



# Quarterly Financial Report

For the Three and Six Months Ended  
September 30, 2022



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**CANADIAN AIR TRANSPORT SECURITY AUTHORITY  
MANAGEMENT'S NARRATIVE DISCUSSION  
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2022**

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Management's Narrative Discussion outlines the significant activities and initiatives, risks and financial results of the Canadian Air Transport Security Authority (CATSA) for the three and six months ended September 30, 2022. This Narrative Discussion should be read in conjunction with CATSA's unaudited condensed interim financial statements for the three and six months ended September 30, 2022, which have been prepared in accordance with Section 131.1 of the *Financial Administration Act* (FAA) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). This Narrative Discussion should also be read in conjunction with CATSA's *2022 Annual Report*, and the *Quarterly Financial Report for the three months ended June 30, 2022*. The information in this report is expressed in thousands of Canadian dollars and is current to November 24, 2022, unless otherwise stated.

***Forward-looking statements***

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

***Materiality***

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

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**CORPORATE OVERVIEW**

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

CATSA delivers the mandate of security screening at 89 designated airports across the country through a third-party screening contractor model. CATSA is responsible for the delivery of the following four mandated activities:

- Pre-Board Screening (PBS): the screening of 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 (or hold) baggage for prohibited items such as explosives, prior to being loaded onto an aircraft;
- Non-Passenger Screening (NPS): the random screening of non-passengers such as flight personnel, ground crew and airport employees, and their belongings (including vehicles and their contents) entering restricted areas at the highest-risk airports; and

- Restricted Area Identity Card (RAIC) Program: the system which uses iris and fingerprint biometric identifiers to allow 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.

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 of Transport may establish.

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

In prior years, CATSA provided screening services on a cost recovery basis to certain designated and non-designated airports. In light of the COVID-19 pandemic, no such services were provided from April 1, 2020, until June 24, 2022, when CATSA resumed screening services at the Muskoka Airport Authority. The agreement was in place for the summer travel season until September 6, 2022.

## **OPERATING ENVIRONMENT**

### **INDUSTRY RECOVERY**

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The COVID-19 pandemic had an unprecedented impact on the aviation industry. Passenger volumes reached a historic low in April 2020. Statistics from CATSA's Boarding Pass Security System, and other data sources, indicate that screened traffic across Canada increased from 7.3 million passengers for the three months ended September 30, 2021, to 16.4 million passengers for the three months ended September 30, 2022. CATSA faced challenges early in the quarter due to the resurgent demand in air travel at certain airports. In response to these challenges, CATSA's Screening Contractors increased hiring efforts. CATSA continues to work closely with Transport Canada and external stakeholders to support the aviation industry's ongoing recovery.

### **RISKS AND UNCERTAINTIES**

CATSA maintains effective corporate risk management to ensure that risks are identified, assessed and managed appropriately. A full assessment of CATSA's corporate risks, potential impacts and risk mitigations is disclosed in CATSA's *2022 Annual Report*.

The overall level of CATSA's corporate risks remains unchanged from CATSA's *Quarterly Financial Report for the three months ended June 30, 2022*. CATSA is actively monitoring and mitigating the ongoing impacts of the recovery of the aviation industry on its corporate risks.

## ANALYSIS OF FINANCIAL RESULTS

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

The following section provides information on key variances within the Condensed Interim Statement of Comprehensive Income for the three and six months ended September 30, 2022, and September 30, 2021.

Key Financial Highlights - Condensed Interim Statement of Comprehensive Income (Loss)								
(Unaudited)	Three Months Ended September 30				Six Months Ended September 30			
(Thousands of Canadian dollars)	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<b>Expenses<sup>1</sup></b>								
Screening services and other related costs	\$ 187,865	\$ 144,603	\$ 43,262	29.9%	\$ 349,448	\$ 267,407	\$ 82,041	30.7%
Equipment operating and maintenance	10,432	10,688	(256)	(2.4%)	20,297	19,363	934	4.8%
Program support and corporate services	22,155	20,004	2,151	10.8%	45,675	42,361	3,314	7.8%
Depreciation and amortization	11,045	20,236	(9,191)	(45.4%)	22,042	40,729	(18,687)	(45.9%)
<b>Total expenses</b>	<b>231,497</b>	<b>195,531</b>	<b>35,966</b>	<b>18.4%</b>	<b>437,462</b>	<b>369,860</b>	<b>67,602</b>	<b>18.3%</b>
<b>Other (income) expenses</b>	<b>(981)</b>	<b>1,842</b>	<b>(2,823)</b>	<b>(153.3%)</b>	<b>(1,333)</b>	<b>2,096</b>	<b>(3,429)</b>	<b>(163.6%)</b>
<b>Financial performance before revenue and government funding</b>	<b>230,516</b>	<b>197,373</b>	<b>33,143</b>	<b>16.8%</b>	<b>436,129</b>	<b>371,956</b>	<b>64,173</b>	<b>17.3%</b>
<b>Revenue</b>	<b>640</b>	<b>78</b>	<b>562</b>	<b>720.5%</b>	<b>810</b>	<b>127</b>	<b>683</b>	<b>537.8%</b>
<b>Government funding</b>								
Parliamentary appropriations for operating expenses	219,761	175,703	44,058	25.1%	412,479	328,568	83,911	25.5%
Amortization of deferred government funding related to capital expenditures	10,105	21,253	(11,148)	(52.5%)	20,191	40,803	(20,612)	(50.5%)
Parliamentary appropriations for lease payments	1,013	980	33	3.4%	2,019	2,011	8	0.4%
<b>Total government funding</b>	<b>230,879</b>	<b>197,936</b>	<b>32,943</b>	<b>16.6%</b>	<b>434,689</b>	<b>371,382</b>	<b>63,307</b>	<b>17.0%</b>
<b>Financial performance</b>	<b>\$ 1,003</b>	<b>\$ 641</b>	<b>\$ 362</b>	<b>56.5%</b>	<b>\$ (630)</b>	<b>\$ (447)</b>	<b>\$ (183)</b>	<b>(40.9%)</b>
<b>Other comprehensive (loss) income</b>	<b>(3,150)</b>	<b>8,171</b>	<b>(11,321)</b>	<b>(138.6%)</b>	<b>4,384</b>	<b>6,764</b>	<b>(2,380)</b>	<b>(35.2%)</b>
<b>Total comprehensive income</b>	<b>\$ (2,147)</b>	<b>\$ 8,812</b>	<b>\$ (10,959)</b>	<b>(124.4%)</b>	<b>\$ 3,754</b>	<b>\$ 6,317</b>	<b>\$ (2,563)</b>	<b>(40.6%)</b>

