



Quarterly Financial Report

For the Three and Six Months Ended
September 30, 2024



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Canadian Air Transport Security Authority
Management's Narrative Discussion
For The Three and Six Month Ended September 30, 2024

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, 2024. 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, 2024, 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 *2024 Annual Report*, and the *Quarterly Financial Report for the three months ended June 30, 2024*. The information in this report is expressed in thousands of Canadian dollars and is current to November 21, 2024, unless otherwise stated.

Forward-looking statements

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

Materiality

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

CATSA has previously provided screening services on a cost recovery basis to certain airports. There are currently no such arrangements in place.

Operating Environment

Budget 2023 included incremental funding of \$1,746 million (net) over three years to continue to protect the public by securing critical elements of the air transportation system. This funding supports implementing changes to the non-passenger screening program, supports the delivery of target wait time service level in 2024/25 and 2025/26, and allows CATSA to plan for the longer-term.

Budget 2023 also announced initiatives aimed at reducing government spending. CATSA has identified reductions in professional services and travel budgets, as well as overall operating expenses. CATSA is implementing these reductions, while recognizing the nature of the organization's air travel security screening service mandate.

Statistics from CATSA's Boarding Pass Security System, and other data sources, indicate that screened traffic across Canada increased from approximately 19 million passengers for the three months ended September 30, 2023, to 19.7 million passengers for the three months ended September 30, 2024. CATSA works closely with its screening contractors, TC and external partners to support the aviation industry.

Airport Screening Service Agreements

Effective April 1, 2024, CATSA began new airport screening services contracts with its Screening Contractors. The term of the new contracts is from April 1, 2024 to March 31, 2029, and they are renewable for two additional five-year periods at CATSA's discretion. CATSA's Screening Contractors are responsible for delivering screening services at designated airports across Canada under these contracts.

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 *2024 Annual Report*.

Analysis of Financial Results

Condensed Interim Statement of Comprehensive Income (Loss)

The following section provides information on key variances within the Condensed Interim Statement of Comprehensive Income (Loss) for the three and six months ended September 30, 2024, and September 30, 2023.

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)	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Expenses¹								
Screening services and other related costs	\$ 211,707	\$ 195,202	\$ 16,505	8.5%	\$ 410,282	\$ 387,146	\$ 23,136	6.0%
Equipment operating and maintenance	13,609	12,343	1,266	10.3%	26,658	24,146	2,512	10.4%
Program support and corporate services	25,760	22,896	2,864	12.5%	52,044	47,171	4,873	10.3%
Depreciation and amortization	12,434	11,264	1,170	10.4%	24,165	22,464	1,701	7.6%
Total expenses	263,510	241,705	21,805	9.0%	513,149	480,927	32,222	6.7%
Other expenses (income)	234	(238)	472	198.3%	255	152	103	67.8%
Financial performance before revenue and government funding	263,744	241,467	22,277	9.2%	513,404	481,079	32,325	6.7%
Revenue	982	820	162	19.8%	1,886	1,497	389	26.0%
Government funding								
Parliamentary appropriations for operating expenses	248,085	229,196	18,889	8.2%	482,730	453,723	29,007	6.4%
Amortization of deferred government funding related to capital expenditures	11,728	10,492	1,236	11.8%	22,769	20,947	1,822	8.7%
Parliamentary appropriations for lease payments	801	532	269	50.6%	1,578	1,061	517	48.7%
Total government funding	260,614	240,220	20,394	8.5%	507,077	475,731	31,346	6.6%
Financial performance	\$ (2,148)	\$ (427)	\$ (1,721)	(403.0%)	\$ (4,441)	\$ (3,851)	\$ (590)	(15.3%)
Other comprehensive (loss) income	(219)	12,578	(12,797)	(101.7%)	3,911	9,343	(5,432)	(58.1%)
Total comprehensive income (loss)	\$ (2,367)	\$ 12,151	\$ (14,518)	(119.5%)	\$ (530)	\$ 5,492	\$ (6,022)	(109.7%)

¹ The Condensed Interim Statement of Comprehensive Income (Loss) presents operating expenses by program activity, whereas operating expenses above are presented by major expense type, as disclosed in note 12 of the unaudited condensed interim financial statements for the three and six months ended September 30, 2024.

