UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF NAV CANADA

THREE AND SIX MONTHS ENDED **FEBRUARY 29, 2024** AND **FEBRUARY 28, 2023**

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NAV CANADA
Interim Condensed Consolidated Statements of Operations (unaudited)

(millions of Canadian dollars)	Notes	Three months ended February 29 2024	Three months ended February 28 2023	Six months ended February 29 2024	Six months ended February 28 2023
Revenue					
Customer service charges	3	**$ 383**	$ 366	**$ 836**	$ 788
Other revenue		**10**	22	**21**	35
		393	388	**857**	823
Operating expenses					
Salaries and benefits		**299**	252	**572**	491
Technical services		**67**	39	**108**	78
Facilities and maintenance		**16**	17	**31**	32
Depreciation and amortization	5, 6	**37**	35	**70**	72
Other	8	**16**	28	**35**	46
		435	371	**816**	719
Other (income) and expenses					
Finance income		**(11)**	(6)	**(22)**	(12)
Net interest expense relating to employee benefits		**9**	10	**18**	20
Other finance costs		**26**	19	**46**	46
Other		**-**	(3)	**(1)**	(8)
		24	20	**41**	46
Net income (loss), before net movement in regulatory deferral accounts		**(66)**	(3)	**-**	58
Net movement in regulatory deferral accounts related to net income (loss), net of tax	4	**30**	(33)	**(15)**	(104)
Net loss, after net movement in regulatory deferral accounts	1	**$ (36)**	$ (36)	**$ (15)**	$ (46)

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA
Interim Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)

		Three months ended		Six months ended	
		February 29	February 28	February 29	February 28
(millions of Canadian dollars)	Notes	2024	2023	2024	2023
Net loss, after net movement in regulatory deferral accounts		**$ (36)**	$ (36)	**$ (15)**	$ (46)
Other comprehensive income (loss)					
Items that will be reclassified to income or (loss)					
Amortization of loss on cash flow hedges		**1**	1	**1**	1
Change in fair value of cash flow hedges		**-**	-	**-**	1
Net movement in regulatory deferral accounts related to other comprehensive income		**(1)**	(1)	**(1)**	(2)
Total other comprehensive income (loss)		**-**	-	**-**	-
Total comprehensive loss	1	**$ (36)**	$ (36)	**$ (15)**	$ (46)

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA
Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)	Notes	February 29 2024	August 31 2023
Assets			
Current assets			
Cash and cash equivalents		**$ 570**	$ 586
Accounts receivable and other		**132**	153
Investments	9	**79**	176
Other		**23**	15
		804	930
Non-current assets			
Property, plant and equipment	5	**699**	736
Intangible assets	6	**699**	702
Investment in preferred interests	9	**204**	203
Long-term receivables		**37**	50
Employee benefits		**4**	4
Other		**1**	-
		1,644	1,695
Total assets		**2,448**	2,625
Regulatory deferral account debit balances	4	**1,199**	1,213
Total assets and regulatory deferral account debit balances		**$ 3,647**	$ 3,838

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA
Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)	Notes	February 29 2024	August 31 2023
Liabilities			
Current liabilities			
Trade and other payables		**$ 255**	$ 269
Current portion of long-term debt		**16**	201
Deferred revenue		**2**	3
Other		**3**	7
		276	480
Non-current liabilities			
Long-term debt		**2,154**	2,153
Employee benefits		**791**	760
Lease liability		**35**	36
Other		**15**	20
		2,995	2,969
Total liabilities		**3,271**	3,449
Equity			
Retained earnings		**13**	28
Total equity		**13**	28
Total liabilities and equity		**3,284**	3,477
Regulatory deferral account credit balances	4	**363**	361
Commitments	10		
Total liabilities, equity and regulatory deferral account credit balances		**$ 3,647**	$ 3,838

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA
Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

(millions of Canadian dollars)	Retained earnings (deficit)	Accumulated other comprehensive income	Total
Balance August 31, 2022	$ 28	$ -	$ 28
Net loss, after net movement in regulatory deferral accounts	(46)	-	(46)
Other comprehensive income (loss)	-	-	-
Balance February 28, 2023	$ (18)	$ -	$ (18)
Balance August 31, 2023	**$ 28**	**$ -**	**$ 28**
Net loss, after net movement in regulatory deferral accounts	**(15)**	**-**	**(15)**
Other comprehensive income (loss)	**-**	**-**	**-**
Balance February 29, 2024	**$ 13**	**$ -**	**$ 13**

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA
Interim Condensed Consolidated Statements of Cash Flow (unaudited)