<sup>1</sup> The Condensed Interim Statement of Comprehensive Income presents operating expenses by program activity, whereas operating expenses above are presented by major expense type, as disclosed in note 13 of the unaudited condensed interim financial statements for the three and six months ended September 30, 2022.

#### Screening Services and Other Related Costs

Screening services and other related costs increased by \$43,262 (29.9%) and by \$82,041 (30.7%) for the three and six months ended September 30, 2022, respectively, compared to the same periods in 2021. The increases are primarily attributable to increases in passenger volumes, which resulted in the purchase of additional screening hours totaling \$29,645 and \$65,714, respectively, partially offset by the purchase of fewer hours associated with temperature screening of \$4,992 and \$15,997, respectively. The overall increases are also attributable to increased spending on screening officer training and related initiatives to support the recovery of the aviation industry totaling \$15,539 and \$25,484, respectively, and annual screening contractor billing rate increases totaling \$3,776 and \$5,901, respectively.

### ***Program Support and Corporate Services***

Program support and corporate services increased by \$2,151 (10.8%) and by \$3,314 (7.8%) for the three and six months ended September 30, 2022, respectively, compared to the same periods in 2021. The increases are mainly attributable to higher employee-related costs of \$1,849 and \$2,031, respectively, and higher costs in support of corporate priorities (industry recovery, Indigenous engagement, and modernization of office space) totaling \$892 and \$2,468, respectively. The increases were partially offset by lower costs associated with CATSA's defined benefit pension plan totaling \$590 and \$1,184, respectively.

### ***Depreciation and Amortization***

Depreciation and amortization decreased by \$9,191 (45.4%) and by \$18,687 (45.9%) for the three and six months ended September 30, 2022, respectively, compared to the same periods in 2021. The decreases are primarily attributable to the change in estimated useful lives of some of CATSA's screening equipment and its associated network software assets from 10 years to 15 years, as of April 1, 2022.

### ***Other (Income) Expenses***

Other expenses (income) decreased by \$2,823 (153.3%) and by \$3,429 (163.6%) for the three and six months ended September 30, 2022, respectively, compared to the same periods in 2021. The decrease in expenses for both the three and six month periods are primarily due to net gains on the fair value of derivative financial instruments.

### ***Government Funding***

CATSA is funded by appropriations from the federal Consolidated Revenue Fund for operating expenses and capital expenditures. Payments for CATSA's leases that are capitalized under IFRS 16 are funded through capital appropriations.

#### Parliamentary appropriations for operating expenses

Parliamentary appropriations for operating expenses increased by \$44,058 (25.1%) and by \$83,911 (25.5%) for the three and six months ended September 30, 2022, respectively, compared to the same periods in 2021. The increases are primarily attributable to increased spending for screening services and other related costs, as discussed above.

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

Amortization of deferred government funding related to capital expenditures decreased by \$11,148 (52.5%) and by \$20,612 (50.5%) for the three and six months ended September 30, 2022, respectively, compared to the same periods in 2021. The decreases are primarily attributable to reduced depreciation and amortization expenses, as discussed above.

#### Parliamentary appropriations for lease payments

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

Parliamentary appropriations for lease payments are comparable to the prior year.

### *Other Comprehensive (Loss) Income*

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

Other comprehensive loss of \$3,150 for the three months ended September 30, 2022, was attributable to a remeasurement loss of \$3,150 resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions. Other comprehensive income of \$8,171 for the three months ended September 30, 2021, was attributable to a remeasurement gain of \$13,163 on the defined benefit liability arising from a 25 basis point increase in the discount rate between June 30, 2021, and September 30, 2021. This was partially offset by a remeasurement loss of \$4,992 resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions.

Other comprehensive income of \$4,384 for the six months ended September 30, 2022, was attributable to a remeasurement gain of \$39,852 on the defined benefit liability arising from a 100 basis point increase in the discount rate between March 31, 2022 and September 30, 2022. This was partially offset by a remeasurement loss of \$35,468 resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions. Other comprehensive income of \$6,764 for the six months ended September 30, 2021, was attributable to a higher actual rate of return on plan assets than the rate used in CATSA's assumptions.

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

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

The following section provides information on key variances within the Condensed Interim Statement of Financial Position as at September 30, 2022, compared to March 31, 2022.

<b>Key Financial Highlights -</b>				
<b>Condensed Interim Statement of Financial Position</b>				
(Unaudited)	September 30,	March 31,		
(Thousands of Canadian dollars)	2022	2022	\$ Change	% Change
Current assets	\$ 211,028	\$ 126,526	\$ 84,502	66.8%
Non-current assets	465,049	480,996	(15,947)	(3.3%)
<b>Total assets</b>	<b>\$ 676,077</b>	<b>\$ 607,522</b>	<b>\$ 68,555</b>	<b>11.3%</b>
Current liabilities	\$ 214,151	\$ 129,955	\$ 84,196	64.8%
Non-current liabilities	420,398	439,793	(19,395)	(4.4%)
<b>Total liabilities</b>	<b>\$ 634,549</b>	<b>\$ 569,748</b>	<b>\$ 64,801</b>	<b>11.4%</b>

### Assets

Current assets increased by \$84,502 (66.8%) primarily attributable to the following:

- Increase in cash of \$42,610 primarily due to the timing of disbursements to suppliers for goods and services;
- Increase in trade and other receivables of \$44,411 primarily due to an increase in parliamentary appropriations receivable; and
- Decrease in prepaid expenses of \$2,754 due to the amortization of annual insurance premiums, and annual maintenance and support services.

