Canadian Air Transport Security Authority | Administration canadienne de la sûreté du transport aérien

Quarterly Financial Report

For the Three and Six Months Ended
September 30, 2025

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Management's Narrative Discussion

For The Three and Six Month Ended September 30, 2025

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, 2025. 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, 2025, 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 *2025 Annual Report* and the *Quarterly Financial Report for the three months ended June 30, 2025.* The information in this report is expressed in thousands of Canadian dollars and is current to November 20, 2025, unless otherwise stated.

Forward-looking statements

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

Materiality

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

Corporate Overview

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

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

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

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

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

Operating Environment

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. Budget 2023 included incremental funding of $1,746 million (net) over three years to continue to protect the public by securing critical elements of the air transportation system. This funding supports implementing changes to the non-passenger screening program and delivering a target wait time service level. In addition, it allows CATSA to plan for the longer term and enables CATSA to conduct focused and intentional engagement with industry, the community and government partners, as well as invest in innovation.

Prior to Budget 2023, CATSA has historically relied on annual supplemental funding from the Government of Canada to carry out its mandated activities. With this three-year incremental funding coming to an end after 2025/26, CATSA will again seek sustainable long-term funding to deliver its essential security mandate and strategic objectives.

Statistics from CATSA's Boarding Pass Security System, and other data sources, indicate that screened traffic across Canada increased to approximately 20 million passengers for the three months ended September 30, 2025, compared to 19.6 million passengers for the same period in 2024. CATSA works closely with its screening contractors, TC and external partners to support the aviation industry.

In July 2025, the Government of Canada launched a Comprehensive Expenditure Review (CER). Pending decisions on CATSA's submissions, CATSA will work with TC and other partners to implement selected proposals, with consideration of the organization's security mandate and core mission to ensure the secure, efficient movement of people and goods across Canada's air transportation network and internationally, contributing to national security.

Screening Services

In previous years, CATSA provided screening services on a cost recovery basis to certain designated and non-designated airports. In 2025/26, CATSA signed an agreement with Montreal Metropolitan Airport to support the upcoming launch of commercial operations as part of the cost recovery framework established in the CATSA Act.

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 *2025 Annual Report*.

During the three months ended September 30, 2025, CATSA's risk relating to the adequacy of funding trended higher due to the current fiscal environment and uncertainty related to the CER as well as supplemental funding for 2026/27 and beyond.

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

Analysis of Financial Results

Condensed Interim Statement of Comprehensive Income (Loss)

The following section provides information on key variances within the Condensed Interim Statement of Comprehensive Income (Loss) for the three and six months ended September 30, 2025, and September 30, 2024.

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

(Thousands of Canadian dollars)	Three months ended September 30				Six months ended September 30			
(Unaudited)	**2025**	**2024**	$ Change	% Change	**2025**	**2024**	$ Change	% Change
Expenses [1]								
Screening services and other related costs	**$ 227,686**	$ 211,707	$ 15,979	7.5%	**$ 451,884**	$ 410,282	$ 41,602	10.1%
Equipment operating and maintenance	**13,674**	13,609	65	0.5%	**26,180**	26,658	(478)	(1.8%)
Program support and corporate services	**25,804**	25,760	44	0.2%	**53,742**	52,044	1,698	3.3%
Depreciation and amortization	**14,289**	12,434	1,855	14.9%	**28,159**	24,165	3,994	16.5%
Total expenses	**281,453**	**263,510**	**17,943**	**6.8%**	**559,965**	**513,149**	**46,816**	**9.1%**
Other (income) expenses	**(342)**	**234**	**(576)**	**(246%)**	**1,087**	**255**	**832**	**326%**
Financial performance before revenue and government funding	**281,111**	**263,744**	**17,367**	**6.6%**	**561,052**	**513,404**	**47,648**	**9.3%**
Revenue	**500**	**982**	**(482)**	**(49.1%)**	**1,253**	**1,886**	**(633)**	**(33.6%)**
Government funding								
Parliamentary appropriations for operating expenses	**264,956**	248,085	16,871	6.8%	**524,814**	482,730	42,084	8.7%
Amortization of deferred government funding related to capital expenditures	**13,527**	11,728	1,799	15.3%	**26,533**	22,769	3,764	16.5%
Parliamentary appropriations for lease payments	**950**	801	149	18.6%	**1,928**	1,578	350	22.2%
Total government funding	**279,433**	**260,614**	**18,819**	**7.2%**	**553,275**	**507,077**	**46,198**	**9.1%**
Financial performance	**$ (1,178)**	**$ (2,148)**	**$ 970**	**45.2%**	**$ (6,524)**	**$ (4,441)**	**$ (2,083)**	**(46.9%)**
Other comprehensive income (loss) [2]	**17,736**	**(219)**	**17,955**	**N/M**	**27,629**	**3,911**	**23,718**	**N/M**
Total comprehensive income (loss) [2]	**$ 16,558**	**$ (2,367)**	**$ 18,925**	**N/M**	**$ 21,105**	**$ (530)**	**$ 21,635**	**N/M**

[1] The Condensed Interim Statement of Comprehensive Income (Loss) presents operating expenses by program activity, whereas operating expenses above are presented by major expense type, as disclosed in note 11 of the unaudited condensed interim financial statements for the three and six months ended September 30, 2025.