(millions of Canadian dollars)	Notes	Three months ended February 29 2024	Three months ended February 28 2023	Six months ended February 29 2024	Six months ended February 28 2023
Cash flows from (used in):					
Operating					
Receipts from customer service charges		**$ 390**	$ 372	**$ 855**	$ 832
Other receipts		**8**	30	**24**	41
Government grants received		**1**	-	**1**	1
Payments to employees and suppliers		**(362)**	(301)	**(670)**	(570)
Pension contributions - current service		**(23)**	(23)	**(46)**	(49)
Other post-employment payments		**(4)**	(3)	**(5)**	(5)
Interest payments		**(14)**	(15)	**(37)**	(42)
Interest receipts		**13**	6	**22**	10
		9	66	**144**	218
Investing					
Capital expenditures		**(35)**	(30)	**(71)**	(54)
Investment in regulatory assets		**(3)**	(3)	**(6)**	(5)
Government grants received	5, 6	**1**	1	**4**	3
Proceeds from (purchase of) short-term investments		**98**	(19)	**98**	(19)
		61	(51)	**25**	(75)
Financing					
Repayment of long-term debt	7	**(185)**	-	**(185)**	-
Repurchase of long-term debt		**-**	-	**-**	(125)
Payment of lease liabilities		**-**	-	**(1)**	(1)
		(185)	-	**(186)**	(126)
Cash flows from (used in) operating, investing and financing activities		**(115)**	15	**(17)**	17
Effect of foreign exchange on cash and cash equivalents		**-**	1	**1**	2
Increase (decrease) in cash and cash equivalents		**(115)**	16	**(16)**	19
Cash and cash equivalents at beginning of period		**685**	395	**586**	392
Cash and cash equivalents at end of period		**$ 570**	$ 411	**$ 570**	$ 411

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. General Information

NAV CANADA was incorporated as a non-share capital corporation pursuant to Part II of *the Canada Corporations Act* to acquire, own, manage, operate, maintain and develop the Canadian civil air navigation system (the ANS), as defined in the *Civil Air Navigation Services Commercialization Act* (the ANS Act). NAV CANADA has been continued under the *Canada Not-for-profit Corporations Act*. The fundamental principles governing the mandate conferred on NAV CANADA by the ANS Act include the right to provide civil air navigation services and the exclusive ability to set and collect customer service charges for such services. NAV CANADA and its subsidiaries' (collectively, the Company) core business is to provide air navigation services, which is the Company's only reportable segment. The Company's air navigation services are provided primarily within Canada.

The charges for civil air navigation services provided by the Company are subject to the economic regulatory framework set out in the ANS Act. The ANS Act provides that the Company may establish new charges and amend existing charges for its services. In establishing new charges or revising existing charges, the Company must follow the charging principles set out in the ANS Act. These principles prescribe that, among other things, charges must not be set at levels which, based on reasonable and prudent projections, would generate revenue exceeding the Company's current and future financial requirements in relation to the provision of civil air navigation services. Pursuant to these principles, the Board of Directors of the Company (the Board), acting as rate regulator, approves the amount and timing of changes to customer service charges.

The Company plans its operations to result in an annual financial breakeven position on the consolidated statements of operations after recording adjustments to the rate stabilization account. As a result, the Company expects no net change in retained earnings on an annual basis. The impacts of rate regulation on the Company's interim condensed consolidated financial statements (the financial statements) are described in note 4.

The ANS Act requires that the Company communicate proposed new or revised charges to customers in advance of their introduction and to consult thereon. Customers may make representations to the Company as well as appeal revised charges to the Canadian Transportation Agency on the grounds that the Company either breached the charging principles in the ANS Act or failed to provide statutory notice.

NAV CANADA is domiciled in Canada. The address of NAV CANADA's registered office is 151 Slater Street, Ottawa, Ontario, Canada K1P 5H3.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*. As permitted under this standard, these financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended August 31, 2023 (2023 annual financial statements).

These financial statements include the accounts of all NAV CANADA subsidiaries and were authorized for issue by the Board on April 11, 2024.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following items:

- financial instruments that are classified as fair value through profit or loss (FVTPL), which are measured at fair value; and
- defined benefit liabilities that are recognized as the net of the present value of defined benefit obligations and plan assets measured at fair value.

2. Basis of presentation (continued)

(c) Functional and reporting currency

These financial statements are presented in Canadian dollars (CDN), which is the Company's functional and reporting currency and all information presented has been rounded to the nearest million dollars, unless otherwise indicated.

(d) Seasonality

The Company's operations have historically varied throughout the fiscal year, with the highest revenue from air traffic experienced in the fourth quarter (June to August). This demand pattern is principally a result of the higher number of leisure travellers and their preference for travel in the summer months. The Company has a cost structure that is largely fixed, and accordingly costs do not vary significantly throughout the year.

(e) Accounting policies

The accounting policies applied in these financial statements are disclosed in note 3 of the 2023 annual financial statements and have been applied consistently to all periods presented.