Non-current assets decreased by \$15,947 (3.3%) primarily attributable to the following:

- Decrease in property and equipment and intangible assets of \$15,916 primarily due to depreciation and amortization totaling \$20,250, partially offset by acquisitions totaling \$4,350.

### Liabilities

Current liabilities increased by \$84,196 (64.8%) primarily attributable to the following:

- Increase in trade and other payables of \$89,292 due to the timing of disbursements associated with obligations outstanding with suppliers; and
- Decrease in deferred government funding related to operating expenditures of \$3,958 due to a reduction in inventories and prepaid expenses.

Non-current liabilities decreased by \$19,395 (4.4%) primarily attributable to the following:

- Decrease in the deferred government funding related to capital expenditures of \$15,841 due to amortization of deferred government funding related to capital expenditures of \$20,191 exceeding parliamentary appropriations used to fund capital expenditures of \$4,350; and
- Decrease in employee benefits liability of \$2,752 relating to CATSA's other defined benefits plan.

## FINANCIAL PERFORMANCE AGAINST CORPORATE PLAN

CATSA's operations are funded by parliamentary appropriations from the Government of Canada and are reflected in CATSA's *Summary of the 2022/23 to 2026/27 Corporate Plan*.

### PARLIAMENTARY APPROPRIATIONS USED

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

#### Operating Expenditures

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

Reconciliation of Financial Performance to Operating Appropriations Used (Unaudited) (Thousands of Canadian dollars)	Three Months Ended		Six Months Ended	
	September 30		September 30	
	2022	2021	2022	2021
<b>Financial performance before revenue and government funding</b>	\$ 230,516	\$ 197,373	\$ 436,129	\$ 371,956
<b>Revenue</b>	(640)	(78)	(810)	(127)
<b>Financial performance before government funding</b>	229,876	197,295	435,319	371,829
<b>Non-cash items</b>				
Depreciation and amortization	(11,045)	(20,236)	(22,042)	(40,729)
Employee cost accruals <sup>1</sup>	(272)	(83)	(1,952)	(1,999)
Non-cash finance costs related to leases	(68)	(36)	(137)	(74)
Non-cash loss on foreign exchange recognized in financial performance	(36)	(56)	(122)	(271)
Change in fair value of financial instruments at fair value through profit and loss	1,016	457	1,473	696
Employee benefits expense <sup>2</sup>	290	342	(44)	1,096
Write-off of property and equipment and intangible assets	-	(40)	(16)	(40)
Impairment of property and equipment	-	(1,940)	-	(1,940)
<b>Appropriations used for operating expenses</b>	<b>\$ 219,761</b>	<b>\$ 175,703</b>	<b>\$ 412,479</b>	<b>\$ 328,568</b>
<b>Other items affecting funding</b>				
Net change in prepaids and inventories <sup>3</sup>	(3,473)	(3,339)	(3,958)	(4,800)
<b>Total operating appropriations used</b>	<b>\$ 216,288</b>	<b>\$ 172,364</b>	<b>\$ 408,521</b>	<b>\$ 323,768</b>

<sup>1</sup> Employee cost accruals are accounting adjustments to record variable pay and accrued vacation used and incurred to September 30, 2022. These costs are only recorded for near-cash accrual purposes at year-end, creating a reconciling item during interim periods.

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

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



## CAPITAL EXPENDITURES

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

Reconciliation of Capital Expenditures to Capital Appropriations Used (unaudited) (Thousands of Canadian dollars)	Three Months Ended September 30		Six Months Ended September 30	
	2022	2021	2022	2021
	Explosives Detection Systems (EDS)	\$ 2,229	\$ 829	\$ 3,493
Non-Explosives Detection Systems (Non-EDS)	504	205	857	260
Lease payments	1,013	980	2,019	2,011
<b>Total capital expenditures</b>	<b>\$ 3,746</b>	<b>\$ 2,014</b>	<b>\$ 6,369</b>	<b>\$ 5,335</b>
Non-cash adjustment on foreign exchange related to capital expenditures	-	-	-	4
<b>Total capital appropriations used</b>	<b>\$ 3,746</b>	<b>\$ 2,014</b>	<b>\$ 6,369</b>	<b>\$ 5,339</b>

## APPROPRIATIONS USED COMPARED TO CORPORATE PLAN

Parliamentary appropriations used for operating expenditures are in line with the operating budget in CATSA's approved *Summary of the 2022/23 to 2026/27 Corporate Plan* for the six months ended September 30, 2022.

Parliamentary appropriations used for capital expenditures for the six months ended September 30, 2022 are lower than planned. This is due to delays in capital spending associated with various EDS and Non-EDS projects, resulting mainly from vendor delays and changes in airport project plans.

CATSA is on track to meet the operating goals, objectives and financial results for the current year as outlined in CATSA's approved *Summary of the 2022/23 to 2026/27 Corporate Plan*.

## STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these unaudited condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, and The Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Report*, and for such internal controls as management determines are necessary to enable the preparation of the unaudited condensed interim financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the unaudited condensed interim financial statements.