[2] The percentage change for the three months and six month ended September 30, 2025, as compared to the same period in 2024, is not meaningful.

Screening Services and Other Related Costs

Screening services and other related costs increased by $15,979 (7.5%) and by $41,602 (10.1%) for the three and six months ended September 30, 2025, respectively, compared to the same periods in 2024. The increases are mainly attributable to annual billing rate increases of $11,472 and $25,839, respectively, and the deployment of bilingual facilitators to elevate the client experience and ensure that screening procedures uphold the dignity of all travelers, including those with accessibility needs, totaling $2,715 and $6,833, respectively. The increases also reflect changes to the non-passenger screening program totaling $3,046 and $5,476, respectively.

Program Support and Corporate Services

Program support and corporate services increased by $1,698 (3.3%) for the six months ended September 30, 2025, compared to the same period in 2024. The increase is mainly attributable to higher employee-related costs due, in part, to an increase in the organization's workforce (10) as approved by the Government of Canada in 2023. CATSA's current workforce remains slightly below its workforce as of 2010. The increase is partially offset by savings on other expenses including insurance.

Depreciation and Amortization

Depreciation and amortization increased by $1,855 (14.9%) and by $3,994 (16.5%) for the three and six months ended September 30, 2025, respectively, compared to the same periods in 2024. The increases are primarily attributable to new equipment deployments and the change in estimated useful lives of some of CATSA's screening equipment.

Government Funding

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

Parliamentary appropriations for operating expenses

Parliamentary appropriations for operating expenses increased by $16,871 (6.8%) and by $42,084 (8.7%) for the three and six months ended September 30, 2025, respectively, compared to the same periods in 2024. The increases are primarily attributable to increased spending on screening services and other related costs, as discussed above.

Amortization of deferred government funding related to capital expenditures

Amortization of deferred government funding related to capital expenditures increased by $1,799 (15.3%) and by $3,764 (16.5%) for the three and six months ended September 30, 2025, respectively, compared to the same periods in 2024. The increases are 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 (Loss)

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

Other comprehensive income of $17,736 for the three months ended September 30, 2025, was primarily attributable to a remeasurement gain of $12,791 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. It was also attributable to a remeasurement gain of $4,945 on the defined benefit liability arising from a 10-basis point increase in the discount rate between June 30, 2025, and September 30, 2025.

Other comprehensive loss of $219 for the three months ended September 30, 2024, was attributable to a remeasurement loss of $13,587 on the defined benefit liability arising from a 30-basis point decrease in the

discount rate between June 30, 2024, and September 30, 2024. This was partially offset by a remeasurement gain of $13,368 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions.

Other comprehensive income of $27,629 for the six months ended September 30, 2025, was attributable to a remeasurement gain of $17,691 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. It was also attributable to a remeasurement gain of $9,938 on the defined benefit liability arising from a 20-basis point increase in the discount rate between March 31, 2025, and September 30, 2025.

Other comprehensive income of $3,911 for the six months ended September 30, 2024, was attributable to a remeasurement gain of $12,642 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. This was partially offset by a remeasurement loss of $8,731 on the defined benefit liability arising from a 20-basis point decrease in the discount rate between March 31, 2024, and September 30, 2024.

For more information, refer to note 8 of the unaudited condensed interim financial statements.

Condensed Interim Statement of Financial Position

The following section provides information on key variances within the Condensed Interim Statement of Financial Position as at September 30, 2025, compared to March 31, 2025.