Screening Services and Other Related Costs

Screening services and other related costs increased by \$16,505 (8.5%) and by \$23,136 (6.0%) for the three and six months ended September 30, 2024, respectively, compared to the same periods in 2023. The increases are mainly attributable to increased passenger volumes, and higher staffing to improve passenger wait times, which resulted in the purchase of additional screening hours totaling \$12,735 and \$17,645, respectively. The higher staffing has positioned CATSA to achieve its 2024/25 objective of improved passenger wait times, introduction of passenger facilitation, and changes to the non-passenger screening program. The increases are also attributable to billing rate increases of \$4,240 and \$5,784, respectively, under CATSA's new airport screening services contracts.

Equipment Operating and Maintenance

Equipment operating and maintenance increased by \$1,266 (10.3%) and by \$2,512 (10.4%) for the three and six months ended September 30, 2024, respectively, compared to the same periods in 2023. The increases are mainly attributable to costs associated with CATSA's transition to a new maintenance service provider and other equipment related spending.

Program Support and Corporate Services

Program support and corporate services increased by \$2,864 (12.5%) and by \$4,873 (10.3%) for the three and six months ended September 30, 2024, respectively, compared to the same periods in 2023. The increases are primarily attributable to higher employee-related costs, which includes an increase in the organization's workforce.

Depreciation and Amortization

Depreciation and amortization increased by \$1,170 (10.4%) and by \$1,701 (7.6%) for the three and six months ended September 30, 2024, respectively, compared to the same periods in 2023. The increases are primarily attributable to new equipment deployments and the change in estimated useful lives of some of CATSA's screening equipment. The increases are partially offset by equipment becoming fully depreciated or being retired.

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 \$18,889 (8.2%) and by \$29,007 (6.4%) for the three and six months ended September 30, 2024, respectively, compared to the same periods in 2023. The increases are primarily attributable to increased spending for screening services and other related costs, as discussed above.

Amortization of deferred government funding related to capital expenditures

Amortization of deferred government funding related to capital expenditures increased by \$1,236 (11.8%) and by \$1,822 (8.7%) for the three and six months ended September 30, 2024, respectively, compared to the same periods in 2023. 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 (Loss) Income

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

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 \$12,578 for the three months ended September 30, 2023, was attributable to a remeasurement gain of \$31,582 on the defined benefit liability arising from an 80 basis point increase in the discount rate between June 30, 2023, and September 30,

2023. This was partially offset by a remeasurement loss of \$19,004 resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions.

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. Other comprehensive income of \$9,343 for the six months ended September 30, 2023, was attributable to a remeasurement gain of \$27,299 on the defined benefit liability arising from a 70 basis point increase in the discount rate between March 31, 2023 and September 30, 2023. This was partially offset by a remeasurement loss of \$17,956 resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions.

For more information, refer to note 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, 2024, compared to March 31, 2024.

Key Financial Highlights - Condensed Interim Statement of Financial Position					
(Thousands of Canadian dollars) (Unaudited)	September 30, 2024	March 31, 2024	\$ Change	% Change	
Current assets	\$ 247,572	\$ 162,959	\$ 84,613	51.9%	
Non-current assets	451,385	444,033	7,352	1.7%	
Total assets	\$ 698,957	\$ 606,992	\$ 91,965	15.2%	
Current liabilities	\$ 253,869	\$ 165,795	\$ 88,074	53.1%	
Non-current liabilities	408,717	404,296	4,421	1.1%	
Total liabilities	\$ 662,586	\$ 570,091	\$ 92,495	16.2%	

Assets

Current assets increased by \$84,613 (51.9%) primarily due to the following:

- Increase in cash of \$30,648 mainly due to the timing of disbursements to suppliers for goods and services;
- Increase in trade and other receivables of \$59,053 due to an increase in parliamentary appropriations receivable, partially offset by a decrease in recoverable sales taxes;
- Decrease in inventory of \$1,739 primarily due to the net usage of uniforms and spare part inventories; and
- Decrease in prepaids of \$3,349 due to the impact of amortization, less additions.

Non-current assets increased by \$7,352 (1.7%) primarily due to the following:

- Increase in property and equipment and intangible assets of \$3,892 mainly due to acquisitions totaling \$26,709, partially offset by depreciation and amortization totaling \$22,817; and
- Increase in employee benefits of \$4,185 primarily relating to CATSA's registered pension plan.

Liabilities

Current liabilities increased by \$88,074 (53.1%) primarily due to the following:

- Increase in trade and other payables of \$93,113 due to the timing of disbursements associated with obligations outstanding with suppliers; and
- Decrease in deferred government funding related to operating expenditures of \$5,088 due to a reduction in inventory and prepaids, as discussed above.