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



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Michael Saunders  
President and Chief Executive Officer

Ottawa, Canada

November 24, 2022



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

Ottawa, Canada

November 24, 2022

Condensed Interim Financial Statements of

# **CANADIAN AIR TRANSPORT SECURITY AUTHORITY**

September 30, 2022

(Unaudited)

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Condensed Interim Statement of Financial Position  
(Unaudited)

(In thousands of Canadian dollars)

	September 30, 2022	March 31, 2022
<b>Assets</b>		
Current assets		
Cash	\$ 50,191	\$ 7,581
Trade and other receivables (note 4)	145,081	100,670
Inventories (note 5)	10,202	11,406
Prepays	4,081	6,835
Derivative financial assets (note 15)	1,473	34
	211,028	126,526
Non-current assets		
Property and equipment (note 6)	377,745	392,726
Intangible assets (note 7)	13,810	14,745
Right-of-use assets (note 8)	14,916	16,569
Employee benefits asset (note 9)	58,538	56,950
Derivative financial assets (note 15)	40	6
	465,049	480,996
<b>Total assets</b>	<b>\$ 676,077</b>	<b>\$ 607,522</b>
<b>Liabilities and Equity</b>		
Current liabilities		
Trade and other payables	\$ 196,040	\$ 106,748
Holdbacks	1,640	1,637
Provisions (note 10)	-	200
Lease liabilities (note 11)	2,188	3,129
Deferred government funding related to operating expenses (note 12)	14,283	18,241
	214,151	129,955
Non-current liabilities		
Lease liabilities (note 11)	13,305	14,107
Deferred government funding related to capital expenditures (note 12)	390,738	406,579
Employee benefits liability (note 9)	16,355	19,107
	420,398	439,793
Equity		
Accumulated surplus	41,528	37,774
<b>Total liabilities and equity</b>	<b>\$ 676,077</b>	<b>\$ 607,522</b>

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

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

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited)

(In thousands of Canadian dollars)

	Three months ended		Six months ended	
	September 30		September 30	
	2022	2021	2022	2021
<b>Expenses</b>				
Pre-Board Screening	\$ 143,510	\$ 103,047	\$ 263,653	\$ 183,253
Hold Baggage Screening	38,475	41,392	74,638	79,367
Non-Passenger Screening	35,779	39,040	71,370	81,960
Restricted Area Identity Card Program	1,155	669	2,170	1,442
Corporate services	12,578	11,383	25,631	23,838
Total expenses (note 13)	231,497	195,531	437,462	369,860
<b>Other (income) expenses</b>				
Finance costs	69	36	139	76
Net gain on fair value of derivative financial instruments	(1,016)	(457)	(1,473)	(696)
Foreign exchange (gain) loss	(34)	283	(15)	736
Impairment of property and equipment (note 6)	-	1,940	-	1,940
Write-off of property and equipment and intangible assets	-	40	16	40
Total other (income) expenses	(981)	1,842	(1,333)	2,096
Financial performance before revenue and government funding	230,516	197,373	436,129	371,956
<b>Revenue</b>				
Finance income	577	78	740	127
Screening services - other	63	-	70	-
Total revenue	640	78	810	127
<b>Government funding</b>				
Parliamentary appropriations for operating expenses (note 12)	219,761	175,703	412,479	328,568
Amortization of deferred government funding related to capital expenditures (note 12)	10,105	21,253	20,191	40,803
Parliamentary appropriations for lease payments (note 14)	1,013	980	2,019	2,011
Total government funding	230,879	197,936	434,689	371,382
Financial performance	\$ 1,003	\$ 641	\$ (630)	\$ (447)
<b>Other comprehensive (loss) income</b>				
Item that will not be reclassified to financial performance				
Remeasurement of defined benefit plans (note 9)	(3,150)	8,171	4,384	6,764
Total comprehensive income	\$ (2,147)	\$ 8,812	\$ 3,754	\$ 6,317

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

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Condensed Interim Statement of Changes in Equity  
(Unaudited)

(In thousands of Canadian dollars)

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

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	Accumulated surplus
Balance, June 30, 2022	\$ 43,675
Financial performance	1,003
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	(3,150)
<b>Balance, September 30, 2022</b>	<b>\$ 41,528</b>
Balance, June 30, 2021	\$ 11,011
Financial performance	641
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	8,171
<b>Balance, September 30, 2021</b>	<b>\$ 19,823</b>

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

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	Accumulated surplus
Balance, March 31, 2022	\$ 37,774
Financial performance	(630)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	4,384
<b>Balance, September 30, 2022</b>	<b>\$ 41,528</b>
Balance, March 31, 2021	\$ 13,506
Financial performance	(447)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 9)	6,764
<b>Balance, September 30, 2021</b>	<b>\$ 19,823</b>

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

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Condensed Interim Statement of Cash Flows  
(Unaudited)

(In thousands of Canadian dollars)

	Three months ended		Six months ended	
	September 30		September 30	
	2022	2021	2022	2021
<b>Cash flows provided by (used in)</b>				
<b>Operating activities</b>				
Financial performance	\$ 1,003	\$ 641	\$ (630)	\$ (447)
Items not involving cash				
Depreciation and amortization (note 13)	11,045	20,236	22,042	40,729
Other non-cash transactions	236	1,210	163	1,400
Amortization of deferred government funding related to capital expenditures (note 12)	(10,105)	(21,253)	(20,191)	(40,803)
Change in fair value of financial instruments at fair value through profit and loss	(1,016)	(457)	(1,473)	(696)
Change in net employee benefits asset/liability	(290)	(342)	44	(1,096)
Impairment of property and equipment (note 6)	-	1,940	-	1,940
Write-off of property and equipment and intangible assets	-	40	16	40
Net change in working capital balances (note 18)	11,298	(8,022)	46,684	8,457
	12,171	(6,007)	46,655	9,524
<b>Investing activities</b>				
Parliamentary appropriations received for capital funding (note 14)	2,916	13,082	2,916	13,082
Purchase of property and equipment	(3,690)	(7,867)	(4,952)	(19,990)
Purchase of intangible assets	(127)	-	(127)	(76)
	(901)	5,215	(2,163)	(6,984)
<b>Financing activities</b>				
Lease principal payments	(945)	(944)	(1,882)	(1,937)
	(945)	(944)	(1,882)	(1,937)
Increase (decrease) in cash	10,325	(1,736)	42,610	603
Cash, beginning of period	39,866	16,425	7,581	14,086
Cash, end of period	\$ 50,191	\$ 14,689	\$ 50,191	\$ 14,689

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

Supplementary cash flow information (note 18)

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

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

For the three and six months ended September 30, 2022  
(In thousands of Canadian dollars)

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## 1. Corporate information

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

CATSA is funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport. In prior years, CATSA provided screening services on a cost recovery basis to certain designated and non-designated airports. In light of the COVID-19 pandemic, no such services were provided from April 1, 2020, until June 24, 2022, when CATSA resumed screening services with Muskoka Airport Authority. The agreement was in place until September 6, 2022.

