT technology to all four screening lines, making Kelowna International Airport the first airport of its size in Canada with full CT deployment. CATSA, Kelowna International Airport, and vendor partners collaborated throughout planning, equipment delivery, installation, testing, and operational preparations to ensure upgraded facilities and improved service quality, resulting in a more comfortable and seamless airport journey for passengers.

Passengers with disabilities and those requiring assistance received more personalized, respectful, and accessible support throughout the screening process, contributing to a smoother and more inclusive airport journey. At Canada's largest airports, bilingual facilitators provided individualized guidance and assistance at screening checkpoints, helping passengers navigate the process with greater confidence and ease. Feedback on the facilitator program has been

¹ Based on the International Air Transport Association's updated [December 2025 outlook](#).

overwhelmingly positive, with over 90% of passengers reporting it as helpful or very helpful, noting its meaningful impact on the travel journey.

Community engagement

Comprehensive engagement with the broader community and leveraging feedback is vital to enhancing delivery of CATSA's mandate. The organization advanced community engagement that supports accessibility and service in both official languages.

As an example, in June 2025, accessibility advocacy organizations, and persons with lived experience joined CATSA for a series of engagement sessions to share insights, and feedback on barriers in security screening and employment. These sessions were well-received and successfully contributed to CATSA's three-year Accessibility Plan.

Drive Innovation

Supporting a culture of innovation, where continuous improvement, agility, and curiosity are embedded, is essential to the fulfillment of CATSA's vision that the traveling public and our partners benefit from secure aviation security screening and the best client experience.

CATSA's Innovation Roadmap positions the organization for sustained performance and resilience through targeted innovation. The roadmap drives operational efficiency, innovation at security screening checkpoints and the workplace, and productivity. Together with the Strategic Plan, the roadmap reinforces innovation as a core enabler of service excellence, workforce effectiveness, and operational performance.

Innovation in service delivery

Passengers benefited from a faster and more intuitive screening experience at major airports, with fewer items needing to be removed from carry-on bags and smoother movement through checkpoints. This improvement stemmed from the replacement of legacy X-ray equipment with CT technology, with 56 CT machines installed at ten major airports in 2025/26. Careful coordination and planning ensured installations were completed efficiently while maintaining service levels and minimizing disruption at airports.

Enhanced boarding pass verification was piloted at select airports in conjunction with airline trials of digital verification services, supporting broader efforts to integrate biometrics across the airport journey. CATSA is working with partners to modernize the airport journey through the implementation of biometric systems, enabling greater passenger autonomy and a more streamlined screening experience.

Additionally, CATSA piloted a modular CATSA Plus concept designed to provide greater flexibility in space-constrained environments, with the objective of supporting operational efficiencies and innovation at smaller airports. These modular screening lines offer adaptable configurations to varying checkpoint layouts, enabling multiple passengers to divest their belongings simultaneously, improving the passenger experience, as well as overall throughput.

In 2025/26, CATSA developed third-party screening officer competencies through innovative training content, developing virtual reality to train screening officers on fundamentals of security screening. These training tools are designed to enhance skills and maintain high standards of security screening.

Training modernization remained a key focus, with updated content and delivery methods introduced for screening officers and employees. These improvements support consistent, high quality screening outcomes and enhance overall workforce readiness.

Artificial intelligence

This year, CATSA worked closely with the regulator to test artificial intelligence (AI) tools aimed at strengthening checkpoint oversight and improving the accuracy of passenger traffic forecasting, helping to maintain consistent service levels during peak periods. Behind the scenes, CATSA has been integrating AI-powered tools to streamline processes, drive additional employee productivity, and enhance internal service delivery while ensuring AI is deployed ethically, securely, and transparently.

Cybersecurity

CATSA deepened its cybersecurity posture in response to evolving threats, working closely with key government partners to prevent and mitigate risks. Guided by the U.S. National Institute of Standards and Technology Cyber Security Framework and informed through partnerships with national leaders such as the Canadian Centre for Cyber Security, the organization aligns its investments across technology, processes, people, governance, and executive oversight to safeguard its IT assets, reputation, employees, and the travelling public. Additionally, CATSA's Cyber Plan 2025 has integrated the Communications Security Establishment's (CSE) Canadian Centre for Cyber Security Top 10 Security Actions.

In 2025/26, CATSA underwent an audit of select cybersecurity controls and practices, focusing on employee awareness and training. The organization maintains comprehensive mandatory training programs on IT and cybersecurity threats, which have improved employee engagement and preparedness. Moving forward, CATSA will further strengthen and sustain these controls, working closely with government partners to adapt to the evolving cybersecurity threat landscape.

Invest in Our People for Tomorrow

CATSA has been successful at retaining its talented and tenured employees while building a future-ready workforce. Priorities focused on strategic resource planning, systematically identifying and addressing skills gaps, learning and development, and sustained employee engagement.

Fostering excellence and engagement

CATSA implemented initiatives throughout the year that promote respect and equity in the workplace. Through the implementation of its Human Resources Strategic Plan, the organization refreshed its wellness program and enhanced the Employee Recognition Program, reinforcing its focus on employee engagement and maintaining a culture that celebrates success. The program is grounded in CATSA's core values and highlights outstanding actions and achievements of employees.

In addition, updated official languages, employment equity, and accessibility action plans strengthened the organization's commitment to bilingualism, accessibility, and building a workforce reflective of Canada's diverse population.

Strengthening leadership and driving performance

CATSA expanded its leadership development program, with increased emphasis on leadership principles and performance management to support the development of effective, people-focused leaders. Additionally, CATSA aligned the Performance Management Program with the organization's strategic pillars to promote clarity, consistency, and shared accountability.

Looking ahead, the organization will continue to strengthen these initiatives through supports and targeted training in areas such as new technology, official languages, diversity, equity, inclusion, and accessibility. These efforts will help to ensure the workforce remains engaged, resilient, and well-positioned to respond to evolving organizational priorities and operational realities.

Supporting Government of Canada Priorities

CATSA supports several national priorities set out by the Government of Canada in such documents as the Speech from the Throne, the 2025 Budget and the Prime Minister's mandate letter to Cabinet Ministers.

Security and the economy

CATSA safeguards critical elements of Canada's air transportation system and ensures the secure and efficient movement of people and goods across the system. The organization has accelerated investments in several key areas such as the deployment of CT X-ray equipment, biometrics and artificial intelligence.

CATSA has aligned its procurement policies, guidelines, and practices with the Government of Canada's *Buy Canadian Procurement Policy Framework*, with consideration given to prioritizing Canadian suppliers and Canadian content, in a manner that remains consistent with the organization's mandate.

A more efficient and effective government

In July 2025, federal departments, agencies and Crown corporations were tasked to conduct a Comprehensive Expenditure Review (CER) to reduce spending while safeguarding important programs. CATSA will deliver efficiencies without impacting the public, air travellers and stakeholders.

Bolstering productivity through innovation and artificial intelligence

CATSA is exploring how innovation and artificial intelligence can support productivity, oversight, and service enhancement. In 2025/26, this included testing selected AI-enabled tools and advancing foundational work in analytics, automation, and biometrics in collaboration with partners and Transport Canada. These efforts position CATSA to assess how emerging technologies may address future operational and corporate needs in a safe, ethical, and responsible manner.

Delivering on diversity, equity and inclusion (DEI)

CATSA collaborates with various advocacy organizations and third-party service providers to enhance training on topics such as unconscious bias, inclusivity and accessibility. It has also adopted workplace policies and practices to ensure employees have access to reasonable accommodation of their values and traditions.

Progress is actively measured, evaluated and reported pursuant to the *Employment Equity Act* and the *Canadian Multiculturalism Act*.

CATSA's Diversity and Inclusion Network continues to support the identification of barriers to employment equity and delivers diversity and inclusion initiatives and training.

Indigenous relations and reconciliation

In collaboration with screening contractors, CATSA reinforces respectful and culturally sensitive practices through comprehensive training. Facilitators receive in-person, instructor-led training to support passengers travelling with sacred or spiritual items, while screening officers complete mandatory training, focused on Indigenous cultural awareness and proper procedures for handling sacred and spiritual items.

Official languages

CATSA advanced bilingual service to the public and across its workforce through a new three-year Official Languages Action Plan. Informed by engaging official language minority communities, the plan reflects the modernized *Official Languages Act* (Bill C-13) and aligns with the Government of Canada's renewed focus on linguistic duality, inclusion, and accountability.

Through passenger surveys, 96.4% of respondents indicated they were served in their official language of their choice.

Contributing to an accessible air travel experience

In December 2025, CATSA published its [Accessibility Plan 2026 to 2029](#) in accordance with the *Accessible Canada Act*. The plan outlines initiatives aligned with the Act's priority areas and reflects input from a series of consultations with accessibility advocacy organizations and persons with lived experience of disability to identify and address barriers across the end-to-end airport journey.

Climate change and environmental sustainability

In 2025/26, CATSA undertook a Climate-related Risk and Opportunity Assessment where senior management and key personnel evaluated the organization's climate-related risks, including physical risks and transition risks (such as policy, regulatory, and market changes during the shift to a low-carbon economy), in the context of regular operations and potential disruptive climate events.

CATSA formally reports on progress towards climate priorities and targets through annual Taskforce on Climate Related Financial Disclosures (TCFD) reporting. CATSA's 2025/26 TCFD Report is available on the organization's public website, under Corporate Publications.

Risk Profile

Risk management is embedded into strategic decision-making and resource allocation within CATSA, allowing the organization to make informed decisions at the corporate and operational levels.

CATSA manages its corporate risks through an Enterprise Risk Management framework and maintains a comprehensive overview of its corporate risks through the risk profile, including descriptions of key operational and financial risks, risk ratings as measured by likelihood and impact of risk occurrence, and risk mitigation strategies.

CATSA's overall risk attitude is conservative and flexible.

Conservative: CATSA generally focuses effort more heavily on the active management of medium, medium-high, and high risk, and the acceptance of low risk.

Flexible: CATSA's environment is highly dynamic, and influenced by two key partners, namely Transport Canada and the Government of Canada more broadly. From a risk management perspective, the unique nature of CATSA's environment requires flexibility and discretion in the application of risk attitude.

CATSA actively evaluates, manages and mitigates the following corporate risks:

Mandated Services Risk

Detection capabilities and maintaining care and control of screening checkpoints

The dynamic aviation security environment continues to evolve, creating risks relating to new or emerging threats that require careful oversight and adaptation. If these risks are not effectively managed, there could be significant impacts on the integrity of the civil aviation system. Strong operational management practices, informed by continuous assessment of emerging threats and regular oversight of mitigation measures, support CATSA's response to this environment.

Capacity Risk

Adequacy of government funding

There is a risk that the organization's funding envelope may not fully keep pace with evolving requirements and cost pressures. CATSA actively manages this risk through strong financial governance, monitoring of resource needs, and engagement with government partners. Sustained funding pressures could affect the organization's capacity to deliver its mandate effectively.

Resource capability and skills availability

Evolving organizational needs and labour markets can place pressure on the availability of key capabilities and expertise. CATSA manages this through effective leadership, workforce planning, and oversight of organizational capacity.