Non-current liabilities increased by \$4,421 (1.1%) primarily due to the following:

- Increase in the deferred government funding related to capital expenditures of \$3,957 due to parliamentary appropriations used to fund capital expenditures of \$26,726 exceeding amortization of deferred government funding related to capital expenditures of \$22,769.

Financial Performance Against Corporate Plan

CATSA's operations are funded by parliamentary appropriations from the Government of Canada, as reflected in CATSA's *Summary of the 2024/25 to 2028/29 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)	Three months ended		Six months ended	
(Unaudited)	September 30		September 30	
	2024	2023	2024	2023
Financial performance before revenue and government funding	\$ 263,744	\$ 241,467	\$ 513,404	\$ 481,079
Revenue	(982)	(820)	(1,886)	(1,497)
Financial performance before government funding	262,762	240,647	511,518	479,582
Non-cash items				
Depreciation and amortization	(12,434)	(11,264)	(24,165)	(22,464)
Employee benefits expense ¹	(1,011)	70	(1,013)	(564)
Employee cost accruals ²	(957)	(585)	(3,280)	(2,753)
Non-cash finance costs related to leases	(171)	(95)	(344)	(158)
Change in fair value of financial instruments at fair value through profit and loss	(115)	419	32	12
Non-cash gain (loss) on foreign exchange recognized in financial performance	11	6	(18)	88
Write-off of property and equipment and intangible assets	-	(2)	-	(17)
Loss on disposal of property and equipment	-	-	-	(3)
Appropriations used for operating expenses	\$ 248,085	\$ 229,196	\$ 482,730	\$ 453,723
Other items affecting funding				
Net change in prepaids and inventories ³	(2,350)	(2,837)	(5,088)	(3,112)
Total operating appropriations used	\$ 245,735	\$ 226,359	\$ 477,642	\$ 450,611

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, 2024. 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)	Three months ended		Six months ended	
(Unaudited)	September 30		September 30	
	2024	2023	2024	2023
Explosives Detection Systems (EDS)	\$ 13,492	\$ 7,388	\$ 24,912	\$ 7,761
Non-Explosives Detection Systems (Non-EDS)	1,294	3,318	1,797	4,117
Lease payments	801	532	1,578	1,061
Total capital expenditures	\$ 15,587	\$ 11,238	\$ 28,287	\$ 12,939
Non-cash adjustment on foreign exchange related to capital expenditures	7	20	17	16
Total capital appropriations used	\$ 15,594	\$ 11,258	\$ 28,304	\$ 12,955

Appropriations Used Compared to Corporate Plan

Parliamentary appropriations used for operating expenditures for the six months ended September 30, 2024, are lower than planned. This is primarily due to delays in the introduction of Transport Canada's amendments to security measures relating to CATSA's non-passenger screening program. The remaining operating expenditures are in line with the operating budget in CATSA's approved *Summary of the 2024/25 to 2028/29 Corporate Plan* for the six months ended September 30, 2024.

Parliamentary appropriations used for capital expenditures for the six months ended September 30, 2024, 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 2024/25 to 2028/29 Corporate Plan*.

Statement of Management Responsibility

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

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

Nada Semaan
President and Chief Executive Officer

Ottawa, Canada

November 21, 2024

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

Ottawa, Canada

November 21, 2024

Condensed Interim Financial Statements of

Canadian Air Transport Security Authority

September 30, 2024

(Unaudited)

Canadian Air Transport Security Authority

(Unaudited)

Condensed Interim Statement of Financial Position

(In thousands of Canadian dollars)	September 30, 2024	March 31, 2024
Assets		
Current assets		
Cash	\$ 40,603	\$ 9,955
Trade and other receivables (note 4)	189,089	130,036
Inventories	12,723	14,462
Prepays	5,157	8,506
	<u>247,572</u>	<u>162,959</u>
Non-current assets		
Property and equipment (note 5)	360,055	355,726
Intangible assets (note 6)	13,723	14,160
Right-of-use assets (note 7)	16,334	17,059
Employee benefits asset (note 8)	61,273	57,088
	<u>451,385</u>	<u>444,033</u>
Total assets	\$ 698,957	\$ 606,992
Liabilities and Equity		
Current liabilities		
Trade and other payables	\$ 233,327	\$ 140,214
Holdbacks	11	142
Lease liabilities (note 10)	2,591	2,389
Deferred government funding related to operating expenses (note 11)	17,880	22,968
Derivative financial liabilities	60	82
	<u>253,869</u>	<u>165,795</u>
Non-current liabilities		
Lease liabilities (note 10)	15,995	16,808
Deferred government funding related to capital expenditures (note 11)	372,951	368,994
Employee benefits liability (note 8)	19,771	18,484
Derivative financial liabilities	-	10
	<u>408,717</u>	<u>404,296</u>
Equity		
Accumulated surplus	36,371	36,901
Total liabilities and equity	\$ 698,957	\$ 606,992