These condensed interim financial statements have been authorized for issuance by the Board of Directors on November 24, 2022.

## 2. Basis of preparation

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

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

As permitted by IAS 34, these interim financial statements are presented on a condensed basis and therefore do not include all necessary disclosures to conform, in all material respects, with IFRS disclosure requirements applicable to annual financial statements. These condensed interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements. Accordingly, they should be read in conjunction with the audited annual financial statements for the year ended March 31, 2022.

## 3. Summary of significant accounting policies

Significant accounting policies used in these condensed interim financial statements are disclosed in note 3 of CATSA's audited annual financial statements for the year ended March 31, 2022, and the condensed interim financial statements for the three months ended June 30, 2022.



# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 4. Trade and other receivables

Trade and other receivables are comprised of:

	September 30, 2022	March 31, 2022
Parliamentary appropriations (note 17)	\$ 138,890	\$ 91,760
GST and HST recoverable	5,158	6,937
PST recoverable	972	1,973
Screening services - other	61	-
	<u>\$ 145,081</u>	<u>\$ 100,670</u>

Credit terms on trade receivables are 30 days. As at September 30, 2022, and March 31, 2022, there were no amounts included in trade and other receivables that were past due.

## 5. Inventories

Inventories are comprised of:

	September 30, 2022	March 31, 2022
Spare parts	\$ 9,111	\$ 9,733
RAIC	924	854
Uniforms	167	819
	<u>\$ 10,202</u>	<u>\$ 11,406</u>

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 6. Property and equipment

A reconciliation of property and equipment is as follows:

	PBS equipment	HBS equipment	NPS equipment	RAIC equipment	Computers, integrated software and electronic equipment	Office furniture and equip- ment	Leasehold improve- ments	Work-in- progress	Total
<b>Cost</b>									
Balance, March 31, 2021	\$ 160,467	\$ 662,284	\$ 20,919	\$ 5,336	\$ 31,045	\$ 129	\$ 10,113	\$ 18,642	\$ 908,935
Additions	400	1,016	-	226	118	-	-	4,017	5,777
Disposals	(2,394)	(5,630)	-	-	-	-	-	-	(8,024)
Write-offs	(616)	(736)	(200)	(1,736)	(2,092)	-	-	(54)	(5,434)
Impairments	-	-	-	-	(1,582)	-	-	(358)	(1,940)
Reclassifications	4,992	1,077	3	163	1,443	-	-	(7,704)	(26)
<b>Balance, March 31, 2022</b>	<b>\$ 162,849</b>	<b>\$ 658,011</b>	<b>\$ 20,722</b>	<b>\$ 3,989</b>	<b>\$ 28,932</b>	<b>\$ 129</b>	<b>\$ 10,113</b>	<b>\$ 14,543</b>	<b>\$ 899,288</b>
Balance, March 31, 2022	\$ 162,849	\$ 658,011	\$ 20,722	\$ 3,989	\$ 28,932	\$ 129	\$ 10,113	\$ 14,543	\$ 899,288
Additions	28	240	-	50	101	-	380	3,406	4,205
Disposals	(2,190)	(2,347)	-	(95)	(238)	-	(140)	-	(5,010)
Write-offs	-	-	-	(512)	(293)	-	-	(7)	(812)
Reclassifications	3,491	801	-	-	387	-	30	(4,709)	-
<b>Balance, September 30, 2022</b>	<b>\$ 164,178</b>	<b>\$ 656,705</b>	<b>\$ 20,722</b>	<b>\$ 3,432</b>	<b>\$ 28,889</b>	<b>\$ 129</b>	<b>\$ 10,383</b>	<b>\$ 13,233</b>	<b>\$ 897,671</b>
<b>Accumulated depreciation</b>									
Balance, March 31, 2021	\$ 109,590	\$ 289,287	\$ 15,012	\$ 4,206	\$ 18,051	\$ 72	\$ 9,148	\$ -	\$ 445,366
Depreciation	8,971	59,943	1,115	383	3,649	23	379	-	74,463
Disposals	(2,394)	(5,630)	-	-	-	-	-	-	(8,024)
Write-offs	(555)	(706)	(154)	(1,736)	(2,092)	-	-	-	(5,243)
<b>Balance, March 31, 2022</b>	<b>\$ 115,612</b>	<b>\$ 342,894</b>	<b>\$ 15,973</b>	<b>\$ 2,853</b>	<b>\$ 19,608</b>	<b>\$ 95</b>	<b>\$ 9,527</b>	<b>\$ -</b>	<b>\$ 506,562</b>
Balance, March 31, 2022	\$ 115,612	\$ 342,894	\$ 15,973	\$ 2,853	\$ 19,608	\$ 95	\$ 9,527	\$ -	\$ 506,562
Depreciation	2,432	14,607	296	179	1,485	12	159	-	19,170
Disposals	(2,190)	(2,347)	-	(95)	(238)	-	(140)	-	(5,010)
Write-offs	-	-	-	(512)	(284)	-	-	-	(796)
<b>Balance, September 30, 2022</b>	<b>\$ 115,854</b>	<b>\$ 355,154</b>	<b>\$ 16,269</b>	<b>\$ 2,425</b>	<b>\$ 20,571</b>	<b>\$ 107</b>	<b>\$ 9,546</b>	<b>\$ -</b>	<b>\$ 519,926</b>
<b>Carrying amounts</b>									
As at March 31, 2022	\$ 47,237	\$ 315,117	\$ 4,749	\$ 1,136	\$ 9,324	\$ 34	\$ 586	\$ 14,543	\$ 392,726
As at September 30, 2022	\$ 48,324	\$ 301,551	\$ 4,453	\$ 1,007	\$ 8,318	\$ 22	\$ 837	\$ 13,233	\$ 377,745