Service Delivery Through Third Parties Risk

Legal and illegal labour disruption

CATSA relies on third-party screening contractors to deliver services across the country. Labour disruptions, whether driven by labour relations dynamics or broader labour market conditions, could affect CATSA's ability to sustain expected service levels. Active oversight of service

delivery arrangements, engagement with partners, and contingency planning support service continuity. Disruptions may result in longer wait times for passengers and negatively affect public confidence and stakeholder relations.

Dependence on outsourced screening services, equipment maintenance services or major suppliers

CATSA relies on external service providers and suppliers to support the delivery of screening operations and the maintenance of critical equipment. Disruptions in the availability or performance of these services could affect service delivery. CATSA manages this exposure through active oversight of contractual arrangements, supplier engagement, and measures to support continuity of operations.

Partner and Client Relations Risk

Reputational risk

There is a risk that CATSA may encounter events which the organization is not able to effectively manage, which may cause damage to its reputation with its partners or clients, resulting in loss of public trust in CATSA and/or confidence in air transportation security. Significant failures in this regard could undermine confidence in the air transportation security system. CATSA works to maintain public trust and confidence in aviation security through proactive issue management and ongoing engagement with partners.

IT Risk

Cyber attacks

CATSA operates critical IT and operational technology in a constantly evolving cyber threat environment. While CATSA has strong controls and a cybersecurity program aligned with federal guidance, no organization can fully eliminate cyber risk. Residual cyber risk is actively monitored and managed through CATSA's governance and enterprise risk processes.

Corporate Performance

Results for the Implementation of CATSA's mandate

The following KPIs are reported to the Senior Management Committee and the Board of Directors on a quarterly basis for oversight and management of CATSA's performance. The KPIs are categorized according to the Strategic Plan's four pillars.

Pillar: Promote an Integrated Aviation Ecosystem

Performance measure	Comments
Security effectiveness	Given the sensitivity of this performance category and its associated results, this data cannot be included in a public document.

Performance measure	Target	2024/25	Comments
Partner satisfaction	95.0%	91.7%	Partner surveys are conducted every two years, and the latest results (2024/25) are included in this report. In 2024/25, nearly 92% of partners expressed satisfaction with CATSA; surveyed partners highlighted key strengths, including effective communication channels, and responsiveness to partner needs. The organization will strive to further enhance the integration of CATSA's systems with partners' systems, increase collaboration, and elevate information sharing to better serve the travelling public.

Definition: The measure of partner satisfaction relating to integration, collaboration and information sharing through a bi-annual survey.

Pillar: Elevate the Client Experience

Performance measure	Target	2025/26	Comments
Overall experience	90.0%	91.0%	In 2025/26, 91% of surveyed passengers reported a positive screening experience.

Definition: The percentage of passengers who encountered an overall positive screening experience, based on passenger intercept surveys conducted at Class 1 airports.

Performance measure	Target	2025/26	Comments
Customer satisfaction Index	90.0%	90.7%	Customer satisfaction index remained above target throughout 2025/26.

Definition: The percentage of passengers who provide a positive rating to their interactions with screening officers at PBS checkpoints at Class 1 airports.

Performance measure	Target	2025/26	Comments
Confidence in security screening	85.0%	89.3%	Confidence in security screening remained above target throughout 2025/26.

Definition: The percentage of passengers surveyed expressed confidence in the overall PBS process at airports and its role in making air travel more secure.

Performance measure	Target	2025/26	Comments
Satisfaction with speed of screening	90.0%	86.7%	Satisfaction with processing speed fell below target, despite meeting wait time service level targets, underscoring the importance of improvements beyond queue times alone. CATSA is focusing on modernizing screening processes and working with partners to improve end-to-end service for passengers.

Definition: The percentage of passengers at Class 1 airports who provide a positive rating for the speed of security screening at PBS checkpoints.

Performance measure	Target	2025/26	Comments
Satisfaction specific to passengers who used the family and accessible line	90.0%	88.4%	Passenger satisfaction with family and accessible lines was below the target level for the year. However, metrics improved over the course of 2025/26, culminating in a satisfaction rate of 92.3% in the fourth quarter.

Definition: The percentage of passengers at Class 1 airports who were satisfied with the screening experience at a family and accessible line.

Performance measure	Target	2025/26	Comments
Satisfaction with service in the official language of choice	90.0%	96.4%	Satisfaction with service in the official language of choice continued to be well above target.

Definition: The percentage of passengers at Class 1 airports who report being served in their preferred official language throughout the screening process.

Pillar: Drive Innovation

Performance measure	Target	2025/26	Comments
Wait Time Service Level (WTSL)	95.0%	96.0%	In 2025/26, 96% of passengers waited less than 15 minutes to be screened at Class 1 airports.
(All Periods)	Passengers Screened	70.3 million	

Definition: WTSL (All Periods) is the percentage of passengers who waited less than 15 minutes to be screened at Class 1 airports, on an annual basis.

Performance measure	Target	2025/26	Comments
Wait Time Service Level (WTSL) (At Peak)	85.0%	91.7%	In 2025/26, 91.7% of passengers waited less than 15 minutes to be screened at Class 1 airports during peak periods.

Definition: WTSL (At Peak) is the percentage of passengers who waited less than 15 minutes to be screened during peak periods at Class 1 airports. Peak periods are considered times when checkpoints experience very high traffic volumes.

Performance measure	Target	2024/25	Comments
Innovation Culture	85.0%	78.1%	Employee surveys are conducted every two years, and the latest results (2024/25) are included in this report. Almost 80% of surveyed employees agreed that CATSA fosters an open, supportive culture of innovation and creativity. The organization will continue to advance initiatives that further strengthen this culture of continuous improvement and progress.

Definition: The percentage of employees who agree that CATSA has a culture of innovation, based on results of an employee survey regarding innovation, openness to new ideas, initiative and creativity.

Performance measure	Target	2025/26	Comments
Consistency – Security Screening Procedures	95.0%	95.0%	CATSA works with screening contractors to sustain, and improve upon, its strong operational performance.

Definition: The evaluation by performance officers of screening officer performance according to Standard Operating Procedures and regulations at Class 1 airports.

Pillar: Invest in Our People for Tomorrow

Performance measure	Target	2024/25	Comments
Employee Satisfaction	85.0%	85.0%	Employee surveys are conducted every two years, and the latest results (2024/25) are included in this report. In 2024/25, 85.0% of employees who completed the Employee Satisfaction Survey indicated they are satisfied with CATSA as their employer.

Definition: The percentage of employees who are satisfied with CATSA as their employer.

Performance measure	Target	2025/26	Comments
Employees who meet the official language requirements of their position	75.0%	71.2%	In 2025/26, 71.2% of employees met the official language requirements for their positions, reflecting steady progress and an increase of 2% over 2024/25. This improvement is further supported by external staffing results, with 88% of new hires now meeting the bilingual language requirements of their roles.

Definition: The percentage of employees who meet the language requirements in positions designated as bilingual.

Performance measure	Target	2025/26	Comments
Workforce Demographics	Women: 48.6%	Women: 44.1%	In 2025/26, representation increased in three of the four workforce demographic groups, with a 1% decline in the representation of women.
	Indigenous Peoples: 2.6%	Indigenous Peoples: 3.8%	
	Members of visible minorities: 31.1%	Members of visible minorities: 29.8%	
	Persons with disabilities: 12.7%	Persons with disabilities: 7.7%	

Definition: The percentage of a designated group (Women, Indigenous Peoples, Members of Visible Minorities, and Persons with Disabilities) among employees.

Performance measure	Target	2025/26	Comments
Annual Attrition	Less than 8.0%	1.4%	Voluntary attrition remained better than the 2025/26 target.

Definition: The percentage of employees who left the organization voluntarily.

Performance measure	Target	2024/25	Comments
Employees who would recommend CATSA as an employer	85.0%	79.0%	Employee surveys are conducted every two years, and the latest results (2024/25) are included in this report. In 2024/25, 79.0% of employees would recommend CATSA as an employer. CATSA will continue to invest in employee wellbeing and development to improve this result.

Definition: The percentage of employees who would recommend CATSA as an employer.

Performance measure	Target	2025/26	Comments
Screening Officer Demographics	N/A	Women: 48.6% Indigenous Peoples: 1.2% Members of visible minorities: 37.2% Persons with disabilities: 0.9%	As of March 31, 2026, CATSA's screening contractors provided demographic data for the second time. The results are largely consistent with the previous year, with the exception of demographic data pertaining to visible minorities, which experienced a notable year-over-year increase of 9.9%. The screening contractors are subject to the Government of Canada's legislated demographic targets for their federally regulated workforces and must report their progress to the Government of Canada. CATSA will continue to engage and collaborate with its screening contractors to encourage diversity and inclusion.

Definition: The percentage of a designated group (Women, Indigenous Peoples, Members of Visible Minorities, and Persons with Disabilities) among the third-party screening officer workforce.

Performance measure	Target	2025/26	Comments
National screening officer attrition rate	Less than 28.0%	15.2%	In 2025/26, the national attrition rate for screening officers was 15.2%, representing a decrease of 2.2% compared to 2024/25. This overall improvement reflects a significant reduction in attrition among part-time screening officers, which declined by 9.0%, partially offset by a modest increase of 0.6% in attrition among full-time screening officers.

Definition: The percentage of screening officers who have departed for the following reasons: resignation, death, or termination.

Performance measure	Target	2025/26	Comments
National Training and Certification Program success rate	90.0%	91.6%	In 2025/26, national training and certification success rates exceeded target.

Definition: The percentage of screening officer candidates that passed the National Training and Certification Program.

Corporate Governance

Board of Directors

CATSA is governed by an eleven-member Board of Directors, appointed by the Governor in Council on the recommendation of the Minister of Transport. The airline industry and the airport industry nominate two directors each. The Board of Directors and its committees meet on a quarterly basis, and hold additional meetings as required, to oversee the corporation's business and strategic direction, and their responsibilities include:

- Establishing and approving CATSA's strategic direction through various means, including its strategic plan and annual corporate plan;
- Safeguarding the resources of the corporation by approving annual reports, quarterly financial reports as well as capital and operating budgets;
- Ensuring the fulfillment of the corporation's mandate;
- Monitoring corporate performance;
- Ensuring the principal organizational risks are identified and that appropriate systems/mitigations to manage these risks have been implemented;
- Approving the President and Chief Executive Officer's (CEO) objectives for the year and evaluating their performance;
- Drafting, amending, or repealing corporate by-laws; and
- Reviewing and approving the succession plan for senior management.

Ongoing governance education remained a priority for CATSA's Board of Directors. Directors participated in continuing education to remain current on governance matters, including pension training, the Canada School of Public Service program for Crown corporation directors, and individual learning activities. In 2025/26, Directors visited Montréal-Trudeau International Airport to further their understanding of airport security operations.

Board of Directors Remuneration and Meeting Attendance

The chairperson and directors are paid an annual retainer and per diem set by the Governor in Council and pursuant to the *Financial Administration Act*. The retainer for the Chairperson is \$10,800; for Directors, it is \$5,400. The Chairperson is paid a per diem rate of \$420, and Directors are paid a per diem rate of \$390 for time spent preparing for and attending meetings, as well as events such as conferences. Members of the Board of Directors are reimbursed for expenses related to travel, accommodation and meals while performing their duties; such expenses are disclosed each quarter. Attendance is based on the number of meetings attended out of the total number of meetings that occurred while a director was a member of the Board of Directors and/or committee. In 2025/26, the Board committees met 20 times and the Board of Directors in its entirety met a total of 11 times.