Key Financial Highlights - Condensed Interim Statement of Financial Position				
(Thousands of Canadian dollars) (Unaudited)	**September 30, 2025**	**March 31, 2025**	$ Change	% Change
Current assets	$ 200,745	$ 210,820	$ (10,075)	(4.8%)
Non-current assets	506,315	476,565	29,750	6.2%
Total assets	**$ 707,060**	**$ 687,385**	**$ 19,675**	**2.9%**
Current liabilities	$ 208,269	$ 213,684	$ (5,415)	(2.5%)
Non-current liabilities	436,429	432,444	3,985	0.9%
Total liabilities	**$ 644,698**	**$ 646,128**	**$ (1,430)**	**(0.2%)**

Assets

Current assets decreased by $10,075 (4.8%) primarily due to the following:

- Decrease in cash of $70,881 mainly due to the timing of funds received from the Government of Canada;
- Decrease in inventory of $2,322 primarily due to the net usage of uniforms;
- Decrease in prepaids of $1,798 due to the impact of amortization, less additions; and
- Increase in trade and other receivables of $65,521 due to an increase in parliamentary appropriations receivable and recoverable sales taxes, partially offset by a decrease in screening services – other receivable.

Non-current assets increased by $29,750 (6.2%) primarily due to the following:

- Increase in property and equipment and intangible assets of $6,047 mainly due to acquisitions totaling $32,647, partially offset by depreciation and amortization totaling $26,489;
- Increase in employee benefits of $25,369 primarily relating to CATSA's Registered Pension Plan; and
- Decrease in right-of-use assets of $1,607 attributable to depreciation.

Liabilities

Current liabilities decreased by $5,415 (2.5%) primarily due to the following:

- Decrease in trade and other payables of $1,620 due to the timing of disbursements associated with obligations outstanding with suppliers; and
- Decrease in deferred government funding related to operating expenditures of $4,120 due to a reduction in inventories, as discussed above.

Non-current liabilities increased by $3,985 (0.9%) primarily due to the following:

- Increase in the deferred government funding related to capital expenditures of $5,807 due to parliamentary appropriations used to fund capital expenditures of $32,340 exceeding amortization of deferred government funding related to capital expenditures of $26,533; and
- Decrease in the non-current portion of lease liabilities of $1,690 mainly due to ongoing lease payments.

Financial Performance Against Corporate Plan

As of the date of publishing, CATSA's *Summary of the 2025/26 to 2029/30 Corporate Plan* has not been tabled in Parliament. Until it is tabled in Parliament and made publicly available, CATSA will not be in a position to provide an explanation of significant differences between its financial results compared to those anticipated in the *Summary of the 2025/26 to 2029/30 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

(Thousands of Canadian dollars) (Unaudited)	Three months ended September 30		Six months ended September 30	
	2025	**2024**	**2025**	**2024**
Financial performance before revenue and government funding	$ 281,111	$ 263,744	$ 561,052	$ 513,404
Revenue	(500)	(982)	(1,253)	(1,886)
Financial performance before government funding	280,611	262,762	559,799	511,518
Non-cash items				
Depreciation and amortization	(14,289)	(12,434)	(28,159)	(24,165)
Employee benefits expense [1]	(1,020)	(1,011)	(2,128)	(1,013)
Employee cost accruals [2]	(579)	(957)	(3,167)	(3,280)
Non-cash finance costs related to leases	(161)	(171)	(328)	(344)
Non-cash (loss) gain on foreign exchange recognized in financial performance	(145)	11	(261)	(18)
Spare parts expense funded from capital	(63)	-	(63)	-
Write-off of property and equipment and intangible assets	(48)	-	(48)	-
Gain on disposal of property and equipment	19	-	19	-
Change in fair value of financial instruments at fair value through profit and loss	631	(115)	(850)	32
Appropriations used for operating expenses	**$ 264,956**	**$ 248,085**	**$ 524,814**	**$ 482,730**
Other items affecting funding				
Net change in prepaids and inventories [3]	(2,528)	(2,350)	(4,120)	(5,088)
Total operating appropriations used	**$ 262,428**	**$ 245,735**	**$ 520,694**	**$ 477,642**

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

[2] Employee cost accruals are accounting adjustments to record variable pay and accrued vacation used and incurred to September 30, 2025. These costs are only recorded for near-cash accrual purposes at year-end, creating a reconciling item during interim periods.

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

Capital Expenditures

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

Reconciliation of Capital Expenditures to Capital Appropriations Used				
(Thousands of Canadian dollars) (Unaudited)	**Three months ended September 30**		**Six months ended September 30**	
	2025	**2024**	**2025**	**2024**
Explosives Detection Systems (EDS)	$ 16,206	$ 13,492	$ 30,514	$ 24,912
Non-Explosives Detection Systems (Non-EDS)	1,034	1,294	2,133	1,797
Lease payments	950	801	1,928	1,578
Total capital expenditures	**$ 18,190**	**$ 15,587**	**$ 34,575**	**$ 28,287**
Non-Cash Items				
Adjustment on foreign exchange	122	7	122	17
Adjustment on deferred revenue	(410)	-	(410)	-
Proceeds on disposal of property and equipment	(19)	-	(19)	-
Total capital appropriations used	**$ 17,883**	**$ 15,594**	**$ 34,268**	**$ 28,304**