As at March 31, 2022, the estimated useful life of some screening equipment and its associated centralized network software assets, was revised from 10 years to 15 years, to better reflect the anticipated lifecycles. The change in accounting estimate was accounted for on a prospective basis starting April 1, 2022.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 7. Intangible assets

A reconciliation of intangible assets is as follows:

	Externally acquired software	Internally developed software	Under development	Total
<b>Cost</b>				
Balance, March 31, 2021	\$ 11,154	\$ 20,844	\$ 73	\$ 32,071
Additions	439	39	-	478
Write-offs	(776)	(395)	-	(1,171)
Reclassifications	26	73	(73)	26
<b>Balance, March 31, 2022</b>	<b>\$ 10,843</b>	<b>\$ 20,561</b>	<b>\$ -</b>	<b>\$ 31,404</b>
Balance, March 31, 2022	\$ 10,843	\$ 20,561	\$ -	\$ 31,404
Additions	-	-	145	145
Write-offs	-	(350)	-	(350)
<b>Balance, September 30, 2022</b>	<b>\$ 10,843</b>	<b>\$ 20,211</b>	<b>\$ 145</b>	<b>\$ 31,199</b>
<b>Accumulated amortization</b>				
Balance, March 31, 2021	\$ 5,268	\$ 9,969	\$ -	\$ 15,237
Amortization	1,028	1,560	-	2,588
Write-offs	(771)	(395)	-	(1,166)
<b>Balance, March 31, 2022</b>	<b>\$ 5,525</b>	<b>\$ 11,134</b>	<b>\$ -</b>	<b>\$ 16,659</b>
Balance, March 31, 2022	\$ 5,525	\$ 11,134	\$ -	\$ 16,659
Amortization	400	680	-	1,080
Write-offs	-	(350)	-	(350)
<b>Balance, September 30, 2022</b>	<b>\$ 5,925</b>	<b>\$ 11,464</b>	<b>\$ -</b>	<b>\$ 17,389</b>
<b>Carrying amounts</b>				
As at March 31, 2022	\$ 5,318	\$ 9,427	\$ -	\$ 14,745
As at September 30, 2022	\$ 4,918	\$ 8,747	\$ 145	\$ 13,810

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 8. Right-of-use assets

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

		Office space		Data centres		Total
Balance, March 31, 2021	\$	8,566	\$	1,371	\$	9,937
Additions		10,292		-		10,292
Decreases		(49)		-		(49)
Depreciation		(3,343)		(268)		(3,611)
<b>Balance, March 31, 2022</b>	<b>\$</b>	<b>15,466</b>	<b>\$</b>	<b>1,103</b>	<b>\$</b>	<b>16,569</b>
Balance, March 31, 2022	\$	15,466	\$	1,103	\$	16,569
Additions		139		-		139
Depreciation		(1,687)		(105)		(1,792)
<b>Balance, September 30, 2022</b>	<b>\$</b>	<b>13,918</b>	<b>\$</b>	<b>998</b>	<b>\$</b>	<b>14,916</b>

## 9. Employee benefits

(a) Employee benefits asset and liability

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

	September 30, 2022	March 31, 2022
<b>Employee benefits asset</b>		
Registered pension plan (RPP)	\$ 55,260	\$ 53,600
Supplementary retirement plan (SRP)	3,278	3,350
	<b>58,538</b>	<b>56,950</b>
<b>Employee benefits liability</b>		
Other defined benefits plan (ODBP)	(16,355)	(19,107)
	<b>(16,355)</b>	<b>(19,107)</b>
<b>Employee benefits - net asset</b>	<b>\$ 42,183</b>	<b>\$ 37,843</b>

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## (b) Employee benefits costs

The elements of employee benefits costs are as follows:

	For the three months ended September 30							
	RPP		SRP		ODBP		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Defined benefit cost (income) recognized in financial performance</b>								
Current service cost	\$ 1,397	\$ 1,726	\$ 13	\$ 20	\$ 224	\$ 256	\$ 1,634	\$ 2,002
Administration costs	94	94	4	4	-	-	98	98
Interest cost on defined benefit obligation	2,130	1,939	49	46	199	183	2,378	2,168
Interest income on plan assets	(2,625)	(2,187)	(82)	(67)	-	-	(2,707)	(2,254)
	\$ 996	\$ 1,572	\$ (16)	\$ 3	\$ 423	\$ 439	\$ 1,403	\$ 2,014

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

Return on plan assets excluding interest income	\$ (3,018)	\$ (5,000)	\$ (132)	\$ 8	\$ -	\$ -	\$ (3,150)	\$ (4,992)
Actuarial gains	-	11,764	-	248	-	1,151	-	13,163
	\$ (3,018)	\$ 6,764	\$ (132)	\$ 256	\$ -	\$ 1,151	\$ (3,150)	\$ 8,171

	For the six months ended September 30							
	RPP		SRP		ODBP		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Defined benefit cost (income) recognized in financial performance</b>								
Current service cost	\$ 2,794	\$ 3,452	\$ 27	\$ 40	\$ 448	\$ 512	\$ 3,269	\$ 4,004
Administration costs	188	188	8	8	-	-	196	196
Interest cost on defined benefit obligation	4,260	3,878	98	92	398	366	4,756	4,336
Interest income on plan assets	(5,250)	(4,373)	(164)	(135)	-	-	(5,414)	(4,508)
	\$ 1,992	\$ 3,145	\$ (31)	\$ 5	\$ 846	\$ 878	\$ 2,807	\$ 4,028

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

Return on plan assets excluding interest income	\$ (34,638)	\$ 6,543	\$ (830)	\$ 221	\$ -	\$ -	\$ (35,468)	\$ 6,764
Actuarial gains	35,655	-	707	-	3,490	-	39,852	-
	\$ 1,017	\$ 6,543	\$ (123)	\$ 221	\$ 3,490	\$ -	\$ 4,384	\$ 6,764

For the three and six months ended September 30, 2022, CATSA recognized an expense of \$240 (2021 - \$212) and \$513 (2021 - \$459), respectively, in relation to the defined contribution component of the RPP.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## (c) Significant actuarial assumptions

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

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

For the three months ended September 30, 2021, remeasurement gains of \$8,171 resulted from an increase in the discount rate of 25 basis points (from 3.25% at June 30, 2021 to 3.50% at September 30, 2021). This was partially offset by a lower actual rate of return on plan assets than the rates used in CATSA's assumptions for the RPP (-1.05% actual versus 0.88% expected).