Committees of the Board of Directors

The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to financial reporting, financial risk management, climate disclosure, cybersecurity, internal controls, internal and external audits, budgets and any other matter assigned by the Board.

The Governance, Human Resources and Pension Committee (GHRP) assists the Board in fulfilling its oversight responsibilities with respect to governance matters, human resources and compensation, management succession plans, ethics and business conduct policies, annual

objectives for the President and CEO, management and administration of the employee pension plans and any other matter assigned to it by the Board.

The Ad-Hoc Committee on Short-term Strategy (AHC) was established temporarily to assist the Board in considering funding requests, and to offer strategic oversight and guidance on the alignment of such requests with the organization's needs and strategic objectives. As the AHC's duties have been fulfilled, the committee has been disbanded.

Board of Directors Strategic Meeting

In March 2026, the Board of Directors convened for a strategic meeting. The meeting benefited from strong engagement with national security partners, academic experts, and senior leadership from Transport Canada, reinforcing the importance of collaboration across the aviation security ecosystem.

In 2025/26, CATSA's Board of Directors included:

Board Member	Appointment and Term ²	Compensation (\$) *	Board Meetings (of 11)	Committees and Training Attendance
Pham, Thao (Chairperson of the Board of Directors)	Appointment: 2023/03/14 Mandate expiry date: 2028/03/13	Retainer: 10,800.00 Per diems: 22,890.00 Other: 20,365.66 Total: 54,055.66	10	AHC (of 6): 6 Audit (of 8): 7 GHRP (of 6): 6 Training/recruitment days: 2
Capparelli, Rosemary	Appointment: 2022/10/28 Mandate expiry date: 2026/10/28	Retainer: 5,400.00 Per diems: 9,550.00 Other: 2,691.17 Total: 17,646.17	11	AHC (of 6): N/A Audit (of 8): 7 GHRP (of 6): N/A Training/recruitment days: 2
Chan, Kenneth	Appointment: 2024/12/17 Mandate expiry date: 2029/12/17	Retainer: 5,400.00 Per diems: 12,480.00 Other: 4,588.67 Total: 22,468.67	10	AHC (of 6): 6 Audit (of 8): N/A GHRP (of 6): 5 Training/recruitment days: 2
Duggan, Sharon (GHRP Chair)	Original appointment: 2018/02/21 Reappointment: 2024/06/05 Mandate expiry date: 2028/06/05	Retainer: 5,400.00 Per diems: 14,820.00 Other: 9,536.17 Total: 29,756.17	11	AHC (of 6): 5 Audit (of 8): 8 GHRP (of 6): 5 Training/recruitment days: 3
Kennedy, Patricia	Original appointment: 2015/03/26 Reappointment: 2018/06/25 Mandate expiry date: 2021/06/24*	Retainer: 5,400.00 Per diems: 10,920.00 Other: 6,245.85 Total: 22,565.85	10	AHC (of 6): N/A Audit (of 8): 8 GHRP (of 6): 6 Training/recruitment days: 2
Lalonde, Gilles	Original appointment: 2018/02/21 Reappointment: 2021/05/21 Mandate expiry date: 2025/05/21*	Retainer: 5,400.00 Per diems: 9,165.00 Other: 2,553.10 Total: 17,118.10	9	AHC (of 6): N/A Audit (of 8): 8 GHRP (of 6): N/A Training/recruitment days: 2

² Per the *Financial Administration Act*, any Director (other than the Chairperson) whose term has expired, may continue in office until a successor is appointed.

Board Member	Appointment and Term ²	Compensation (\$) *	Board Meetings (of 11)	Committees and Training Attendance
Loschmann, Andrew	Appointment: 2024/12/17 Mandate expiry term: 2028/12/17	Retainer: 5,400.00 Per diems: 9,360.00 Other: 2,361.64 Total: 17,121.64	10	AHC (of 6): N/A Audit (of 8): 7 GHRP (of 6): N/A Training/recruitment days: 3
Maxwell, Michael	Appointment: 2024/12/17 Mandate expiry term: 2028/12/17	Retainer: 5,400.00 Per diems: 12,285.00 Other: 6,529.00 Total: 24,214.00	11	AHC (of 6): N/A Audit (of 8): 8 GHRP (of 6): N/A Training/recruitment days: 4
Redburn, Theresa	Appointment: 2025/02/17 Mandate expiry term: 2030/02/17	Retainer: 5,400.00 Per diems: 14,430.00 Other: 6,268.73 Total: 26,098.73	11	AHC (of 6): 6 Audit (of 8): N/A GHRP (of 6): 6 Training/recruitment days: 2
Sullivan, Jennifer	Appointment: 2022/10/28 Mandate expiry date: 2026/10/28	Retainer: 5,400.00 Per diems: 9,945.00 Other: 5,407.59 Total: 20,752.59	11	AHC (of 6): 4 Audit (of 8): N/A GHRP (of 6): 5 Training/recruitment days: 2
Trenn, Diane <i>(Audit Chair)</i>	Original appointment: 2018/06/14 Reappointment: 2022/10/28 Mandate expiry date: 2026/10/28	Retainer: 5,400.00 Per diems: 15,795.00 Other: 6,942.41 Total: 28,137.41	11	AHC (of 6): 5 Audit (of 8): 8 GHRP (of 6): 6 Training/recruitment days: 3
Total		Retainer: 64,800.00 Per diems: 141,645.00 Other: 73,489.99 Total: 279,934.99		AHC: 6 Audit: 8 GHRP: 6 Training/recruitment days: 27

*Other compensation includes Travel, Hospitality, and Training Reimbursement, and the value of any taxable benefit.

CATSA Senior Management Team

In November 2025, Neil Parry (previously, the Senior Vice-President of Operations) was appointed as Interim President and Chief Executive Officer (CEO) by the Governor General in Council for a term of 18 months, or until a new a new President and CEO is appointed. As of April 1, 2026, the President and CEO is supported by a senior management team, including:

Kelsey MacTavish	Acting Senior Vice-President, Operations
Nancy Fitchett	Vice-President, Corporate Affairs, Chief Financial Officer, and Corporate Secretary
Dan Fortier	Vice-President and Chief Technology Officer
Lisa Hamilton	Vice-President, Corporate Services and General Counsel

CATSA's Executive Compensation Structure

Maintaining a competitive total compensation package is key to CATSA's ability to attract and retain a diverse and qualified workforce. The total compensation program consists of a base salary as well as performance incentives, group benefits and pension plan.

CATSA's Board of Directors, through the GHRP Committee, reviews the compensation package regularly to ensure that it is reasonable and is competitive with similar public sector organizations.

Pursuant to subsection 20(2) of the *Canadian Air Transport Security Authority Act*, the rate of any remuneration paid to the President and CEO is fixed by the Governor in Council by Order in Council (2025-0766), wherein the base salary is within the range of \$277,100 to \$326,000 per annum.

In 2025/26, the base salary range for Senior Vice-Presidents and Vice-Presidents is \$217,015 to \$390,627. CATSA's Senior Vice-Presidents and Vice-Presidents are also eligible to receive incentive pay in the range of 0-26%, depending on their performance.

Annual Public Meeting

CATSA held its 2025 Annual Public Meeting by means of an [audio-visual presentation](#) that was posted on its website on October 15, 2025.

Management's Discussion and Analysis

For the year ended March 31, 2026

Management's Discussion and Analysis (MD&A) outlines CATSA's financial results and operational changes for the year ended March 31, 2026. This MD&A should be read in conjunction with CATSA's audited annual financial statements and accompanying notes for the year ended March 31, 2026, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The information in this report is expressed in thousands of Canadian dollars and is current to June 17, 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.

Operating Environment

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.

Prior to Budget 2023, CATSA relied on annual supplemental funding from the Government of Canada to carry out its core mandated activities. Budget 2023 included supplemental funding over three years to continue to protect the public by securing critical elements of the air transportation system. In addition, it allowed CATSA to plan for the longer term and to conduct focused engagement with industry, the community and government partners, as well as plan investment and deployment of new technology.

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 will be 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.

Screening Services

Statistics from CATSA's Boarding Pass Security System, and other data sources, indicate that in 2025/26, CATSA screened 70.3 million passengers, representing an increase of 2.2% compared to 2024/25. CATSA works closely with its screening contractors, Transport Canada and external partners to support the aviation industry.

In 2025/26, CATSA signed an agreement with the Montreal Metropolitan Airport (MET) to support its commercial operations, which will begin in 2026/27. As MET is not a designated airport under the *CATSA Aerodrome Designation Regulations*, screening services will be provided as part of the cost recovery framework established in the *CATSA Act*.

Internal Controls

Management is responsible for establishing and maintaining a system of internal controls over financial reporting. An integral part of this responsibility is CATSA's internal controls certification program, which involves a periodic assessment of the design and operating effectiveness of key internal controls over financial reporting. The program is based on the Committee of Sponsoring Organizations of the Treadway Commission framework, and Treasury Board of Canada Secretariat's (TBS) *Certification and Internal Control Regime for Crown Corporations*.

The assessment provides management with regular feedback regarding the effectiveness of the internal control environment. Following the assessment, management develops action plans for all opportunities for improvement.

Analysis of Financial Results

Statement of Comprehensive Income (Loss)

The following section provides information on key variances within the Statement of Comprehensive Income (Loss) for 2025/26 compared to 2024/25.

Key Financial Highlights - Statement of Comprehensive Income (Loss)

(Thousands of Canadian dollars)	2025/26	2024/25	\$ Variance	% Variance
Expenses¹				
Screening services and other related costs	\$ 904,775	\$ 843,810	\$ 60,965	7.2%
Equipment operating and maintenance	54,430	54,175	255	0.5%
Program support and corporate services	114,185	110,743	3,442	3.1%
Depreciation and amortization	57,813	50,610	7,203	14.2%
Total expenses	1,131,203	1,059,338	71,865	6.8%
Other expenses (income)²	1,650	(102)	1,752	N/M
Financial performance before revenue and government funding	1,132,853	1,059,236	73,617	7.0%
Revenue	2,255	3,512	(1,257)	(35.8%)
Government funding for				
Operating expenses	1,065,781	1,002,116	63,665	6.4%
Amortization of deferred capital expenditures	54,850	48,201	6,649	13.8%
Lease payments	3,904	3,242	662	20.4%
Total government funding	1,124,535	1,053,559	70,976	6.7%
Financial performance	\$ (6,063)	\$ (2,165)	\$ (3,898)	(180%)
Other comprehensive income	38,094	6,521	31,573	484%
Total comprehensive income	\$ 32,031	\$ 4,356	\$ 27,675	635%

¹ The 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 audited annual financial statements for the year ended March 31, 2026.

² The percentage change for the year over year variance is not meaningful.

Screening Services and Other Related Costs

Screening services and other related costs consist of payments to screening contractors, uniforms and other screening-related costs, and trace and consumables.