Contingencies (note 9) and contractual arrangements (note 14)

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		Six months ended	
	September 30		September 30	
	2024	2023	2024	2023
Expenses				
Pre-Board Screening	\$ 169,626	\$ 148,961	\$ 326,848	\$ 296,437
Hold Baggage Screening	41,922	40,916	82,905	81,109
Non-Passenger Screening	36,560	38,301	73,415	75,577
Restricted Area Identity Card Program	1,390	995	2,450	2,091
Corporate services	14,012	12,532	27,531	25,713
Total expenses (note 12)	263,510	241,705	513,149	480,927
Other expenses (income)				
Finance costs	172	97	349	164
Net loss (gain) on fair value of derivative financial instruments	115	(419)	(32)	(12)
Foreign exchange (gain) loss	(53)	82	(62)	(20)
Write-off of property and equipment and intangible assets	-	2	-	17
Loss on disposal of property and equipment	-	-	-	3
Total other expenses (income)	234	(238)	255	152
Financial performance before revenue and government funding	263,744	241,467	513,404	481,079
Revenue				
Finance income	957	806	1,859	1,483
Miscellaneous income	25	14	27	14
Total revenue	982	820	1,886	1,497
Government funding				
Parliamentary appropriations for operating expenses	248,085	229,196	482,730	453,723
Amortization of deferred government funding related to capital expenditures	11,728	10,492	22,769	20,947
Parliamentary appropriations for lease payments	801	532	1,578	1,061
Total government funding (note 11)	260,614	240,220	507,077	475,731
Financial performance	\$ (2,148)	\$ (427)	\$ (4,441)	\$ (3,851)
Other comprehensive (loss) income				
Item that will not be reclassified to financial performance				
Remeasurement of defined benefit plans (note 8)	(219)	12,578	3,911	9,343
Total comprehensive income (loss)	\$ (2,367)	\$ 12,151	\$ (530)	\$ 5,492

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, 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
Balance, June 30, 2023	\$ 28,470
Financial performance	(427)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 8)	12,578
Balance, September 30, 2023	\$ 40,621

For the six months ended September 30:

	Accumulated surplus
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
Balance, March 31, 2023	\$ 35,129
Financial performance	(3,851)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 8)	9,343
Balance, September 30, 2023	\$ 40,621

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		Six months ended	
	September 30		September 30	
	2024	2023	2024	2023
Cash flows provided by (used in)				
Operating activities				
Financial performance	\$ (2,148)	\$ (427)	\$ (4,441)	\$ (3,851)
Items not involving cash				
Depreciation and amortization (note 12)	12,434	11,264	24,165	22,464
Change in net employee benefits asset/liability	1,011	(70)	1,013	564
Change in fair value of financial instruments at fair value through profit and loss	115	(419)	(32)	(12)
Amortization of deferred government funding related to capital expenditures (note 11)	(11,728)	(10,492)	(22,769)	(20,947)
Write-off of property and equipment and intangible assets	-	2	-	17
Loss on disposal of property and equipment	-	-	-	3
Net change in working capital balances (note 16)	11,242	(5,391)	17,755	4,400
	10,926	(5,533)	15,691	2,638
Investing activities				
Parliamentary appropriations received for capital funding (note 11)	24,055	5,590	28,278	5,590
Purchase of property and equipment	(7,228)	(5,510)	(11,427)	(8,285)
Purchase of intangible assets	(579)	-	(660)	-
	16,248	80	16,191	(2,695)
Financing activities				
Lease principal payments	(630)	(437)	(1,234)	(903)
	(630)	(437)	(1,234)	(903)
Increase (decrease) in cash	26,544	(5,890)	30,648	(960)
Cash, beginning of period	14,059	18,715	9,955	13,785
Cash, end of period	\$ 40,603	\$ 12,825	\$ 40,603	\$ 12,825

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, 2024
(In thousands of Canadian dollars)

1. Corporate information

CATSA is a Crown corporation listed under Part I, Schedule III of the *Financial Administration Act* and is an agent of His Majesty in right of Canada. CATSA delivers the mandate of security screening at 89 designated airports across the country through a third-party screening contractor model.

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 airports. There are currently no such arrangements in place.

These condensed interim financial statements have been authorized for issuance by the Board of Directors on November 21, 2024.

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 the audited annual financial statements for the year ended March 31, 2024.