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

For the six months ended September 30, 2021, remeasurement gains of \$6,764 resulted from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (3.55% actual versus 1.75% expected).

## (d) Employer contributions

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

	Three months ended		Six months ended	
	September 30		September 30	
	2022	2021	2022	2021
Employer contributions				
RPP	\$ 1,639	\$ 2,304	\$ 2,635	\$ 5,026
SRP	-	6	20	6
ODBP	54	46	108	92
	\$ 1,693	\$ 2,356	\$ 2,763	\$ 5,124

Total employer contributions to the defined benefit plans are estimated to be \$6,975 for the year ending March 31, 2023.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

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## 10. Provisions and contingencies

### (a) Provisions

Several claims, audits and legal proceedings have been asserted or instituted against CATSA. By nature, these amounts are subject to many uncertainties and the outcome of the individual matters is not always predictable. The provisions were determined by taking into account internal analysis, consultations with external subject matter experts, and all available information at the time of financial statement preparation.

During the three months ended September 30, 2022, amounts assessed by Transport Canada were reclassified from provisions to trade and other payables.

### (b) Contingencies

CATSA's contingent liabilities consist of claims and legal proceedings, and decommissioning costs for which no provision is recorded.

#### (i) Claims and legal proceedings

As at September 30, 2022, there were no significant legal claims outstanding against CATSA.

#### (ii) Decommissioning costs

During the three and six months ended September 30, 2022, there have been no material changes to contingencies related to decommissioning costs. For a description of CATSA's decommissioning cost, refer to note 10(b)(ii) of the audited annual financial statement for the year ended March 31, 2022.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 11. Lease liabilities

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

A reconciliation of lease liabilities is as follows:

	September 30, 2022	March 31, 2022
Balance, beginning of period	\$ 17,236	\$ 10,674
Additions	139	10,430
Decreases	-	(49)
Lease payments (note 14)	(2,019)	(4,014)
Finance costs	137	194
Foreign exchange revaluation	-	1
<b>Balance, end of period</b>	<b>\$ 15,493</b>	<b>\$ 17,236</b>
Balance, end of period		
Current	\$ 2,188	\$ 3,129
Non-current	13,305	14,107

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

	Three months ended September 30		Six months ended September 30	
	2022	2021	2022	2021
Variable lease payments	\$ 670	\$ 375	\$ 1,369	\$ 923
Low value leases	15	14	30	31
Short-term leases	-	16	-	31
<b>Other lease costs (note 13)</b>	<b>\$ 685</b>	<b>\$ 405</b>	<b>\$ 1,399</b>	<b>\$ 985</b>

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

For the three and six months ended September 30, 2022, CATSA recognized a total cash outflow for leases of \$1,698 (2021 - \$1,385) and \$3,418 (2021 - \$2,996), respectively.



# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

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

	September 30, 2022	March 31, 2022
No later than 1 year	\$ 2,950	\$ 5,931
Later than 1 year and no later than 5 years	16,544	13,852
Later than 5 years	1,714	3,387
	<u>\$ 21,208</u>	<u>\$ 23,170</u>

## 12. Deferred government funding

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

	September 30, 2022	March 31, 2022
<b>Deferred government funding related to operating expenses</b>		
Balance, beginning of period	\$ 18,241	\$ 21,079
Parliamentary appropriations used to fund operating expenses (note 14)	408,521	674,625
Parliamentary appropriations for operating expenses recognized in financial performance	(412,479)	(677,463)
Balance, end of period	<u>\$ 14,283</u>	<u>\$ 18,241</u>
<b>Deferred government funding related to capital expenditures</b>		
Balance, beginning of period	\$ 406,579	\$ 479,306
Parliamentary appropriations used to fund capital expenditures (note 14)	4,350	6,259
Amortization of deferred government funding related to capital expenditures recognized in financial performance	(20,191)	(78,986)
Balance, end of period	<u>\$ 390,738</u>	<u>\$ 406,579</u>
<b>Total deferred government funding, end of period</b>	<u><b>\$ 405,021</b></u>	<u><b>\$ 424,820</b></u>

For additional information on government funding, see note 14.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 13. Expenses

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

	Three months ended September 30		Six months ended September 30	
	2022	2021	2022	2021
<b>Screening services and other related costs</b>				
Payments to screening contractors	\$ 183,706	\$ 139,738	\$ 340,457	\$ 259,355
Uniforms and other screening costs	2,716	2,477	5,385	5,141
Trace and consumables	1,443	2,388	3,606	2,911
	187,865	144,603	349,448	267,407
<b>Equipment operating and maintenance</b>				
Equipment maintenance and spare parts	10,029	10,647	19,455	19,093
RAIC	307	5	584	177
Training and certification	96	36	258	93
	10,432	10,688	20,297	19,363
<b>Program support and corporate services</b>				
Employee costs	16,094	14,835	32,989	32,142
Professional services and other business related costs <sup>1</sup>	2,045	1,365	4,116	2,746
Office and computer expenses	1,674	1,692	3,698	3,193
Other administrative costs <sup>2</sup>	1,455	1,583	3,108	3,122
Other lease costs (note 11)	685	405	1,399	985
Communications and public awareness	202	124	365	173
	22,155	20,004	45,675	42,361
<b>Depreciation and amortization</b>				
Depreciation of property and equipment (note 6)	9,602	18,676	19,170	37,628
Depreciation of right-of-use assets (note 8)	903	912	1,792	1,805
Amortization of intangible assets (note 7)	540	648	1,080	1,296
	11,045	20,236	22,042	40,729
	\$ 231,497	\$ 195,531	\$ 437,462	\$ 369,860

<sup>1</sup> Other business related costs include travel expenses, conference fees, membership and association fees, and meeting expenses.