Payments to screening contractors (as disclosed in note 11 of CATSA's audited annual financial statements) represent the most significant expenditure for CATSA at 82.8% of total expenses (excluding depreciation and amortization) in 2025/26. These expenses consist of payments to screening contractors to deliver security screening services provided by certified screening personnel and non-screening personnel, including training and recurrent learning requirements. Key variables impacting these costs include the number of screening hours purchased and billing rates.

The number of screening hours purchased is mainly driven by passenger volumes and traffic patterns. New directives to CATSA, or new or modified security regulations arising from evolving threats and security incidents or alignment with other jurisdictions, can also drive screening hours.

Billing rates are based on all-inclusive rates paid to screening contractors as set forth under the terms of CATSA's Airport Screening Services Agreements. These agreements also include a performance program that remunerates screening contractors for contractual compliance and achievement of specified performance targets.

Screening services and other related costs increased by \$61.0M (7.2%) in 2025/26. The increase is mainly attributable to annual billing rate increases totaling \$45.0M, and changes to the non-passenger screening program totaling \$11.7M. The increase from the prior year also includes additional spending of \$6.8M for bilingual facilitators, who support the client experience and ensure that screening procedures uphold the dignity of all travellers, including those with accessibility needs.

Program Support and Corporate Services

Program support and corporate services represent the costs to support the delivery of CATSA's mandated activities and its corporate infrastructure. These costs consist mainly of employee salaries and benefits, office and computer costs, lease related costs at corporate headquarters and in the regions that are not capitalized under IFRS 16, and professional services.

Program support and corporate services costs increased by \$3.4M (3.1%) in 2025/26. The increase is mainly due to higher employee-related costs due, in part, to costs related to workforce reductions under the CER.

Depreciation and Amortization

Depreciation of property and equipment, as well as amortization of intangible assets, is recognized on a straight-line basis over the estimated useful lives of the assets. Depreciation of right-of-use assets is recognized on a straight-line basis over the related lease term.

Depreciation and amortization increased by \$7.2M (14.2%) in 2025/26. The increase is primarily attributable to new equipment deployments and the change in estimated useful lives of some of CATSA's screening equipment. The increase is partially offset by equipment becoming fully depreciated or retired.

Other Expenses (Income)

Other expenses (income) consist of net gain or loss on fair value of derivative financial instruments, finance costs, write-off of property and equipment and intangible assets, gain or loss on disposal of property and equipment, and foreign exchange gain or loss.

Other expenses (income) increased by \$1.8M in 2025/26. The change from an income position in 2024/25 to an expense position in 2025/26 is primarily due to net losses on the fair value of derivative financial instruments partially offset by a net foreign exchange gain.

Revenue

Revenue consists mainly of finance income earned on cash balances and other screening services revenue. Revenue decreased by \$1.3M (35.8%) in 2025/26. The decrease is attributable to lower finance income earned on cash balances.

Government Funding

The Government of Canada collects the Air Travellers Security Charge and funds CATSA through appropriations from the federal Consolidated Revenue Fund for operating expenses and capital

expenditures. Payments for CATSA's leases that are capitalized under IFRS 16 are funded through capital appropriations.

Parliamentary Appropriations for Operating Expenses

Operating expenses are funded on a near-cash accrual basis. Certain expenses, including employee benefits, inventories and prepaid expenses, are funded when a cash outflow is required, as opposed to when the expense is recognized under IFRS.

Parliamentary appropriations for operating expenses increased by \$63.7M (6.4%) in 2025/26. 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

Capital expenditures are funded when assets are purchased. The appropriations are recorded as deferred government funding related to capital expenditures and are amortized on the same basis and over the same period as the related assets.

Amortization of deferred government funding related to capital expenditures increased by \$6.6M (13.8%) in 2025/26. The increase is primarily attributable to higher depreciation and amortization expenses, as discussed above.

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 consists of the net actuarial gains and losses associated with CATSA's defined benefit plans.

In 2025/26, the net gain of \$38.1M is primarily attributable to an actuarial gain of \$25.6M arising from changes in financial assumptions and an actuarial gain of \$14.3M resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. This is offset by a loss of \$1.9M arising from experience adjustments.

In 2024/25, the net gain of \$6.5M was primarily attributable to an actuarial gain of \$12.9M resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions and a net gain of \$3.5M arising from experience adjustments. This was offset by a net loss of \$10.3M related to changes in demographic assumptions.

For further details, please refer to the Employee Benefits section.

Liquidity and Capital Resources

Liquidity

CATSA's financial management framework relies on parliamentary appropriations to finance operating and capital requirements, and to settle financial obligations as they become due. In determining the amount of cash reserves to carry for operating requirements, the organization considers its short-term funding requirements in accordance with relevant Treasury Board of Canada Secretariat (TBS) directives.

The following table represents CATSA's liquidity:

Liquidity			
(Thousands of Canadian dollars)	March 31, 2026	March 31, 2025	\$ Variance
Cash	\$ 18,096	\$ 102,215	\$ (84,119)
Trade and other receivables	155,959	80,371	75,588
Trade and other payables	(176,287)	(182,949)	6,662
Current holdbacks	(835)	(35)	(800)
Current lease liabilities	(3,178)	(3,263)	85

- Cash decreased by \$84.1M primarily due to the timing of funds received from the Government of Canada;
- Trade and other receivables increased by \$75.6M primarily due to a higher balance of parliamentary appropriations receivable, partially offset by decreases in other screening services receivable and recoverable taxes receivables.
- Trade and other payables decreased by \$6.7M as a result of the timing of disbursements associated with obligations outstanding with suppliers.

Capital Resources

CATSA's capital plan is comprised of Explosives Detection System (EDS) and non-EDS expenditures and a portion of lease payments.

EDS capital expenditures consist of the acquisition of screening equipment and the associated installation and integration costs for Pre-board Screening (PBS), Hold Baggage Screening (HBS) and Non-passenger Screening (NPS). Non-EDS capital expenditures consist of the acquisition of equipment and systems to support screening operations, the Restricted Area Identity Card (RAIC) program, leasehold improvements, network infrastructure and corporate management systems. Lease payments relate to leases capitalized under IFRS 16.

Property and equipment, intangible assets and right-of-use assets (refer to the Statement of Financial Position) represent 59.0% of total assets as at March 31, 2026. The section below provides a breakdown of the capital expenditures for EDS, non-EDS and lease payments.

Capital Expenditures			
(Thousands of Canadian dollars)	2025/26	2024/25	\$ Variance
EDS	\$ 73,969	\$ 65,644	\$ 8,325
Non-EDS	12,470	7,799	4,671
Lease payments	3,904	3,242	662
Total capital expenditures	\$ 90,343	\$ 76,685	\$ 13,658

An overview of the key capital projects undertaken over the fiscal year is as follows:

EDS

- Deployment of Computed Tomography (CT) X-rays at PBS at Class 1 airports and select Class 2 airports;
- Life cycle management of HBS CT X-rays at select Class 1 airports;
- Life cycle management of HBS Oversize X-rays at Class 1 airports; and
- HBS capacity expansion at Montréal-Trudeau International Airport.

Non-EDS

- Life cycle management of CATSA's Information Technology (IT) network infrastructure;
- Investments in cyber security enhancements;
- Life cycle management of closed-circuit television (CCTV) cameras; and
- Leasehold improvements at regional office space.

Included in the capital expenditures for 2025/26 is \$3.2 million in property and equipment that CATSA procured to support the delivery of screening services under its cost recovery agreement with Montréal Metropolitan Airport (MET).

Employee Benefits

CATSA maintains two funded pension plans to provide retirement benefits to its employees. The first is a registered pension plan (RPP), which includes two components: a defined benefit component for employees hired before July 1, 2013, and a defined contribution component for employees hired on or after July 1, 2013. The second is a supplementary retirement plan (SRP), which supplements the defined benefit component of the RPP for benefits limited by the *Income Tax Act* (Canada). CATSA also sponsors an unfunded post-employment benefits plan, the other defined benefits plan (ODBP), which includes life insurance and eligible health and dental benefits. The employee benefits financial position is summarized below:

Employee Benefits			
(Thousands of Canadian dollars)	March 31, 2026	March 31, 2025	\$ Variance
Employee benefits asset	\$ 98,841	\$ 64,809	\$ 34,032
Employee benefits liability	(22,203)	(22,445)	242
Net employee benefits asset	\$ 76,638	\$ 42,364	\$ 34,274

CATSA's independent actuary determines each plan's net position as at March 31 of each year. The net position fluctuates annually due to a combination of variables, including the discount rate, inflation rate, number of plan members and their demographics, expected average rate of salary increases, expected average remaining service lifetime of active employees, and returns on plan assets and contributions. Note 8 of the annual audited financial statements provides further details regarding the underlying assumptions used in determining the net position.

As at March 31, 2026, the employee benefits asset represents the net position of CATSA's RPP and SRP. The employee benefits liability consists of the present value of the defined benefit liability of the ODBP.

The increase in the employee benefits asset is primarily attributable to a remeasurement gain of \$23.9M on the defined benefit obligation of the RPP and SRP arising from changes to financial assumptions. The increase is also due to a remeasurement gain of \$14.3M resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. The increases are partially offset by the non-cash defined benefit costs exceeding the required contributions made by CATSA by \$2.4M for RPP and SRP and a remeasurement loss of \$1.8M on the defined benefit obligation of the arising experience adjustments for these plans.

The decrease in the employee benefits liability is primarily attributable to a net remeasurement gain of \$1.7M on the defined benefit obligation of the ODBP arising from changes to financial assumptions and experience adjustments. This was partially offset by the non-cash defined benefit costs exceeding CATSA's required contributions by \$1.4M for the ODBP.

Financial Performance Against Corporate Plan

CATSA's operations are funded by parliamentary appropriations from the Government of Canada, which are reflected in CATSA's *Summary of the 2025/26 to 2029/30 Corporate Plan*.

Parliamentary Appropriations Used

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

Operating Expenses

The table below serves to reconcile financial performance before government funding reported under IFRS and operating appropriations used:

Reconciliation of Financial Performance to Operating Appropriations Used			
(Thousands of Canadian dollars)	2025/26	2024/25	\$ Variance
Financial performance before revenue and government funding	\$ 1,132,853	\$ 1,059,236	\$ 73,617
Revenue	(2,255)	(3,512)	1,257
Financial performance before government funding	1,130,598	1,055,724	74,874
Cost recovery adjustment ¹	(738)	-	(738)
Non-cash items			
Depreciation and amortization	(57,813)	(50,610)	(7,203)
Employee benefits expense ²	(3,820)	(2,761)	(1,059)
Net gain (loss) on fair value of derivative financial instruments	(781)	948	(1,729)
Non-cash finance costs related to leases	(628)	(674)	46
Non-cash loss on foreign exchange recognized in financial performance	(526)	(70)	(456)
Write-off of property and equipment and intangible assets	(238)	(81)	(157)
Spare parts expense funded from capital	(234)	(360)	126
Loss on disposal of property and equipment	(39)	-	(39)
Appropriations used for operating expenses	\$ 1,065,781	\$ 1,002,116	\$ 63,665
Other items affecting funding			
Net change in prepaids and inventories ³	5,653	4,411	1,242
Total operating appropriations used	\$ 1,071,434	\$ 1,006,527	\$ 64,907

¹ Montreal Metropolitan Airport (MET) services are provided on a cost-recovery basis. Operating expenses incurred are not funded by appropriations, creating a reconciling item.