Statement of Management Responsibility

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

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

Neil Parry
Interim President and Chief Executive Officer

Ottawa, Canada
November 20, 2025

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

Ottawa, Canada
November 20, 2025

Condensed Interim Financial Statements of

Canadian Air Transport Security Authority

September 30, 2025

(Unaudited)

Canadian Air Transport Security Authority
(Unaudited)

Condensed Interim Statement of Financial Position

(In thousands of Canadian dollars)	September 30, 2025	March 31, 2025
Assets		
Current assets		
Cash	$ 31,334	$ 102,215
Trade and other receivables (note 4)	145,892	80,371
Inventories	16,454	18,776
Prepaids	6,805	8,603
Derivative financial assets	260	855
	200,745	210,820
Non-current assets		
Property and equipment (note 5)	389,383	382,154
Intangible assets (note 6)	11,697	12,879
Right-of-use assets (note 7)	15,057	16,664
Employee benefits asset (note 8)	90,178	64,809
Derivative financial assets	-	59
	506,315	476,565
Total assets	**$ 707,060**	**$ 687,385**
Liabilities and Equity		
Current liabilities		
Trade and other payables	$ 181,329	$ 182,949
Holdbacks	23	35
Lease liabilities (note 7)	3,404	3,263
Deferred government funding related to operating expenses (note 10)	23,259	27,379
Derivative financial liabilities	254	58
	208,269	213,684
Non-current liabilities		
Lease liabilities (note 7)	14,048	15,738
Deferred government funding related to capital expenditures (note 10)	395,497	389,690
Employee benefits liability (note 8)	22,313	22,445
Deferred revenue - screening services - other	4,571	4,571
	436,429	432,444
Equity		
Accumulated surplus	62,362	41,257
Total liabilities and equity	**$ 707,060**	**$ 687,385**

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

Canadian Air Transport Security Authority

(Unaudited)

Condensed Interim Statement of Comprehensive Income (Loss)

(In thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Expenses				
Pre-Board Screening	$ 178,883	$ 169,626	$ 353,942	$ 326,848
Hold Baggage Screening	46,168	41,922	92,418	82,905
Non-Passenger Screening	41,424	36,560	82,527	73,415
Restricted Area Identity Card Program	990	1,390	2,058	2,450
Corporate services	13,988	14,012	29,020	27,531
Total expenses (note 11)	281,453	263,510	559,965	513,149
Other (income) expenses				
Finance costs	168	172	337	349
Foreign exchange loss (gain)	92	(53)	(129)	(62)
Write-off of property and equipment and intangible assets	48	-	48	-
Gain on disposal of property and equipment	(19)	-	(19)	-
Net (gain) loss on fair value of derivative financial instruments	(631)	115	850	(32)
Total other (income) expenses	(342)	234	1,087	255
Financial performance before revenue and government funding	281,111	263,744	561,052	513,404
Revenue				
Finance income	475	957	1,210	1,859
Miscellaneous income	25	25	43	27
Total revenue	500	982	1,253	1,886
Government funding				
Parliamentary appropriations for operating expenses	264,956	248,085	524,814	482,730
Amortization of deferred government funding related to capital expenditures	13,527	11,728	26,533	22,769
Parliamentary appropriations for lease payments	950	801	1,928	1,578
Total government funding (note 10)	279,433	260,614	553,275	507,077
Financial performance	$ (1,178)	$ (2,148)	$ (6,524)	$ (4,441)
Other comprehensive income (loss)				
Item that will not be reclassified to financial performance				
Remeasurement of defined benefit plans (note 8)	17,736	(219)	27,629	3,911
Total comprehensive income (loss)	**$ 16,558**	**$ (2,367)**	**$ 21,105**	**$ (530)**

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

Canadian Air Transport Security Authority

(Unaudited)

Condensed Interim Statement of Changes in Equity

(In thousands of Canadian dollars)

For the three months ended September 30:		Accumulated surplus
Balance, June 30, 2025	$	45,804
Financial performance		(1,178)
Item that will not be reclassified to financial performance		
Remeasurement of defined benefit plans (note 8)		17,736
Balance, September 30, 2025	**$**	**62,362**
Balance, June 30, 2024	$	38,738
Financial performance		(2,148)
Item that will not be reclassified to financial performance		
Remeasurement of defined benefit plans (note 8)		(219)
Balance, September 30, 2024	**$**	**36,371**