<sup>2</sup> Other administrative costs include insurance, network and telephone expenses, and facilities maintenance.

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 14. Government funding

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

	2022	2021
Parliamentary appropriations approved for the fiscal year	\$ 897,221	\$ 852,890
Parliamentary appropriations used to date to fund operating expenses	(408,521)	(323,768)
Parliamentary appropriations used to date to fund capital expenditures and lease payments	(6,369)	(5,339)
<b>Unused parliamentary appropriations</b>	<b>\$ 482,331</b>	<b>\$ 523,783</b>

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

	Three months ended September 30		Six months ended September 30	
	2022	2021	2022	2021
Parliamentary appropriations received	\$ 156,825	\$ 156,694	\$ 362,825	\$ 310,694
Amounts received related to prior periods	(75,858)	(96,098)	(89,625)	(98,694)
Parliamentary appropriations receivable	135,321	111,768	135,321	111,768
<b>Parliamentary appropriations used to fund operating expenses (note 12)</b>	<b>\$ 216,288</b>	<b>\$ 172,364</b>	<b>\$ 408,521</b>	<b>\$ 323,768</b>

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

The following table reconciles parliamentary appropriations for capital expenditures and lease payments that were received and receivable with the amount of appropriations used:

	Three months ended		Six months ended	
	September 30		September 30	
	2022	2021	2022	2021
Parliamentary appropriations received	\$ 2,916	\$ 13,082	\$ 2,916	\$ 13,082
Amounts receivable related to prior periods	(3,752)	(14,387)	(2,135)	(12,093)
Parliamentary appropriations receivable	3,569	2,339	3,569	2,339
Parliamentary appropriations used to fund capital expenditures (note 12)	2,733	1,034	4,350	3,328
Parliamentary appropriations used to fund lease payments (note 11)	1,013	980	2,019	2,011
Parliamentary appropriations used to fund capital expenditures and lease payments	\$ 3,746	\$ 2,014	\$ 6,369	\$ 5,339

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

## 15. Fair values of financial instruments

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

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

	September 30, 2022		March 31, 2022	
	Carrying Amount	Fair Value (Level 2)	Carrying Amount	Fair Value (Level 2)
<b>Financial instruments measured at fair value</b>				
Derivative financial assets <sup>1</sup>	\$ 1,513	\$ 1,513	\$ 40	\$ 40

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

There were no transfers between levels during the six months ended September 30, 2022, or the year ended March 31, 2022.

## 16. Contractual arrangements

In the normal course of operations, CATSA enters into contractual arrangements for the supply of goods and services. These contractual arrangements are subject to authorized appropriations and termination rights which allow CATSA to terminate the contracts without penalty at its discretion. The most significant arrangements relate to contracts signed with screening contractors for the provision of screening services, as well as with vendors for screening equipment and related maintenance.

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

	September 30, 2022	March 31, 2022
Operating	\$ 1,484,442	\$ 1,816,147
Capital	13,954	5,814
	<b>\$ 1,498,396</b>	<b>\$ 1,821,961</b>

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
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## 17. Related party transactions

CATSA had the following transactions with related parties:

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

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

CATSA's primary source of funding is parliamentary appropriations received from the Government of Canada. For the three and six months ended September 30, 2022, government funding of \$230,879 (2021 – \$197,936) and \$434,689 (2021 – \$371,382), respectively, is recognized in the Condensed Interim Statement of Comprehensive Income, and includes parliamentary appropriations for operating expenses, parliamentary appropriations for lease payments, and amortization of deferred government funding related to capital expenditures. Parliamentary appropriations receivable of \$138,890 (March 31, 2022 – \$91,760), are included in trade and other receivables in the Condensed Interim Statement of Financial Position.

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

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

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

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

	Three months ended September 30		Six months ended September 30	
	2022	2021	2022	2021
Increase in trade and other receivables	\$ (58,826)	\$ (13,826)	\$ (42,977)	\$ (12,317)
Decrease in inventories	112	284	1,041	705
Decrease in prepaids	3,125	1,846	2,754	2,697
Increase in trade and other payables	70,558	7,013	90,018	22,172
Decrease in provisions	(200)	-	(200)	-
Increase in holdbacks	2	-	6	-
Decrease in deferred government funding related to operating expenses	(3,473)	(3,339)	(3,958)	(4,800)
	\$ 11,298	\$ (8,022)	\$ 46,684	\$ 8,457

# CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Notes to the Condensed Interim Financial Statements  
(Unaudited)

(In thousands of Canadian dollars)

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For the three and six months ended September 30, 2022, the change in trade and other receivables excludes amounts of \$183 (2021 – \$12,048) and \$1,434 (2021 – \$9,754), respectively, in relation to government funding related to capital expenditures, as these amounts relate to investing activities.

For the three and six months ended September 30, 2022, the change in inventories excludes amounts of \$236 (2021 - \$1,209) and \$163 (2021 - \$1,398), respectively, resulting from write-downs of inventories. These amounts are included as part of other non-cash transactions in the Condensed Interim Statement of Cash Flows.

For the three and six months ended September 30, 2022, the change in trade and other payables excludes amounts of \$1,108 (2021 – \$6,490) and \$726 (2021 – \$16,599), respectively, in relation to the acquisition of property and equipment and intangible assets, as these amounts relate to investing activities.

For the three and six months ended September 30, 2022, the change in holdbacks excludes amounts of \$24 (2021 – \$352) and \$3 (2021 – \$154), respectively, in relation to the acquisition of property and equipment, as these amounts relate to investing activities.

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

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

These developments have not changed CATSA's mandate and CATSA intends to continue to realize its assets and discharge its liabilities in the normal course of business.

Formal negotiations related to the sale of CATSA's assets and liabilities were put on hold in March 2020 as the aviation industry responded to the COVID-19 pandemic. The timeline for the potential sale remains undetermined.