² Employee benefits expense is accounted for in the 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.

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.

The table below provides a reconciliation between financial performance before government funding reported under IFRS and operating appropriations used in 2025/26, presented by major expense category. The table also provides a comparison between operating appropriations used in 2025/26 and the operating budget as reported in CATSA's *Summary of the 2025/26 to 2029/30 Corporate Plan*.

Operating Appropriations Used Compared to Corporate Plan

	IFRS	Non-cash and cost recovery	Operating approp. used	Corporate Plan budget	Variance	
(Thousands of Canadian dollars)	2025/26	adjustment	2025/26	2025/26	\$	%
Screening services and other related costs	\$ 904,775	\$ (289)	\$ 904,486	\$ 938,194	\$ (33,708)	(3.6%)
Equipment operating and maintenance	54,430	1,896	56,326	55,147	1,179	2.1%
Program support and corporate services	114,185	(1,108)	113,077	108,583	4,494	4.1%
Depreciation and amortization	57,813	(57,813)	-	-	-	-
Other expenses	1,650	(1,850)	(200)	-	(200)	-
Revenue	(2,255)	-	(2,255)	-	(2,255)	-
Total	\$ 1,130,598	\$ (59,164)	\$ 1,071,434	\$ 1,101,924	\$ (30,490)	(2.8%)

Operating appropriations used were \$30.5M (2.8%) lower than the Corporate Plan budget. 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 largely in line with the operating budget in CATSA's approved *Summary of the 2025/26 to 2029/30 Corporate Plan*.

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

(Thousands of Canadian dollars)	2025/26	2024/25	\$ Variance
EDS	\$ 73,969	\$ 65,644	\$ 8,325
Non-EDS	12,470	7,799	4,671
Lease payments	3,904	3,242	662
Total capital expenditures	\$ 90,343	\$ 76,685	\$ 13,658
Cost recovery adjustment ¹	(3,228)	(4,494)	1,266
Non-cash adjustment on foreign exchange	374	(52)	426
Proceeds on disposal of property and equipment	(19)	-	(19)
Total capital appropriations used	\$ 87,470	\$ 72,139	\$ 15,331

¹ Equipment purchased for Montreal Metropolitan Airport (MET) is provided on a cost-recovery basis. Capital expenditures incurred are not funded by appropriations, creating a reconciling item.

The table below provides a comparison between capital appropriations used in 2025/26, and the capital budget as reported in CATSA's *Summary of the 2025/26 to 2029/30 Corporate Plan* after the adjustments resulting from the capital reprofile in progress:

Capital Appropriations Used Compared to Corporate Plan							
	Capital approp. Used 2025/26	Corporate Plan budget 2025/26	Capital reprofile in progress	Revised Corporate Plan budget 2025/26	Variance		
(Thousands of Canadian dollars)					\$	%	
EDS							
PBS	\$ 46,593	\$ 59,138	\$ (4,100)	\$ 55,038	\$ (8,445)	(15.3%)	
HBS	26,933	37,401	(4,675)	32,726	(5,793)	(17.7%)	
NPS	443	2,539	-	2,539	(2,096)	(82.6%)	
Total EDS	\$ 73,969	\$ 99,078	\$ (8,775)	\$ 90,303	\$ (16,334)	(18.1%)	
Non-EDS¹	16,374	14,467	-	14,467	1,907	13.2%	
Total capital asset acquisitions²	\$ 90,343	\$ 113,545	\$ (8,775)	\$ 104,770	\$ (14,427)	(13.8%)	
Cost recovery adjustment	(3,228)	-	-	-	(3,228)	-	
Proceeds on disposal of property and equipment	(19)	-	-	-	(19)	-	
Non-cash adjustment on foreign exchange	374	-	-	-	374	-	
Total	\$ 87,470	\$ 113,545	\$ (8,775)	\$ 104,770	\$ (17,300)	(16.5%)	

¹ CATSA's Corporate Plan budget includes \$4,147 for lease payments in Non-EDS.

² CATSA's Corporate Plan budget includes an additional \$13.5M, approved by Government, compared to CATSA's *Summary of the 2025/26 to 2029/30 Corporate Plan*.

Capital appropriations used were \$17.3M (16.5%) lower than the revised Corporate Plan budget due to delays in capital spending associated with various EDS projects, resulting mainly from changes in airport project plans. CATSA will work with Finance Canada to obtain approval for the capital re-profile of \$8.8M to future financial periods.

Financial Statements of

Canadian Air Transport Security Authority

Year ended March 31, 2026

Management's Responsibility Statement

Year ended March 31, 2026

The financial statements contained in this annual report have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The integrity and objectivity of the data in these financial statements are management's responsibility. Some of the information in the financial statements is based on management's best estimates and judgments and gives due consideration to materiality. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that the financial information is reliable, assets are safeguarded, and transactions are in accordance with Part X of the *Financial Administration Act* and the *Canadian Air Transport Security Authority Act*, executed in accordance with prescribed regulations within parliamentary authorities, and properly recorded to maintain accountability of government funds. The Canadian Air Transport Security Authority's (CATSA's) Internal Auditor has the responsibility for assessing its network of risk management, control and governance processes.

The Board of Directors is responsible for overseeing our business and activities. In particular, the Board provides oversight to ensure that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Audit Committee, which is composed of directors who are not employees of CATSA. The Audit Committee meets regularly with management, the Internal Auditor and with the Office of the Auditor General of Canada (OAG). The OAG has full and unrestricted access to the Audit Committee to discuss their findings. The Board of Directors, upon recommendation of the Audit Committee, reviews and approves the financial statements.

The Auditor General of Canada conducts an independent audit, in accordance with Canadian generally accepted auditing standards, and expresses an opinion on the financial statements. The Independent Auditor's Report is presented on the following pages.



Neil Parry
Interim President and Chief Executive Officer



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

June 17, 2026



INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canadian Air Transport Security Authority (CATSA), which comprise the statement of financial position as at 31 March 2026, and the statement of comprehensive income (loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CATSA as at 31 March 2026, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CATSA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing CATSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CATSA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CATSA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CATSA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CATSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CATSA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Canadian Air Transport Security Authority coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canadian Air Transport Security Authority Act* and regulations, the by-laws of the Canadian Air Transport Security Authority, and the directives issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the financial statements.

In our opinion, the transactions of the Canadian Air Transport Security Authority that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRS Accounting Standards as issued by the IASB have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Canadian Air Transport Security Authority's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Canadian Air Transport Security Authority to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

A handwritten signature in black ink, reading "Dennis Fantinic". The signature is written in a cursive, flowing style with a large initial 'D' and a stylized 'F'.

Dennis Fantinic, CPA
Principal
for the Auditor General of Canada

Ottawa, Canada
17 June 2026

Canadian Air Transport Security Authority

Statement of Financial Position

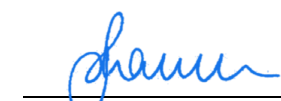
(In thousands of Canadian dollars)

	As at March 31	
	2026	2025
Assets		
Current assets		
Cash	\$ 18,096	\$ 102,215
Trade and other receivables (note 4)	155,959	80,371
Inventories	21,420	18,776
Prepays	11,612	8,603
Derivative financial assets	75	855
	207,162	210,820
Non-current assets		
Property and equipment (note 5)	413,509	382,154
Intangible assets (note 6)	12,930	12,879
Right-of-use assets (note 7)	13,325	16,664
Employee benefits asset (note 8)	98,841	64,809
Derivative financial assets	-	59
	538,605	476,565
Total assets	\$ 745,767	\$ 687,385
Liabilities and Equity		
Current liabilities		
Trade and other payables (note 12)	\$ 176,287	\$ 182,949
Holdbacks (note 12)	835	35
Lease liabilities (note 7)	3,178	3,263
Deferred operating funding (note 10)	33,032	27,379
Derivative financial liabilities (note 12)	-	58
	213,332	213,684
Non-current liabilities		
Lease liabilities (note 7)	12,506	15,738
Deferred capital funding (note 10)	418,406	389,690
Employee benefits liability (note 8)	22,203	22,445
Deferred revenue - other screening services	6,032	4,571
	459,147	432,444
Equity		
Accumulated surplus	73,288	41,257
Total liabilities and equity	\$ 745,767	\$ 687,385

Contingencies (note 9) and contractual commitments (note 13)

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

Approved by the Board and authorized for issue on June 17, 2026:



Thao Pham



Neil Parry
Interim President and Chief Executive Officer

Canadian Air Transport Security Authority

Statement of Comprehensive Income (Loss)

(In thousands of Canadian dollars)

	Years ended March 31	
	2026	2025
Expenses		
Pre-Board Screening	\$ 705,036	\$ 670,637
Hold Baggage Screening	188,612	172,283
Non-Passenger Screening	170,071	150,960
Restricted Area Identity Card Program	4,444	5,011
Corporate services	63,040	60,447
Total expenses (note 11)	1,131,203	1,059,338
Other expenses (income)		
Net loss (gain) on fair value of derivative financial instruments	781	(948)
Finance costs	641	683
Write-off of property and equipment and intangible assets	238	81
Loss on disposal of property and equipment	39	-
Foreign exchange (gain) loss	(49)	82
Total other expenses (income)	1,650	(102)
Financial performance before revenue and government funding	1,132,853	1,059,236
Revenue		
Finance income	2,174	3,459
Miscellaneous income	81	53
Total revenue	2,255	3,512
Government funding for		
Operating expenses	1,065,781	1,002,116
Amortization of deferred capital expenditures	54,850	48,201
Lease payments	3,904	3,242
Total government funding (note 10)	1,124,535	1,053,559
Financial performance	\$ (6,063)	\$ (2,165)
Other comprehensive income		
Item that will not be reclassified to financial performance		
Remeasurement of defined benefit plans (note 8)	38,094	6,521
Total comprehensive income	\$ 32,031	\$ 4,356

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

Canadian Air Transport Security Authority

Statement of Changes in Equity

(In thousands of Canadian dollars)

Accumulated surplus

Balance, March 31, 2024	\$	36,901
Financial performance		(2,165)
Remeasurement of defined benefit plans (note 8)		6,521

Balance, March 31, 2025	\$	41,257
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Accumulated surplus

Balance, March 31, 2025	\$	41,257
Financial performance		(6,063)
Remeasurement of defined benefit plans (note 8)		38,094

Balance, March 31, 2026	\$	73,288
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The accompanying notes are an integral part of these financial statements.