For the six months ended September 30:		Accumulated surplus
Balance, March 31, 2025	$	41,257
Financial performance		(6,524)
Item that will not be reclassified to financial performance		
Remeasurement of defined benefit plans (note 8)		27,629
Balance, September 30, 2025	**$**	**62,362**
Balance, March 31, 2024	$	36,901
Financial performance		(4,441)
Item that will not be reclassified to financial performance		
Remeasurement of defined benefit plans (note 8)		3,911
Balance, September 30, 2024	**$**	**36,371**

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

Canadian Air Transport Security Authority

(Unaudited)

Condensed Interim Statement of Cash Flows

(In thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Cash flows provided by (used in)				
Operating activities				
Financial performance	$ (1,178)	$ (2,148)	$ (6,524)	$ (4,441)
Items not involving cash				
Depreciation and amortization (note 11)	14,289	12,434	28,159	24,165
Change in net employee benefits asset/liability	1,020	1,011	2,128	1,013
Other non-cash transactions	63	-	63	-
Write-off of property and equipment and intangible assets	48	-	48	-
Gain on disposal of property and equipment	(19)	-	(19)	-
Change in fair value of financial instruments at fair value through profit and loss	(631)	115	850	(32)
Amortization of deferred government funding related to capital expenditures (note 10)	(13,527)	(11,728)	(26,533)	(22,769)
Net change in working capital balances (note 15)	8,853	11,242	(70,698)	17,755
	8,918	10,926	(72,526)	15,691
Investing activities				
Parliamentary appropriations received for capital funding (note 10)	16,688	24,055	31,710	28,278
Purchase of property and equipment	(15,223)	(7,228)	(28,379)	(11,427)
Purchase of intangible assets	-	(579)	(74)	(660)
	1,465	16,248	3,257	16,191
Financing activities				
Lease principal payments	(789)	(630)	(1,612)	(1,234)
	(789)	(630)	(1,612)	(1,234)
Increase (decrease) in cash	9,594	26,544	(70,881)	30,648
Cash, beginning of period	21,740	14,059	102,215	9,955
Cash, end of period	**$ 31,334**	**$ 40,603**	**$ 31,334**	**$ 40,603**

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

1. Corporate information

CATSA is a Crown corporation listed under Part I, Schedule III of the *Financial Administration Act* and is an agent of His Majesty in right of Canada. CATSA's mandate is to provide effective and efficient screening of persons who access aircraft or restricted areas through screening points, the property in their possession or control and the belongings or baggage that they give to an air carrier for transport.

CATSA is funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport. In 2025/26, CATSA signed an agreement with Montreal Metropolitan Airport to support the upcoming launch of commercial operations as part of the cost recovery framework established in the *CATSA Act*.

These condensed interim financial statements have been authorized for issuance by the Board of Directors on November 20, 2025.

2. Basis of preparation

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

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

As permitted by IAS 34, these interim financial statements are presented on a condensed basis and therefore do not include all necessary disclosures to conform, in all material respects, with IFRS disclosure requirements applicable to annual financial statements. These condensed interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements. Accordingly, they should be read in conjunction with CATSA's audited annual financial statements for the year ended March 31, 2025.

These condensed interim financial statements were prepared under the historical cost convention, except as required or permitted by IFRS and as indicated in note 3 of CATSA's audited annual financial statements for the year ended March 31, 2025. 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

Material accounting policy information 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, 2025.

4. Trade and other receivables

Trade and other receivables are comprised of:

	September 30, 2025	March 31, 2025
Parliamentary appropriations	$ 135,962	$ 59,665
GST and HST recoverable	7,968	12,248
PST recoverable	1,962	3,204
Screening services - other	-	5,254
	$ 145,892	**$ 80,371**

Screening services – other, relates to cost to supply screening equipment in support of a cost recovery agreement with Montreal Metropolitan Airport.

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	6,056	706	(70)	23	1,151	1	24,784	32,651
Disposals/ Write-offs	(1,893)	(654)	-	-	(936)	(83)	(48)	(3,614)
Transfers	9,201	9,043	115	768	2,805	-	(21,932)	-
Cost as at September 30, 2025	$ 197,855	$ 684,481	$ 22,318	$ 5,052	$ 30,826	$ 7,706	$ 43,038	$ 991,276
Accumulated depreciation as at April 1, 2025	$ 113,158	$ 421,994	$ 17,627	$ 1,732	$ 19,842	$ 5,732	$ -	$ 580,085
Depreciation	5,490	16,827	377	385	1,869	363	-	25,311
Disposals/ Write-offs	(1,830)	(654)	-	-	(936)	(83)	-	(3,503)
Accumulated depreciation as at September 30, 2025	$ 116,818	$ 438,167	$ 18,004	$ 2,117	$ 20,775	$ 6,012	$ -	$ 601,893
Carrying amounts as at September 30, 2025	**$ 81,037**	**$ 246,314**	**$ 4,314**	**$ 2,935**	**$ 10,051**	**$ 1,694**	**$ 43,038**	**$ 389,383**