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, 2024, and the condensed interim financial statements for the three months ended June 30, 2024. 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, 2024, and the condensed interim financial statements for the three months ended June 30, 2024.

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, 2024	March 31, 2024
Parliamentary appropriations	\$ 179,946	\$ 120,663
GST and HST recoverable	8,032	7,906
PST recoverable	1,111	1,467
	<hr/>	<hr/>
	\$ 189,089	\$ 130,036

Canadian Air Transport Security Authority

Notes to the Condensed Interim Financial Statements
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(In thousands of Canadian dollars)

5. Property and equipment

A reconciliation of property and equipment is as follows:

	PBS equipment	HBS equipment	NPS equipment	RAIC equipment	Computers, integrated software and electronic equipment	Office furniture and equip- ment	Leasehold improve- ments	Work-in- progress	Total
Cost									
Balance, March 31, 2023	\$ 163,194	\$ 658,885	\$ 20,722	\$ 3,332	\$ 28,193	\$ 118	\$ 8,009	\$ 11,868	\$ 894,321
Additions	2,828	9,120	-	1,970	1,803	-	1,169	12,257	29,147
Disposals	(833)	(7,416)	(76)	-	(262)	-	(2,182)	-	(10,769)
Write-offs	(595)	(291)	(35)	(1,873)	(3,541)	-	(18)	-	(6,353)
Reclassifications	2,523	3,547	-	-	1,681	-	199	(7,950)	-
Balance, March 31, 2024	\$ 167,117	\$ 663,845	\$ 20,611	\$ 3,429	\$ 27,874	\$ 118	\$ 7,177	\$ 16,175	\$ 906,346
Balance, March 31, 2024	\$ 167,117	\$ 663,845	\$ 20,611	\$ 3,429	\$ 27,874	\$ 118	\$ 7,177	\$ 16,175	\$ 906,346
Additions	6,732	3,061	-	375	56	-	(3)	15,755	25,976
Disposals	(7,052)	(97)	-	-	(955)	-	-	-	(8,104)
Write-offs	(343)	-	(10)	-	(910)	-	-	-	(1,263)
Reclassifications	5,370	2,049	29	354	715	-	-	(8,517)	-
Balance, September 30, 2024	\$ 171,824	\$ 668,858	\$ 20,630	\$ 4,158	\$ 26,780	\$ 118	\$ 7,174	\$ 23,413	\$ 922,955
Accumulated depreciation									
Balance, March 31, 2023	\$ 113,594	\$ 366,901	\$ 16,563	\$ 2,358	\$ 20,589	\$ 108	\$ 6,953	\$ -	\$ 527,066
Depreciation	5,372	30,204	652	395	3,059	10	410	-	40,102
Disposals	(833)	(7,354)	(76)	-	(262)	-	(2,179)	-	(10,704)
Write-offs	(470)	(180)	(35)	(1,642)	(3,499)	-	(18)	-	(5,844)
Balance, March 31, 2024	\$ 117,663	\$ 389,571	\$ 17,104	\$ 1,111	\$ 19,887	\$ 118	\$ 5,166	\$ -	\$ 550,620
Balance, March 31, 2024	\$ 117,663	\$ 389,571	\$ 17,104	\$ 1,111	\$ 19,887	\$ 118	\$ 5,166	\$ -	\$ 550,620
Depreciation	3,491	15,596	323	292	1,612	-	333	-	21,647
Disposals	(7,052)	(97)	-	-	(955)	-	-	-	(8,104)
Write-offs	(343)	-	(10)	-	(910)	-	-	-	(1,263)
Balance, September 30, 2024	\$ 113,759	\$ 405,070	\$ 17,417	\$ 1,403	\$ 19,634	\$ 118	\$ 5,499	\$ -	\$ 562,900
Carrying amounts									
As at March 31, 2024	\$ 49,454	\$ 274,274	\$ 3,507	\$ 2,318	\$ 7,987	\$ -	\$ 2,011	\$ 16,175	\$ 355,726
As at September 30, 2024	\$ 58,065	\$ 263,788	\$ 3,213	\$ 2,755	\$ 7,146	\$ -	\$ 1,675	\$ 23,413	\$ 360,055

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6. Intangible assets

A reconciliation of intangible assets is as follows:

	Externally acquired software	Internally developed software	Under development	Total
Cost				
Balance, March 31, 2023	\$ 10,538	\$ 20,442	\$ -	\$ 30,980
Additions	3,334	303	89	3,726
Write-offs	(15)	(3,985)	-	(4,000)
Balance, March 31, 2024	\$ 13,857	\$ 16,760	\$ 89	\$ 30,706
Balance, March 31, 2024	\$ 13,857	\$ 16,760	\$ 89	\$ 30,706
Additions	-	(4)	737	733
Reclassifications	-	56	(56)	-
Balance, September 30, 2024	\$ 13,857	\$ 16,812	\$ 770	\$ 31,439
Accumulated amortization				
Balance, March 31, 2023	\$ 5,989	\$ 12,159	\$ -	\$ 18,148
Amortization	814	1,583	-	2,397
Write-offs	(14)	(3,985)	-	(3,999)
Balance, March 31, 2024	\$ 6,789	\$ 9,757	\$ -	\$ 16,546
Balance, March 31, 2024	\$ 6,789	\$ 9,757	\$ -	\$ 16,546
Amortization	500	670	-	1,170
Balance, September 30, 2024	\$ 7,289	\$ 10,427	\$ -	\$ 17,716
Carrying amounts				
As at March 31, 2024	\$ 7,068	\$ 7,003	\$ 89	\$ 14,160
As at September 30, 2024	\$ 6,568	\$ 6,385	\$ 770	\$ 13,723

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7. Right-of-use assets

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

	Office space	Data centres	Total
Balance, March 31, 2023	\$ 12,688	\$ 893	\$ 13,581
Additions	6,264	-	6,264
Depreciation	(2,575)	(211)	(2,786)
Balance, March 31, 2024	\$ 16,377	\$ 682	\$ 17,059
Balance, March 31, 2024	\$ 16,377	\$ 682	\$ 17,059
Additions	623	-	623
Depreciation	(1,243)	(105)	(1,348)
Balance, September 30, 2024	\$ 15,757	\$ 577	\$ 16,334

8. 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, 2024	March 31, 2024
Employee benefits asset		
Registered pension plan (RPP)	\$ 59,601	\$ 55,432
Supplementary retirement plan (SRP)	1,672	1,656
	61,273	57,088
Employee benefits liability		
Other defined benefits plan (ODBP)	(19,771)	(18,484)
	(19,771)	(18,484)
Employee benefits - net asset	\$ 41,502	\$ 38,604

Canadian Air Transport Security Authority

Notes to the Condensed Interim Financial Statements
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(b) Employee benefits costs

The elements of employee benefits costs are as follows:

	For the three months ended September 30							
	RPP		SRP		ODBP		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Defined benefit cost recognized in financial performance								
Current service cost	\$ 1,299	\$ 1,245	\$ 31	\$ 33	\$ 132	\$ 121	\$ 1,462	\$ 1,399
Administration costs	81	81	6	6	-	-	87	87
Interest cost on defined benefit obligation	2,751	2,572	90	80	231	207	3,072	2,859
Interest income on plan assets	(3,357)	(3,136)	(110)	(100)	-	-	(3,467)	(3,236)
	\$ 774	\$ 762	\$ 17	\$ 19	\$ 363	\$ 328	\$ 1,154	\$ 1,109

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

Return on plan assets excluding interest income	\$ 13,122	\$(18,817)	\$ 246	\$ (187)	\$ -	\$ -	\$ 13,368	\$(19,004)
Actuarial (losses) gains	(12,165)	28,406	(390)	848	(1,032)	2,328	(13,587)	31,582
	\$ 957	\$ 9,589	\$ (144)	\$ 661	\$ (1,032)	\$ 2,328	\$ (219)	\$ 12,578

	For the six months ended September 30							
	RPP		SRP		ODBP		Total	
	2024	2023	2024	2023	2024	2023	2024	2023

Defined benefit cost recognized in financial performance

Current service cost	\$ 2,598	\$ 2,491	\$ 62	\$ 66	\$ 264	\$ 241	\$ 2,924	\$ 2,798
Administration costs	162	162	12	12	-	-	174	174
Interest cost on defined benefit obligation	5,502	5,144	181	160	461	414	6,144	5,718
Interest income on plan assets	(6,714)	(6,272)	(221)	(200)	-	-	(6,935)	(6,472)
	\$ 1,548	\$ 1,525	\$ 34	\$ 38	\$ 725	\$ 655	\$ 2,307	\$ 2,218

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

Return on plan assets excluding interest income	\$ 12,403	\$(17,787)	\$ 239	\$ (169)	\$ -	\$ -	\$ 12,642	\$(17,956)
Actuarial (losses) gains	(7,769)	24,549	(264)	734	(698)	2,016	(8,731)	27,299
	\$ 4,634	\$ 6,762	\$ (25)	\$ 565	\$ (698)	\$ 2,016	\$ 3,911	\$ 9,343

For the three and six months ended September 30, 2024, CATSA recognized an expense of \$408 (2023 - \$282) and \$657 (2023 - \$623), respectively, in relation to the defined contribution component of the RPP.