Canadian Air Transport Security Authority

Statement of Cash Flows

(In thousands of Canadian dollars)

	Years ended March 31	
	2026	2025
Cash flows provided by (used in)		
Operating activities		
Financial performance	\$ (6,063)	\$ (2,165)
Items not involving cash		
Depreciation and amortization (note 11)	57,813	50,610
Change in net employee benefits asset/liability	3,820	2,761
Other non-cash transactions	891	(520)
Net loss (gain) on fair value of derivative financial instruments	781	(948)
Write-off of property and equipment and intangible assets	238	81
Loss on disposal of property and equipment	39	-
Amortization of deferred capital funding (note 10)	(54,850)	(48,201)
Net change in working capital balances (note 16)	(83,821)	77,636
	(81,152)	79,254
Investing activities		
Government funding received for capital expenditures	78,734	65,115
Purchase of property and equipment and intangible assets	(78,413)	(49,541)
	321	15,574
Financing activities		
Lease principal payments	(3,288)	(2,568)
	(3,288)	(2,568)
(Decrease) increase in cash	(84,119)	92,260
Cash, beginning of year	102,215	9,955
Cash, end of year	\$ 18,096	\$ 102,215

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

Canadian Air Transport Security Authority

Notes to the Financial Statements for the Year ended March 31, 2026
(In thousands of Canadian dollars)

1. Authority, mandate and programs

CATSA was established pursuant to the *CATSA Act* on April 1, 2002. CATSA is a Crown corporation listed under Part I, Schedule III of the *Financial Administration Act* (FAA) 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 also responsible for ensuring consistency in the delivery of screening across Canada and for air transport security functions that the Minister of Transport may assign to it, subject to any terms and conditions that the Minister may establish. In carrying out its responsibilities, CATSA must do so in the public interest, having due regard to the interest of the travelling public.

To achieve this, CATSA conducts screening in the following four areas:

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 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 major airports; and

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

CATSA may provide screening services on a cost-recovery basis to both designated and non-designated airports upon the approval of the Minister of Transport. In 2025/26, CATSA signed an agreement with the Montreal Metropolitan Airport (MET) to support the launch of commercial operations in 2026/27.

In January 2026, P.C. 2026-0009 was issued pursuant to section 89 of the FAA, which directs CATSA to align its policies, guidelines and practices with the *Buy Canadian Procurement Policy Framework* and the policy instruments issued under section 6 of that framework, in a manner that is consistent with its mandate. CATSA aligned its policies, guidelines and practices by April 1, 2026, with implementation reported in CATSA's *2026/27 to 2030/31 Corporate Plan*.

CATSA is in compliance with Order in Council P.C. 2019-783, a directive issued pursuant to Section 89 of the FAA, which outlines certain principles with regards to CATSA's pension plans.

Canadian Air Transport Security Authority

Notes to the Financial Statements for the Year ended March 31, 2026

(In thousands of Canadian dollars)

CATSA's Travel, Hospitality, Conference and Event Expenditures Policy is in compliance with Order in Council P.C. 2015-1114, a directive issued pursuant to Section 89 of the FAA, which requires CATSA's policies, guidelines and practices to be aligned with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations.

CATSA is not subject to income tax under the provisions of the *Income Tax Act* (Canada). CATSA is subject to the *Excise Tax Act* (Canada), which includes the federal Goods and Services Tax (GST) and Harmonized Sales Tax (HST). CATSA is also subject to all provincial sales taxes (PST) applied by the provinces and territories in which it operates. CATSA is a GST/HST registrant. As a GST/HST registrant, CATSA is obligated to collect and remit taxes on taxable services supplied to external parties and CATSA's pension plans.

2. Basis of preparation

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and approved by the Accounting Standards Board of Canada (AcSB).

The financial statements were prepared under the historical cost convention, except as required or permitted by IFRS and as indicated in the Summary of material accounting policy information note. 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 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 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 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 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

Canadian Air Transport Security Authority

Notes to the Financial Statements for the Year ended March 31, 2026
(In thousands of Canadian dollars)

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 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

Canadian Air Transport Security Authority

Notes to the Financial Statements for the Year ended March 31, 2026

(In thousands of Canadian dollars)

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.

Canadian Air Transport Security Authority

Notes to the Financial Statements for the Year ended March 31, 2026

(In thousands of Canadian dollars)

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

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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

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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 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

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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.

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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.

4. Trade and other receivables

Trade and other receivables are comprised of:

	March 31, 2026	March 31, 2025
Parliamentary appropriations	\$ 142,904	\$ 59,665
GST and HST recoverable	10,644	12,248
PST recoverable	1,512	3,204
Other screening services	899	5,254
	\$ 155,959	\$ 80,371

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

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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, 2025	\$ 184,491	\$ 675,386	\$ 22,273	\$ 4,261	\$ 27,806	\$ 7,788	\$ 40,234	\$ 962,239
Additions	34,699	6,795	(52)	23	5,141	727	36,711	84,044
Disposals/ Write-offs	(5,646)	(1,929)	(195)	(149)	(4,971)	(83)	(48)	(13,021)
Transfers	11,338	16,463	326	772	3,785	-	(32,684)	-
Cost as at March 31, 2026	\$ 224,882	\$ 696,715	\$ 22,352	\$ 4,907	\$ 31,761	\$ 8,432	\$ 44,213	\$ 1,033,262
Accumulated depreciation as at April 1, 2025	\$ 113,158	\$ 421,994	\$ 17,627	\$ 1,732	\$ 19,842	\$ 5,732	\$ -	\$ 580,085
Depreciation	11,938	34,144	756	807	3,759	755	-	52,159
Disposals/ Write-offs	(5,371)	(1,746)	(187)	(141)	(4,963)	(83)	-	(12,491)
Accumulated depreciation as at March 31, 2026	\$ 119,725	\$ 454,392	\$ 18,196	\$ 2,398	\$ 18,638	\$ 6,404	\$ -	\$ 619,753
Carrying amounts as at March 31, 2026	\$ 105,157	\$ 242,323	\$ 4,156	\$ 2,509	\$ 13,123	\$ 2,028	\$ 44,213	\$ 413,509
	PBS Equipment	HBS Equipment	NPS Equipment	RAIC Equipment	Computer, Electronic & Other Equipment	Leasehold Improve- ments	Work-in- progress	Total
Cost as at April 1, 2024	\$ 167,117	\$ 663,845	\$ 20,611	\$ 3,429	\$ 27,992	\$ 7,177	\$ 16,175	\$ 906,346
Additions	21,877	9,557	458	492	1,563	730	37,737	72,414
Disposals/ Write-offs	(12,392)	(111)	(152)	(14)	(3,373)	(119)	(360)	(16,521)
Transfers	7,889	2,095	1,356	354	1,624	-	(13,318)	-
Cost as at March 31, 2025	\$ 184,491	\$ 675,386	\$ 22,273	\$ 4,261	\$ 27,806	\$ 7,788	\$ 40,234	\$ 962,239
Accumulated depreciation as at April 1, 2024	\$ 117,663	\$ 389,571	\$ 17,104	\$ 1,111	\$ 20,005	\$ 5,166	\$ -	\$ 550,620
Depreciation	7,883	32,523	675	635	3,144	685	-	45,545
Disposals/ Write-offs	(12,388)	(100)	(152)	(14)	(3,307)	(119)	-	(16,080)
Accumulated depreciation as at March 31, 2025	\$ 113,158	\$ 421,994	\$ 17,627	\$ 1,732	\$ 19,842	\$ 5,732	\$ -	\$ 580,085
Carrying amounts as at March 31, 2025	\$ 71,333	\$ 253,392	\$ 4,646	\$ 2,529	\$ 7,964	\$ 2,056	\$ 40,234	\$ 382,154

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6. Intangible assets

A reconciliation of intangible assets is as follows:

	Externally acquired software	Internally developed software	Under development	Total
Cost as at April 1, 2025	\$ 13,906	\$ 17,217	\$ 612	\$ 31,735
Additions	-	(4)	2,399	2,395
Write-offs	(719)	(416)	-	(1,135)
Transfers	-	612	(612)	-
Cost as at March 31, 2026	\$ 13,187	\$ 17,409	\$ 2,399	\$ 32,995
Accumulated amortization as at April 1, 2025	\$ 7,783	\$ 11,073	\$ -	\$ 18,856
Amortization	938	1,406	-	2,344
Write-offs	(719)	(416)	-	(1,135)
Accumulated amortization as at March 31, 2026	\$ 8,002	\$ 12,063	\$ -	\$ 20,065
Carrying amounts as at March 31, 2026	\$ 5,185	\$ 5,346	\$ 2,399	\$ 12,930

	Externally acquired software	Internally developed software	Under development	Total
Cost as at April 1, 2024	\$ 13,857	\$ 16,760	\$ 89	\$ 30,706
Additions	16	400	613	1,029
Transfers	33	57	(90)	-
Cost as at March 31, 2025	\$ 13,906	\$ 17,217	\$ 612	\$ 31,735
Accumulated amortization as at April 1, 2024	\$ 6,789	9,757	-	\$ 16,546
Amortization	994	1,316	-	2,310
Accumulated amortization as at March 31, 2025	\$ 7,783	\$ 11,073	\$ -	\$ 18,856
Carrying amounts as at March 31, 2025	\$ 6,123	\$ 6,144	\$ 612	\$ 12,879

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7. Leases

Right-of-use assets

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

	Office space	Data centres	Total
Balance, April 1, 2025	\$ 16,192	\$ 472	\$ 16,664
Additions	177	-	177
Decreases	(206)	-	(206)
Depreciation	(3,117)	(193)	(3,310)
Balance, March 31, 2026	\$ 13,046	\$ 279	\$ 13,325
Balance, April 1, 2024	\$ 16,377	\$ 682	\$ 17,059
Additions	2,667	-	2,667
Decreases	(307)	-	(307)
Depreciation	(2,545)	(210)	(2,755)
Balance, March 31, 2025	\$ 16,192	\$ 472	\$ 16,664

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:

	March 31, 2026	March 31, 2025
Balance, beginning of year	\$ 19,001	\$ 19,197
Additions	177	2,667
Finance costs	616	674
Lease payments (note 10)	(3,904)	(3,242)
Decreases	(206)	(307)
Foreign exchange revaluation	-	12
Balance, end of year	\$ 15,684	\$ 19,001
Balance, end of year		
Current	\$ 3,178	\$ 3,263
Non-current	12,506	15,738

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

	March 31, 2026	March 31, 2025
Less than one year	\$ 5,784	\$ 5,957
One to five years	5,211	10,257
Greater than five years	217	471
	\$ 11,212	\$ 16,685

8. Employee benefits

Post-employment benefit plans overview

CATSA maintains three post-employment benefit plans:

- A registered pension plan (RPP), which is registered with the Office of the Superintendent of Financial Institutions and with the Canada Revenue Agency (CRA) and contains both a defined benefit and a defined contribution component;
- A supplementary retirement plan (SRP), which supplements the defined benefit component of the RPP for benefits limited by the *Income Tax Act* (Canada) and is funded by a retirement compensation arrangement regulated by the CRA; and
- An other defined benefits plan (ODBP), which includes life insurance and eligible health and dental benefits.

CATSA's defined benefit pension plans consist of the defined benefit component of the RPP and the SRP. Pension benefits are based on the average of the best five consecutive years of pensionable salary and are indexed to the average Consumer Price Index (CPI) for the 12-month period ending September 30th of the previous year. CATSA's defined contribution pension plan consists of the defined contribution component of the RPP. Upon retirement, all full-time and part-time indeterminate employees, when taking an immediate pension, are eligible for the ODBP. Defined contribution pension plan members must be 60 years old and with minimum two years of service to be eligible for the ODBP.