(f) New standards, amendments and interpretations adopted

The following amendments were adopted by the Company effective September 1, 2023.

IAS 1 Disclosure of Accounting Policies

In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Changes to the Company's disclosure of accounting policies will be reflected in the annual financial statements for the fiscal year ending August 31, 2024 (fiscal 2024).

IAS 8 Definition of Accounting Estimates

In February 2021, the IASB amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition of "accounting estimates" to replace the definition of "change in accounting estimates" and include clarifications intended to help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. The Company adopted the amendment effective September 1, 2023 and determined that it had no impact on the Company's financial statements.

(g) Critical accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments about the future.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal actual results.

Critical judgments and key sources of estimation uncertainty are disclosed in note 2 (d) of the 2023 annual financial statements.

Three and six months ended February 29, 2024 and February 28, 2023 (millions of Canadian dollars)

3. Revenue

Customer service charges by type of air navigation service provided were as follows:

	Three months ended		Six months ended	
	February 29 2024	February 28 2023	February 29 2024	February 28 2023
Enroute [1]	**$ 177**	$ 175	**$ 407**	$ 387
Terminal [2]	**172**	155	**350**	319
Daily / annual / quarterly [3]	**11**	12	**24**	29
North Atlantic and international communication [4]	**23**	24	**55**	53
	$ 383	$ 366	**$ 836**	$ 788

[1] Charges related to air navigation services provided or made available to aircraft during the enroute phase of the flight, whether they overfly Canadian-controlled airspace or take-off and/or land in Canada. This performance obligation is satisfied at a point in time.

[2] Charges related to air navigation services provided or made available to aircraft at or in the vicinity of an airport. This performance obligation is satisfied at a point in time.

[3] Charges related to enroute and terminal air navigation services. These charges generally apply to propeller aircraft and the performance obligations are satisfied over the period in which air navigation services are made available.

[4] Charges related to certain air navigation and communication services provided or made available to aircraft while in airspace over the North Atlantic Ocean. These services are provided outside of Canadian sovereign airspace but for which Canada has air traffic control responsibility pursuant to international agreements. The international communication charges also include services provided or made available while in Canadian airspace in the north. These performance obligations are satisfied at a point in time.

The Company revised its customer service charges effective January 1, 2024, decreasing overall service charges by an average of 5.57%.

Three and six months ended February 29, 2024 and February 28, 2023 (millions of Canadian dollars)

4. Financial statement impact of regulatory accounting

(a) Regulatory deferral accounts

In accordance with disclosures required for entities subject to rate regulation, the Company's regulatory deferral account balances are as follows:

	August 31 2023	Deferral	Recovery/ reversal	February 29 2024
Rate stabilization account (b)	$ 342	$ -	$ (83)	**$ 259**
Employee pension benefits:				
Pension contributions (c)	679	22	-	**701**
Other pension benefits:				
Accumulating sick leave	16	-	-	**16**
Supplemental pension re-measurements	55	-		**55**
Realized hedging transactions	63	-	(1)	**62**
Leases	1	-	-	**1**
Decommissioning liability	1	-	-	**1**
Allowance for expected credit losses	5	-	-	**5**
Cloud computing arrangements	51	6	(3)	**54**
Asset impairment [1]	-	45		**45**
Debit balances	$ 1,213	$ 73	$ (87)	**$ 1,199**
Derivatives	$ (1)	$ -	$ -	**$ (1)**
Employee pension benefits:				
Pension re-measurements	(269)	-	-	**(269)**
Other pension benefits:				
Other post-employment benefits re-measurements	(49)	-	-	**(49)**
Long-term disability contributions	(4)	(1)	-	**(5)**
Change in the fair value of the investment in preferred interests	(38)	(1)	-	**(39)**
Credit balances	$ (361)	$ (2)	$ -	**$ (363)**

[1] As of February 29, 2024, the Company recognized a regulatory deferral of $45, representing the net impact of the asset impairment described in Note 5, which will be recovered over time.

Three and six months ended February 29, 2024 and February 28, 2023 (millions of Canadian dollars)

4. Financial statement impact of regulatory accounting (continued)

(a) Regulatory deferral accounts (continued)

The table below shows the impact of rate stabilization adjustments and net movement in regulatory deferral accounts on net income (loss):

	Three months ended		Six months ended	
	February 29 2024	**February 28 2023**	**February 29 2024**	**February 28 2023**
Revenue	**$ 393**	$ 388	**$ 857**	$ 823
Operating expenses	**435**	371	**816**	719
Other (income) and expenses	**24**	20	**41**	46
Net income (loss), before net movement in regulatory deferral accounts	**(66)**	(3)	**-**	58
Rate stabilization adjustments (b)	**(26)**	(34)	**(83)**	(112)
Other regulatory deferral account adjustments:				
Employee benefit pension contributions	**10**	12	**22**	24
Other employee benefits	**-**	(8)	**(1)**	(9)
Investment in preferred interests	**-**	(4)	**(1)**	(9)
Asset impairment	**45**	-	**45**	-
Other	**1**	1	**3**	2
	56	1	**68**	8
Net movement in regulatory deferral accounts	**30**	(33)	**(15)**	(104)
Net loss, after net movement in regulatory deferral accounts	**$ (36)**	$ (36)	**$ (15)**	$ (46)