6. Intangible assets

A reconciliation of intangible assets is as follows:

	Externally acquired software	Internally developed software	Under develop-ment	Total
Cost as at April 1, 2025	$ 13,906	$ 17,217	$ 612	$ 31,735
Additions	-	(4)	-	(4)
Write-offs	(719)	(417)	-	(1,136)
Transfers	-	612	(612)	-
Cost as at September 30, 2025	$ 13,187	$ 17,408	$ -	$ 30,595
Accumulated amortization as at April 1, 2025	$ 7,783	$ 11,073	$ -	$ 18,856
Amortization	470	708	-	1,178
Write-offs	(719)	(417)	-	(1,136)
Accumulated depreciation as at September 30, 2025	$ 7,534	$ 11,364	$ -	$ 18,898
Carrying amounts as at September 30, 2025	**$ 5,653**	**$ 6,044**	**$ -**	**$ 11,697**

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	95	-	95
Decreases	(32)	-	(32)
Depreciation	(1,565)	(105)	(1,670)
Balance, September 30, 2025	**$ 14,690**	**$ 367**	**$ 15,057**

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:

	September 30, 2025	March 31, 2025
Balance, beginning of period	$ 19,001	$ 19,197
Additions	95	2,667
Finance costs	316	674
Lease payments (note 10)	(1,928)	(3,242)
Decreases	(32)	(307)
Foreign exchange revaluation	-	12
Balance, end of period	**$ 17,452**	**$ 19,001**
Balance, end of period		
Current	$ 3,404	$ 3,263
Non-current	14,048	15,738

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	
	2025	2024	2025	2024
Variable lease payments[1]	$ 527	$ 509	$ 1,003	$ 1,013
Short-term leases	-	147	-	305
Low value leases	14	12	14	23
Other lease costs (note 11)	**$ 541**	**$ 668**	**$ 1,017**	**$ 1,341**

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

For the three and six months ended September 30, 2025, CATSA recognized a total cash outflow for leases of $1,491 (2024 - $1,469) and $2,945 (2024 - $2,919), respectively.

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

	September 30, 2025	March 31, 2025
Less than one year	$ 6,380	$ 5,957
One to five years	8,232	10,257
Greater than five years	345	471
	$ 14,957	**$ 16,685**

8. Employee benefits

Employee benefits asset and liability

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

	September 30, 2025	March 31, 2025
Employee benefits asset		
Registered pension plan (RPP)	$ 87,650	$ 63,391
Supplementary retirement plan (SRP)	2,528	1,418
	90,178	64,809
Employee benefits liability		
Other defined benefits plan (ODBP)	(22,313)	(22,445)
	(22,313)	(22,445)
Employee benefits - net asset	**$ 67,865**	**$ 42,364**

Employee benefits costs

The elements of employee benefits costs are as follows:

	For the three months ended September 30							
	RPP		SRP		ODBP		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Defined benefit cost recognized in financial performance								
Current service cost	$ 1,326	$ 1,299	$ 36	$ 31	$ 158	$ 132	$ 1,520	$ 1,462
Administration costs	81	81	6	6	-	-	87	87
Interest cost on defined benefit obligation	2,882	2,751	104	90	274	231	3,260	3,072
Interest income on plan assets	(3,563)	(3,357)	(120)	(110)	-	-	(3,683)	(3,467)
	$ 726	**$ 774**	**$ 26**	**$ 17**	**$ 432**	**$ 363**	**$ 1,184**	**$ 1,154**
Remeasurement of defined benefit plans recognized in other comprehensive income (loss)								
Return on plan assets excluding interest income	$ 12,294	$ 13,122	$ 497	$ 246	$ -	$ -	$ 12,791	$ 13,368
Actuarial gains (losses)	4,373	(12,165)	153	(390)	419	(1,032)	4,945	(13,587)
	$ 16,667	**$ 957**	**$ 650**	**$ (144)**	**$ 419**	**$ (1,032)**	**$ 17,736**	**$ (219)**