The defined benefit pension plans' funds are held in external trusts that are legally separate from CATSA. Benefits are paid directly from the trusts. Both employer and employee contributions to the defined benefit pension plans are made in accordance with the provisions of the plans. In addition, contributions are determined by actuarial valuations in accordance with applicable legislation. On July 1, 2013, the defined benefit pension plans were closed to new employees.

Effective July 1, 2024, the CRA, in accordance with the *Income Tax Act* and the plan's funding level, required CATSA to take a forced employer contribution holiday to the RPP (defined benefit component only).

CATSA maintains a defined contribution pension plan for employees hired on or after July 1, 2013. Enrollment in this plan is mandatory for full-time indeterminate employees, as well as part-time indeterminate employees working an average of more than 20 hours per week. Under this plan, CATSA and its employees are required to contribute a specified percentage of salaries to fund

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the benefits, with optional contributions for employees matched at various levels by the employer based on years of service. CATSA's financial obligation is limited to matching employee contributions, as outlined in the provisions of the plan.

Post-employment benefit plans' risks

The defined benefit plans expose CATSA to actuarial risks such as inflation risk, interest rate risk, investment risk, longevity risk, medical claim rates risk and salary risk. In addition, the closed nature of the defined benefit pension plans will create a rise in future service costs as the plan members age. Current cost sharing provisions also increased employee contributions to a level beyond what is permitted by the *Income Tax Regulations*. CATSA obtained a waiver to exceed permitted limits from the CRA up to December 31, 2026.

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Employee benefits assets and liabilities

The following provides a reconciliation between the defined benefit plans' assets, the defined benefit plans' liabilities and the surplus or deficit status of the defined benefit plans, to the net employee benefits asset or liability presented in the Statement of Financial Position for the years ended:

	March 31					
	RPP		SRP		ODBP	
	2026	2025	2026	2025	2026	2025
Fair value of plan assets						
Balance, beginning of year	\$ 298,265	\$ 274,843	\$ 10,001	\$ 9,008	\$ -	\$ -
Included in financial performance						
Interest income	14,253	13,428	482	442	-	-
Administration costs	(325)	(325)	(25)	(25)	-	-
Included in other comprehensive income						
Remeasurement gains						
Return on assets excluding interest income	13,509	12,590	824	283	-	-
Other						
CATSA contributions	-	1,093	628	481	286	279
Plan participant contributions	2,715	2,737	41	29	-	-
Benefit payments and transfers	(4,513)	(6,101)	(228)	(217)	(286)	(279)
Balance, end of year	\$ 323,904	\$ 298,265	\$ 11,723	\$ 10,001	\$ -	\$ -
Present value of defined benefit liabilities						
Balance, beginning of year	\$ 234,874	\$ 219,411	\$ 8,583	\$ 7,352	\$ 22,445	\$ 18,484
Included in financial performance						
Current service cost	5,306	5,196	144	122	630	528
Interest expense	11,528	11,004	415	362	1,096	922
Included in other comprehensive income						
Remeasurement (gains) losses						
Actuarial losses arising from changes in demographic assumptions	-	9,219	-	468	-	573
Actuarial (gains) losses arising from changes in financial assumptions	(22,588)	(2,921)	(1,278)	266	(1,757)	2,214
Actuarial losses (gains) arising from experience adjustments	1,324	(3,671)	463	201	75	3
Other						
Plan participant contributions	2,715	2,737	41	29	-	-
Benefit payments and transfers	(4,513)	(6,101)	(228)	(217)	(286)	(279)
Balance, end of year	\$ 228,646	\$ 234,874	\$ 8,140	\$ 8,583	\$ 22,203	\$ 22,445
Net employee benefits asset (liability)	\$ 95,258	\$ 63,391	\$ 3,583	\$ 1,418	\$ (22,203)	\$ (22,445)

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	March 31, 2026	March 31, 2025
Employee benefits asset, end of year		
RPP	\$ 95,258	\$ 63,391
SRP	3,583	1,418
	98,841	64,809
Employee benefits liability, end of year		
ODBP	(22,203)	(22,445)

Employee benefits costs

The elements of employee benefits costs are as follows for the year ended:

	March 31							
	RPP		SRP		ODBP		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
Defined benefit cost recognized in financial performance								
Current service cost	\$ 5,306	\$ 5,196	\$ 144	\$ 122	\$ 630	\$ 528	\$ 6,080	\$ 5,846
Administration costs	325	325	25	25	-	-	350	350
Interest cost on defined benefit obligation	11,528	11,004	415	362	1,096	922	13,039	12,288
Interest income on plan assets	(14,253)	(13,428)	(482)	(442)	-	-	(14,735)	(13,870)
	\$ 2,906	\$ 3,097	\$ 102	\$ 67	\$ 1,726	\$ 1,450	\$ 4,734	\$ 4,614
Remeasurement of defined benefit plans recognized in other comprehensive income								
Return on plan assets excluding interest income	\$ 13,509	\$ 12,590	\$ 824	\$ 283	\$ -	\$ -	\$ 14,333	\$ 12,873
Actuarial gains (losses)	21,264	(2,627)	815	(935)	1,682	(2,790)	23,761	(6,352)
	\$ 34,773	\$ 9,963	\$ 1,639	\$ (652)	\$ 1,682	\$ (2,790)	\$ 38,094	\$ 6,521

Defined benefit cost is recognized in employee costs in note 11 and allocated among the program expenses in the Statement of Comprehensive Income (Loss).

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Composition of plan assets

Based on the fair value at March 31, defined benefit plans' assets are comprised of:

	RPP		SRP		Total	
	2026	2025	2026	2025	2026	2025
Investment funds						
Money Market fund	\$ -	\$ -	\$ 50	\$ -	\$ 50	\$ -
Equity securities						
Canadian equity funds	41,313	36,741	2,789	2,045	44,102	38,786
U.S. equity fund	62,349	55,788	2,136	1,987	64,485	57,775
International equity funds	58,099	53,635	2,319	1,930	60,418	55,565
Debt securities						
Canadian bond fund	98,074	90,843	-	-	98,074	90,843
Real estate	32,050	31,169	-	-	32,050	31,169
Infrastructure	32,019	29,924	-	-	32,019	29,924
CRA refundable tax account	-	-	4,429	4,039	4,429	4,039
In-transit deposits	-	165	-	-	-	165
Total plan assets, end of year	\$ 323,904	\$ 298,265	\$ 11,723	\$ 10,001	\$ 335,627	\$ 308,266

The fair value of all money market, equity, debt, real estate securities, and listed infrastructure is determined based on quoted market prices in active markets. The assets held by the CRA in the refundable tax account are held in a non-interest bearing account. The fair value is based on the amount transferred into the refundable tax account held by the CRA.

On a regular basis, an asset-liability modelling study is performed, which analyzes the timing and magnitude of future cash outflows of the defined benefit component of the RPP. It suggests an optimal investment structure to maximize investment returns while minimizing risk associated with the fluctuation of the benefit obligation due to variations in interest rates. As the obligation has similar characteristics to debt securities, the partial de-risking of the funded position is achieved via investments in debt securities while other types of investments are selected to increase the returns of the plan. This reduces the risk associated with the volatility of the funded position while not impairing future investment returns.

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Actuarial assumptions and sensitivity analysis

The actuarial assumptions used to determine the present value of the obligations are management's best estimates. They are established based on market expectations at the end of the reporting period, for the period over which the obligations are to be settled. The significant weighted average assumptions used to determine CATSA's liabilities are as follows:

	RPP		SRP		ODBP	
	2026	2025	2026	2025	2026	2025
Present value of defined benefit liability						
Discount rate	5.20 %	4.80 %	5.20 %	4.80 %	5.20 %	4.80 %
Rate of compensation increase (April 1)	3.00 %	3.50 %	3.00 %	3.50 %	3.00 %	3.50 %
Inflation (calendar year)	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %
Mortality table ¹	Canadian Pensioners' Mortality 2014					
Benefit costs						
Discount rate	4.80 %	4.90 %	4.80 %	4.90 %	4.80 %	4.90 %
Inflation (calendar year)						
2024	N/A	2.50 %	N/A	2.50 %	N/A	2.50 %
2025 and beyond	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %
Assumed medical cost trend rates						
Initial medical cost trend rate					5.04 %	4.98 %
Ultimate medical cost trend rate					3.95 %	3.93 %
Year ultimate reached					2040	2040

¹ 2026 and 2025: Canadian Pensioners' Mortality 2014 - Public Sector, projected with improvement scale MI-2024 (100% / 95% load for males / females).

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The sensitivity analysis below was determined based on changes to the respective assumptions occurring at March 31, 2026, while holding all other assumptions constant:

	Change	Increase (decrease) in the defined benefit liabilities
Increase in discount rate	1%	\$ (40,344)
Decrease in discount rate	1%	52,445
Increase in long-term rate of compensation increase	1%	11,420
Decrease in long-term rate of compensation increase	1%	(10,233)
Increase in inflation	1%	35,359
Decrease in inflation	1%	(28,815)
Increase in life expectancy	1 year	5,379
Decrease in life expectancy	1 year	(5,695)
Increase in assumed medical cost trend rate	1%	3,909
Decrease in assumed medical cost trend rate	1%	(2,990)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that a change in assumptions would occur in isolation, as some of the assumptions may be correlated.

Future expected contributions

Under current legislation and regulations, the funding valuation of CATSA's RPP is required to be filed annually, unless the ratio of the solvency plan assets to solvency liabilities is 1.2 or greater, in which case it would be required at least every three years. In the event of a solvency or going-concern deficit, regulatory authorities require special contributions to be made over specified future periods.

There is no current legislative or regulatory requirement to file a funding valuation for CATSA's SRP or ODBP. However, CATSA's internal policy expects that a funding valuation for the SRP will be performed whenever CATSA performs a funding valuation for the RPP.

The most recent actuarial valuations for funding purposes, and the next required actuarial valuations, are as follows:

	Most recent actuarial valuation for funding purposes	Next required actuarial valuation for funding purposes
RPP	December 31, 2024	December 31, 2025
SRP	December 31, 2024	December 31, 2025
ODBP	N/A	N/A

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CATSA estimates that cash payments to be made to its funded defined benefit pension plans for the year ending March 31, 2027, will total \$2,883, and consist of CATSA contributions of \$220 and plan participant contributions of \$2,663.

Cash payments to be made to the unfunded ODBP for the year ending March 31, 2027, will be equal to the benefits paid to plan participants. CATSA estimates that cash payments to be made to the ODBP for the year ending March 31, 2027, will total \$516.

As at March 31, 2026, the weighted average duration of the defined benefit obligation for the RPP, the SRP and the ODBP was 17.3 years (2025 – 18.7 years), 16.4 years (2025 – 17.2 years) and 17.6 years (2025 – 19.6 years), respectively.