Canadian Air Transport Security Authority

Notes to the Condensed Interim Financial Statements
(Unaudited)

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(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, 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 three months ended September 30, 2023, remeasurement gains of \$12,578 resulted from an increase in the discount rate of 80 basis points (from 4.80% at June 30, 2023 to 5.60% at September 30, 2023). 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 (-6.03% actual versus 1.23% expected).

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).

For the six months ended September 30, 2023, remeasurement gains of \$9,343 resulted from an increase in the discount rate of 70 basis points (from 4.90% at March 31, 2023 to 5.60% at September 30, 2023). 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 (-4.50% actual versus 2.45% 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	
	2024	2023	2024	2023
Employer contributions				
RPP	\$ -	\$ 1,089	\$ 1,083	\$ 1,511
SRP	75	26	75	26
ODBP	68	64	136	117
	\$ 143	\$ 1,179	\$ 1,294	\$ 1,654

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Effective July 1, 2024, the Canada Revenue Agency (CRA), in accordance with the *Income Tax Act*, required CATSA to take a forced employer contribution holiday to the Registered Pension Plan (defined benefit component). Total employer contributions to the defined benefit plans are estimated to be \$1,709 for the year ending March 31, 2025.

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, 2024, claims, audits and legal proceedings are not expected, individually or in the aggregate, to have a material adverse effect on the financial statements.

(a) Provisions

During the six months ended September 30, 2024, there were no provisions recorded.

(b) Contingencies – Decommissioning costs

During the six months ended September 30, 2024, there have been no material changes to contingencies related to decommissioning costs. For a description of CATSA's decommissioning costs, refer to note 9(b) of the audited annual financial statements for the year ended March 31, 2024.

10. Lease liabilities

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

A reconciliation of lease liabilities is as follows:

	September 30, 2024	March 31, 2024
Balance, beginning of period	\$ 19,197	\$ 14,485
Additions	623	6,264
Lease payments (note 11)	(1,578)	(2,058)
Finance costs	344	506
Balance, end of period	\$ 18,586	\$ 19,197
Balance, end of period		
Current	\$ 2,591	\$ 2,389
Non-current	15,995	16,808

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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	
	2024	2023	2024	2023
Variable lease payments	\$ 509	\$ 307	\$ 1,013	\$ 779
Short-term leases	147	33	305	69
Low value leases	12	8	23	21
Other lease costs (note 12)	\$ 668	\$ 348	\$ 1,341	\$ 869

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

For the three and six months ended September 30, 2024, CATSA recognized a total cash outflow for leases of \$1,469 (2023 - \$1,228) and \$2,919 (2023 - \$2,278), respectively.

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

	September 30, 2024	March 31, 2024
No later than 1 year	\$ 5,125	\$ 4,998
Later than 1 year and no later than 5 years	10,812	12,658
Later than 5 years	600	757
	\$ 16,537	\$ 18,413

Canadian Air Transport Security Authority

Notes to the Condensed Interim Financial Statements
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(In thousands of Canadian dollars)

11. Government funding

(a) Government funding

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

	2024	2023
Parliamentary appropriations approved for the fiscal year	\$ 1,194,374	\$ 1,029,729
Parliamentary appropriations used to date to fund operating expenses	(477,642)	(450,611)
Parliamentary appropriations used to date to fund capital expenditures and lease payments	(28,304)	(12,955)
Unused parliamentary appropriations	\$ 688,428	\$ 566,163

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	
	2024	2023	2024	2023
Parliamentary appropriations received	\$ 185,807	\$ 234,813	\$ 416,807	\$ 452,813
Amounts received related to prior periods	(111,714)	(124,065)	(110,807)	(117,813)
Parliamentary appropriations receivable	171,642	115,611	171,642	115,611
Parliamentary appropriations used to fund operating expenses	\$ 245,735	\$ 226,359	\$ 477,642	\$ 450,611

Canadian Air Transport Security Authority

Notes to the Condensed Interim Financial Statements
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The following table reconciles parliamentary appropriations for capital expenditures and lease payments that were received and receivable with the amount of appropriations used:

	Three months ended		Six months ended	
	September 30		September 30	
	2024	2023	2024	2023
Parliamentary appropriations received	\$ 24,055	\$ 5,590	\$ 28,278	\$ 5,590
Amounts receivable related to prior periods	(17,566)	(3,819)	(9,856)	(2,651)
Parliamentary appropriations receivable	8,304	8,955	8,304	8,955
Parliamentary appropriations used to fund capital expenditures	14,793	10,726	26,726	11,894
Parliamentary appropriations used to fund lease payments (note 10)	801	532	1,578	1,061
Parliamentary appropriations used to fund capital expenditures and lease payments	\$ 15,594	\$ 11,258	\$ 28,304	\$ 12,955

(b) Deferred government funding

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

	September 30, 2024	March 31, 2024
Deferred government funding related to operating expenses		
Balance, beginning of period	\$ 22,968	\$ 19,253
Parliamentary appropriations used to fund operating expenses	477,642	935,807
Parliamentary appropriations for operating expenses recognized in financial performance	(482,730)	(932,092)
Balance, end of period	\$ 17,880	\$ 22,968
Deferred government funding related to capital expenditures		
Balance, beginning of period	\$ 368,994	\$ 379,180
Parliamentary appropriations used to fund capital expenditures	26,726	32,798
Amortization of deferred government funding related to capital expenditures recognized in financial performance	(22,769)	(42,984)
Balance, end of period	\$ 372,951	\$ 368,994
Total deferred government funding, end of period	\$ 390,831	\$ 391,962

Canadian Air Transport Security Authority

Notes to the Condensed Interim Financial Statements
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(In thousands of Canadian dollars)

12. 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	
	2024	2023	2024	2023
Screening services and other related costs				
Payments to screening contractors	\$ 207,640	\$ 190,855	\$ 402,708	\$ 378,712
Uniforms and other screening costs	2,429	2,820	4,729	5,987
Trace and consumables	1,638	1,527	2,845	2,447
	211,707	195,202	410,282	387,146
Equipment operating and maintenance				
Equipment maintenance and spare parts	12,875	11,860	25,345	23,325
Training and certification	483	291	833	427
RAIC	251	192	480	394
	13,609	12,343	26,658	24,146
Program support and corporate services				
Employee costs	19,067	16,606	38,911	34,922
Office and computer expenses	2,483	2,546	4,820	4,312
Other administrative costs ¹	1,680	1,718	3,598	3,230
Professional services and other business related costs ²	1,599	1,459	2,936	3,319
Other lease costs (note 10)	668	348	1,341	869
Communications and public awareness	263	219	438	519
	25,760	22,896	52,044	47,171
Depreciation and amortization				
Depreciation of property and equipment (note 5)	11,164	9,926	21,647	19,834
Depreciation of right-of-use assets (note 7)	681	751	1,348	1,493
Amortization of intangible assets (note 6)	589	587	1,170	1,137
	12,434	11,264	24,165	22,464
	\$ 263,510	\$ 241,705	\$ 513,149	\$ 480,927

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

² Other business related costs include travel expenses, conference fees, membership and association fees, and meeting expenses.

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13. Fair values of financial instruments

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

CATSA's derivative financial instruments are categorized as Level 2, based on observable inputs other than quoted prices. There were no transfers between levels during the three and six months ended September 30, 2024, or the year ended March 31, 2024.

14. Contractual commitments

During the three and six months ended September 30, 2024, 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 14 of the audited annual financial statements for the year ended March 31, 2024.

15. 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, as disclosed in note 11. Parliamentary appropriations receivable are included in trade and other receivables, and disclosed in note 4.

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

Canadian Air Transport Security Authority

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16. Supplementary cash flow information

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

	Three months ended		Six months ended	
	September 30		September 30	
	2024	2023	2024	2023
Trade and other receivables ¹	\$ (65,028)	\$ 4,542	\$ (60,605)	\$ (1,157)
Inventories	298	373	1,739	375
Prepays	2,052	2,464	3,349	2,737
Trade and other payables ²	76,270	(9,940)	78,360	5,550
Holdbacks	-	7	-	7
Deferred government funding related to operating expenses	(2,350)	(2,837)	(5,088)	(3,112)
	\$ 11,242	\$ (5,391)	\$ 17,755	\$ 4,400

¹ For the three and six months ended September 30, 2024, the change in trade and other receivables excludes amounts of \$9,262 (2023 – \$5,136) and \$1,552 (2023 – \$6,304), 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, 2024, the change in trade and other payables excludes amounts of \$7,099 (2023 – \$5,166) and \$14,753 (2023 – \$5,353), respectively, in relation to the acquisition of property and equipment and intangible assets, as these amounts relate to investing activities.