	For the six months ended September 30							
	RPP		SRP		ODBP		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Defined benefit cost recognized in financial performance								
Current service cost	$ 2,652	$ 2,598	$ 72	$ 62	$ 315	$ 264	$ 3,039	$ 2,924
Administration costs	162	162	12	12	-	-	174	174
Interest cost on defined benefit obligation	5,764	5,502	208	181	548	461	6,520	6,144
Interest income on plan assets	(7,126)	(6,714)	(240)	(221)	-	-	(7,366)	(6,935)
	$ 1,452	**$ 1,548**	**$ 52**	**$ 34**	**$ 863**	**$ 725**	**$ 2,367**	**$ 2,307**
Remeasurement of defined benefit plans recognized in other comprehensive income (loss)								
Return on plan assets excluding interest income	$ 16,927	$ 12,403	$ 764	$ 239	$ -	$ -	$ 17,691	$ 12,642
Actuarial gains (losses)	8,784	(7,769)	308	(264)	846	(698)	9,938	(8,731)
	$ 25,711	**$ 4,634**	**$ 1,072**	**$ (25)**	**$ 846**	**$ (698)**	**$ 27,629**	**$ 3,911**

For the three and six months ended September 30, 2025, CATSA recognized an expense of $453 (2024 - $408) and $760 (2024 - $657), respectively, in relation to the defined contribution component of the RPP.

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, 2025, remeasurement gains of $17,736 resulted from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (5.19% actual versus 1.20% expected). The gains also resulted from an increase in the discount rate of 10 basis points (from 4.90% at June 30, 2025, to 5.00% at September 30, 2025).

For the three months ended September 30, 2024, remeasurement losses of $219 resulted from a decrease in the discount rate of 30 basis points (from 5.00% at June 30, 2024 to 4.70% at September 30, 2024). This was partially offset by a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (5.94% actual versus 1.23% expected).

For the six months ended September 30, 2025, remeasurement gains of $27,629 resulted from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (8.08% actual versus 2.40% expected). The gains also resulted from an increase in the discount rate of 20 basis points (from 4.80% at March 31, 2025 to 5.00% at September 30, 2025).

For the six months ended September 30, 2024, remeasurement gains of $3,911 resulted from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (6.97% actual versus 2.45% expected). This was partially offset by a decrease in the discount rate of 20 basis points (from 4.90% at March 31, 2024 to 4.70% at September 30, 2024).

Employer contributions

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

	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Employer contributions				
RPP	$ -	$ -	$ -	$ 1,083
SRP	90	75	90	75
ODBP	74	68	149	136
	$ 164	**$ 143**	**$ 239**	**$ 1,294**

Starting July 1, 2024, the Canada Revenue Agency (CRA), in accordance with the *Income Tax Act*, required that CATSA take a forced employer contribution holiday for the defined benefit component of the RPP. For the year ending March 31, 2026, the total employer contributions to CATSA's defined benefit plans for the SRP and ODBP components, are estimated to be $989.

9. Provisions and contingencies

Several claims, audits and legal proceedings have been asserted or instituted against CATSA. By nature, these amounts are subject to many uncertainties and the outcome of the individual matters is not always predictable. As at September 30, 2025, none of the above are expected, individually or in the aggregate, to have a material adverse effect on the financial statements.

Provisions

During the six months ended September 30, 2025, there were no provisions recorded.

Contingencies – Decommissioning costs

During the six months ended September 30, 2025, there have been no material changes to contingencies related to decommissioning costs. For a description of CATSA's decommissioning costs, refer to note 9 of CATSA's audited annual financial statements for the year ended March 31, 2025.

10. Government funding

Government funding

CATSA's *Summary of the 2025/26 – 2029/30 Corporate Plan* has not yet been tabled in Parliament and, therefore, the total amount of parliamentary appropriations available for the current year is not yet publicly available. As a result, disclosure of parliamentary appropriations approved compared to parliamentary appropriations used has not been provided.

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

	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Parliamentary appropriations received	$ 252,027	$ 185,807	$ 445,027	$ 416,807
Amounts received related to prior periods	(111,293)	(111,714)	(46,027)	(110,807)
Parliamentary appropriations receivable	121,694	171,642	121,694	171,642
Parliamentary appropriations used to fund operating expenses	**$ 262,428**	**$ 245,735**	**$ 520,694**	**$ 477,642**

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 September 30		Six months ended September 30	
	2025	2024	2025	2024
Parliamentary appropriations received	$ 16,688	$ 24,055	$ 31,710	$ 28,278
Amounts receivable related to prior periods	(14,023)	(17,566)	(13,638)	(9,856)
Parliamentary appropriations receivable	14,268	8,304	14,268	8,304
Parliamentary appropriations used to fund capital expenditures	16,933	14,793	32,340	26,726
Parliamentary appropriations used to fund lease payments (note 7)	950	801	1,928	1,578
Parliamentary appropriations used to fund capital expenditures and lease payments	**$ 17,883**	**$ 15,594**	**$ 34,268**	**$ 28,304**