Employee costs

The following table provides a breakdown of employee costs for the years ended:

	March 31, 2026	March 31, 2025
Employee costs	\$ 78,504	\$ 73,779
Post-employment benefits		
Defined benefit pension plans and other defined benefits plan	4,734	4,614
Defined contribution pension plan	1,802	1,787
Termination benefits	2,330	23
Total employee costs (note 11)	\$ 87,370	\$ 80,203

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Notes to the Financial Statements for the Year ended March 31, 2026
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9. Provisions and contingencies

Several claims 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 March 31, 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 year ended March 31, 2026, there were no amounts recorded as a provision.

Contingencies – Decommissioning costs

CATSA has identified contingent liabilities associated with the restoration of facilities contractually required under lease agreements, as well as the removal of Explosives Detection Systems equipment from airports across Canada, some of which contain hazardous materials. Since it is not probable that an outflow of economic resources will be required to settle these legal obligations, no provision has been recorded in the financial statements. Should the probabilities change in the future, the maximum undiscounted cash flow required to settle these liabilities between 2026/27 and 2036/37 (2025 – 2025/26 and 2036/37) is estimated to be \$3,093 (2025 – \$3,123).

10. Government funding

Government funding

Parliamentary appropriations were as follows for the years ended:

	March 31, 2026	March 31, 2025
Main estimates	\$ 1,201,924	\$ 1,194,374
Supplementary estimates	13,545	16,461
Total voted appropriations	1,215,469	1,210,835
Capital reprofile to future year - in progress ¹	(8,775)	(33,720)
Unused portion of government funding	(47,790)	(98,449)
Total government funding used	\$ 1,158,904	\$ 1,078,666

¹ The capital reprofile in progress for the year ended March 31, 2025, was approved during the year ended March 31, 2026.

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Parliamentary appropriations used to fund operating expenses, capital expenditures and lease payments were as follows for the years ended:

	March 31, 2026	March 31, 2025
Government funding for operating expenses	\$ 1,071,434	\$ 1,006,527
Government funding for capital expenditures	83,566	68,897
Government funding for lease payments	3,904	3,242
Total government funding used	\$ 1,158,904	\$ 1,078,666

Deferred government funding

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

	March 31, 2026	March 31, 2025
Deferred operating funding		
Balance, beginning of year	\$ 27,379	\$ 22,968
Government funding for operating expenses used	1,071,434	1,006,527
Government funding for operating expenses recognized in financial performance	(1,065,781)	(1,002,116)
Net change in prepaids and inventories	5,653	4,411
Balance, end of year	\$ 33,032	\$ 27,379

Deferred capital funding

Balance, beginning of year	\$ 389,690	\$ 368,994
Government funding for capital expenditures	83,566	68,897
Amortization of deferred capital funding	(54,850)	(48,201)
Balance, end of year	\$ 418,406	\$ 389,690
Total deferred funding, end of year	\$ 451,438	\$ 417,069

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Notes to the Financial Statements for the Year ended March 31, 2026

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11. Expenses

The Statement of Comprehensive Income (Loss) presents operating expenses by program activity. The following table presents operating expenses by major expense type for the years ended:

	March 31, 2026	March 31, 2025
Screening services and other related costs		
Payments to screening contractors	\$ 888,556	\$ 826,512
Uniforms and other screening costs	9,534	10,637
Trace and consumables	6,685	6,661
	904,775	843,810
Equipment operating and maintenance		
Equipment maintenance and spare parts	52,249	51,516
Training and certification	1,193	1,568
RAIC	988	1,091
	54,430	54,175
Program support and corporate services		
Employee costs (note 8)	87,370	80,203
Office and computer expenses	13,218	12,613
Professional services and other business related costs ¹	6,518	6,787
Other administrative costs ²	3,715	7,497
Other lease costs	2,152	2,701
Communications and public awareness	1,212	942
	114,185	110,743
Depreciation and amortization		
Depreciation of property and equipment (note 5)	52,159	45,545
Depreciation of right-of-use assets (note 7)	3,310	2,755
Amortization of intangible assets (note 6)	2,344	2,310
	57,813	50,610
	\$ 1,131,203	\$ 1,059,338

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.

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Notes to the Financial Statements for the Year ended March 31, 2026
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12. Fair values and risks arising from financial instruments

Fair values of derivative financial instruments

Derivative financial instruments include foreign exchange forward contracts that are measured at fair value on a recurring basis. Financial instruments recorded at fair value use a hierarchy to categorize inputs used in valuation techniques. The fair value hierarchy gives the highest priority to quoted prices and the lowest priority to unobservable inputs, with Level 1 being the highest and Level 3 being the lowest. CATSA's derivative financial instruments are categorized as Level 2, based on observable inputs other than quoted prices.

The carrying amount and fair value amount of CATSA's derivative financial instruments are equal to one another. Fair value is based on a discounted cash flow model based on observable inputs. There were no transfers between levels during the years ended March 31, 2026, or 2025.

Financial risk factors

CATSA is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. CATSA's key market risk relates to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CATSA is exposed to currency risk on its trade and other payables denominated in a currency other than the Canadian dollar (CAD), which is the functional currency of CATSA. The risk arises mainly from transactions denominated in United States dollars (USD). CATSA's policy on currency risk requires that CATSA minimize currency risk to protect the value of foreign cash flows, both committed and anticipated, from the impact of exchange rate fluctuations. To that end, CATSA has implemented a strategy to help mitigate this risk by entering into foreign exchange forward contracts.

The following table provides the total foreign currency exposure related to amounts recorded in trade and other payables denominated in the USD and their CAD equivalent:

		USD		CAD
March 31, 2026	\$	2,163	\$	3,011
March 31, 2025		429		617

Assuming all other variables remain constant, a 5% depreciation or appreciation of the USD against the CAD would result in an increase or decrease in financial performance of \$151 (2025 – \$31).

Canadian Air Transport Security Authority

Notes to the Financial Statements for the Year ended March 31, 2026

(In thousands of Canadian dollars)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. Liquidity risk is low since CATSA does not have debt instruments to service and receives regular funding from the Government of Canada. CATSA manages its liquidity risk by preparing and monitoring forecasts of cash flows for anticipated operating and investing activities. Also, the Board of Directors reviews and approves CATSA's operating and capital budgets.

The following table summarizes the contractual maturities of these financial liabilities:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total at March 31, 2026
Trade and other payables	\$ 150,372	\$ 11,897	\$ 14,018	\$ 176,287
Holdbacks	780	55	-	835
	Less than 3 months	3 months to 1 year	Greater than 1 year	Total at March 31, 2025
Trade and other payables	\$ 125,660	\$ 57,234	\$ 55	\$ 182,949
Holdbacks	35	-	-	35
Derivative financial liabilities ¹				
Gross settled – cash inflow	(5,252)	(11,730)	-	(16,982)
Gross settled – cash outflow	5,255	11,785	-	17,040

¹ Derivative financial liabilities include CATSA's foreign exchange forward contracts.

CATSA's strategy for managing liquidity risk remains unchanged from March 31, 2025.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to CATSA. As a means of mitigating risk of financial loss from defaults, CATSA has adopted a practice of only extending credit to creditworthy counterparties. CATSA's exposure and the creditworthiness of its counterparties are continuously monitored. CATSA establishes a credit loss provision that reflects the estimated lifetime credit loss of receivables.

CATSA is exposed to credit risk through its cash, other screening services receivables and foreign exchange forward contracts. The maximum exposure as at March 31, 2026, and 2025, was the carrying value of these assets. CATSA minimizes its credit risk by dealing only with reputable and high-quality financial institutions and as such is not subject to any significant concentration of credit risk.

Canadian Air Transport Security Authority

Notes to the Financial Statements for the Year ended March 31, 2026

(In thousands of Canadian dollars)

13. Contractual commitments

In the normal course of operations, CATSA enters into contractual commitments for the supply of goods and services. The most significant commitments relate to contracts with screening contractors for the provision of screening services, as well as agreements with vendors for the maintenance of screening equipment and the supply of spare parts. These contractual commitments are subject to approved government funding and include termination rights that generally allow CATSA to terminate contracts with limited financial obligations.

The following table provides the remaining pre-tax balance on these contractual commitments:

	March 31, 2026	March 31, 2025
Payments to screening contractors	\$ 3,046,156	\$ 3,898,210
Equipment maintenance and spare parts	66,661	113,112
Property and equipment, and intangible assets	27,022	48,722
Uniforms and other screening costs	13,911	17,244
Other	12,475	13,603
Employee costs	3,007	9,262
	\$ 3,169,232	\$ 4,100,153

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Notes to the Financial Statements for the Year ended March 31, 2026

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14. Related party transactions

CATSA had the following significant transactions with related parties during the year.

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.

Key management personnel

As at March 31, 2026, key management personnel of CATSA are composed of 11 (2025 – 11) Board members and 6 (2025 – 6) members of the senior management team.

The compensation of Board members and other members of key management is as follows for the years ended:

	March 31, 2026	March 31, 2025
Salaries, other short-term employee benefits and termination benefits	\$ 2,467	\$ 2,202
Post-employment benefits	334	319
	\$ 2,801	\$ 2,521

Other than the above compensation, there were no other related party transactions involving key management personnel and their close family members for the years ended March 31, 2026, or 2025.

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 determined by actuarial valuations, as disclosed in note 8. There were no other transactions during the years ended March 31, 2026, or 2025.

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Notes to the Financial Statements for the Year ended March 31, 2026

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15. Capital management

As a federal Crown corporation, CATSA is subject to the FAA which, in general, restricts it from borrowing money. CATSA relies upon appropriations from Parliament to support its financial obligations and strategic requirements.

The primary objective in managing capital is to provide sufficient liquidity to support CATSA's financial obligations and its operating and strategic plans. CATSA manages its capital in accordance with relevant Treasury Board of Canada Secretariat directives, in that appropriated funds are drawn from the Consolidated Revenue Fund for the purpose of meeting short-term funding requirements. CATSA's objectives, policies and processes for managing capital remain unchanged from March 31, 2025.

CATSA's capital is comprised of cash, trade and other receivables, trade and other payables, current holdbacks, and current lease liabilities. CATSA is not subject to externally imposed capital requirements.

16. Supplementary cash flow information

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

	March 31, 2026	March 31, 2025
Trade and other receivables ¹	\$ (70,756)	\$ 53,447
Inventories ²	(3,301)	(3,422)
Prepays	(3,009)	(97)
Trade and other payables ³	(13,179)	23,220
Deferred operating funding	5,653	4,411
Deferred revenue - other screening services ⁴	771	77
	\$ (83,821)	\$ 77,636

¹ The change in trade and other receivables excludes an amount of \$4,832 (2025 – \$3,782) in relation to government funding for capital expenditures, as the amount relates to investing activities.

² The change in inventories excludes a net write down of \$657 (net write up 2025 – \$892). The amount is included as part of other non-cash transactions on the Statement of Cash Flows.

³ The change in trade and other payables excludes an amount of \$6,517 (2025 – \$19,515) in relation to the acquisition of property and equipment and intangible assets, as the amount relates to investing activities.

⁴ The change in Deferred Revenue – other screening services excludes an amount of \$690 (2025 – \$4,494) in relation to the acquisition of property and equipment, as the amount relates to investing activities.

For more information, please visit CATSA's website: www.catsa.gc.ca

Alternative formats such as braille, large print, and audio of the 2026 Annual Report can be made available upon request.

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