Deferred government funding

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

	September 30, 2025	March 31, 2025
Deferred government funding related to operating expenses		
Balance, beginning of period	$ 27,379	$ 22,968
Parliamentary appropriations used to fund operating expenses	520,694	1,006,527
Parliamentary appropriations for operating expenses recognized in financial performance	(524,814)	(1,002,116)
Balance, end of period	**$ 23,259**	**$ 27,379**
Deferred government funding related to capital expenditures		
Balance, beginning of period	$ 389,690	$ 368,994
Parliamentary appropriations used to fund capital expenditures	32,340	68,897
Amortization of deferred government funding related to capital expenditures recognized in financial performance	(26,533)	(48,201)
Balance, end of period	**$ 395,497**	**$ 389,690**
Total deferred government funding, end of period	**$ 418,756**	**$ 417,069**

11. Expenses

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

	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Screening services and other related costs				
Payments to screening contractors	$ 223,942	$ 207,640	$ 444,523	$ 402,708
Uniforms and other screening costs	2,177	2,429	4,817	4,729
Trace and consumables	1,567	1,638	2,544	2,845
	227,686	211,707	451,884	410,282
Equipment operating and maintenance				
Equipment maintenance and spare parts	13,097	12,875	24,894	25,345
Training and certification	385	483	819	833
RAIC	192	251	467	480
	13,674	13,609	26,180	26,658
Program support and corporate services				
Employee costs	20,361	19,067	42,848	38,911
Office and computer expenses	2,435	2,483	4,956	4,820
Professional services and other business related costs[1]	1,330	1,599	2,594	2,936
Other administrative costs[2]	843	1,680	1,761	3,598
Other lease costs (note 7)	541	668	1,017	1,341
Communications and public awareness	294	263	566	438
	25,804	25,760	53,742	52,044
Depreciation and amortization				
Depreciation of property and equipment (note 5)	12,866	11,164	25,311	21,647
Depreciation of right-of-use assets (note 7)	830	681	1,670	1,348
Amortization of intangible assets (note 6)	593	589	1,178	1,170
	14,289	12,434	28,159	24,165
	$ 281,453	**$ 263,510**	**$ 559,965**	**$ 513,149**

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

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

12. Fair values of financial instruments

Derivative financial instruments are recorded at fair value in the Condensed Interim Statement of Financial Position. The fair values of CATSA's derivative financial instruments approximate their carrying amount due to the nature of the instruments.

CATSA's derivative financial instruments are categorized as Level 2, based on observable inputs other than quoted prices. There were no transfers between levels during the six months ended September 30, 2025, or the year ended March 31, 2025.

13. Contractual commitments

During the three and six months ended September 30, 2025, there have been no material changes to CATSA's contractual commitments, other than the usage against contracts relating to Payments to screening contractors and Equipment maintenance and spare parts, as well as activity relating to Property and equipment and intangible Assets.

For a description of CATSA's contractual commitments, refer to note 13 of CATSA's audited annual financial statements for the year ended March 31, 2025.

14. Related party transactions

CATSA had the following transactions with related parties:

Government of Canada, its agencies and other Crown corporations

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

CATSA's primary source of funding is parliamentary appropriations received from the Government of Canada, as disclosed in note 10. Parliamentary appropriations receivable are included in trade and other receivables and disclosed in note 4.

Transactions with CATSA's post-employment benefit plans

Transactions with the 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 8.

No other transactions were made during the three and six month periods.

15. 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	
	2025	2024	2025	2024
Trade and other receivables[1]	$ (3,214)	$ (65,028)	$ (64,891)	$ (60,605)
Inventories	1,270	298	2,322	1,739
Prepaids	1,258	2,052	1,798	3,349
Trade and other payables[2]	12,067	76,270	(5,807)	78,360
Deferred government funding related to operating expenses	(2,528)	(2,350)	(4,120)	(5,088)
	$ 8,853	**$ 11,242**	**$ (70,698)**	**$ 17,755**

[1] For the three and six months ended September 30, 2025, the change in trade and other receivables excludes amounts of $247 (2024 – $9,262) and $630 (2024 – $1,552), respectively, in relation to government funding related to capital expenditures, as these amounts relate to investing activities.

[2] For the three and six months ended September 30, 2025, the change in trade and other payables excludes amounts of $2,010 (2024 – $7,099) and $4,187 (2024 – $14,753), respectively, in relation to the acquisition of property and equipment and intangible assets, as these amounts relate to investing activities.