(b) Rate stabilization account

The rate stabilization account balance is comprised of operating deferrals. In order to achieve breakeven results of operations after the application of rate regulated accounting, the Board approves an annual adjustment to the rate stabilization account based on planned results. If actual revenues are higher than planned or actual expenses are lower than planned, such excess is reflected as a credit to the rate stabilization account. Conversely, if actual revenues are less than planned or actual expenses are higher than planned, such shortfall is reflected as a debit to the rate stabilization account. The rate stabilization account is also impacted by the actual net movement in other regulatory deferral accounts versus the plan. A credit balance in the rate stabilization account represents amounts returnable through reductions in future customer service charges, while a debit balance represents amounts recoverable through future customer service charges.

Three and six months ended February 29, 2024 and February 28, 2023 (millions of Canadian dollars)

4. Financial statement impact of regulatory accounting (continued)

(b) Rate stabilization account (continued)

When establishing customer service charges, the Board considers, among other things:

(i) the statutory requirement to provide air navigation services;
(ii) air traffic results and forecasts;
(iii) financial and operating requirements, including the current and anticipated balance in the rate stabilization account and the extent to which operating costs are variable and can be contained;
(iv) the recovery of pension contributions on a cash basis; and
(v) updates to financial forecasts, debt servicing and financial requirements, and resulting financial coverage ratios.

The table below shows the net movements in the rate stabilization account:

	Three months ended		Six months ended	
	February 29 2024	February 28 2023	February 29 2024	February 28 2023
Debit balance, beginning of period	**$ (285)**	$ (496)	**$ (342)**	$ (574)
Variances from planned results:				
Revenue higher (lower) than planned	**(21)**	10	**(9)**	49
Operating expenses lower (higher) than planned	**(18)**	3	**1**	21
Other net expenses lower (higher) than planned	**(3)**	2	**2**	(1)
Net movement in other regulatory deferral accounts	**43**	(14)	**38**	(22)
Total variances from planned results	**1**	1	**32**	47
Initial approved adjustment (1)	**25**	33	**51**	65
Net movement recorded in net income (loss)	**26**	34	**83**	112
Debit balance, end of period	**$ (259)**	$ (462)	**$ (259)**	$ (462)

(1) In order to achieve breakeven results of operations after the application of rate regulated accounting, the Board approved the fiscal 2024 budget with a decrease to the debit position of the rate stabilization account as a result of a planned excess of $102 (fiscal year ended August 31, 2023 - $129), which is being reflected in the rate stabilization account evenly throughout the fiscal year.

Three and six months ended February 29, 2024 and February 28, 2023 (millions of Canadian dollars)

4. Financial statement impact of regulatory accounting (continued)

(c) Pension contributions

Included in regulatory deferral account debit balances as at February 29, 2024 is $701 related to the recovery of pension contributions through customer service charges (August 31, 2023 - $679). After regulatory accounting, the pension benefit liability on the statement of financial position is:

		February 29 2024		August 31 2023
Pension benefit liability	**$**	**(398)**	$	(376)
Less:				
Regulatory deferrals of non-cash adjustments		**(269)**		(269)
Benefit contributions less than benefit expense		**(667)**		(645)
Regulatory debit balance - recovery of contributions		**701**		679
Regulatory expense cumulatively less than contributions	**$**	**34**	$	34

The Company uses a regulatory approach to determine the net charge to net income (loss) for pension benefit costs for its funded plan. The objective of this approach is to reflect the cash cost of the funded pension plan in net income (loss) by recording an adjustment to the related regulatory deferral account. These regulatory adjustments are the difference between the pension benefit costs as determined by IAS 19 *Employee Benefits* and the annual going concern cash cost of the plan. Included in the regulatory deferral related to pension contributions of $701, is the recovery of $10 of solvency deficiency contributions of $44 paid in the fiscal year ended August 31, 2017. The remaining balance of $34 is expected to be recovered through future customer service charges.

The funding of employee pension benefits as compared to the expense, net of regulatory adjustments, recorded in the consolidated statements of operations is summarized below.

	Three months ended				Six months ended			
		February 29 2024		February 28 2023		February 29 2024		February 28 2023
Consolidated statements of operations								
Pension current service expense [(1)]	**$**	**29**	$	28	**$**	**57**	$	56
Net interest expense [(1)]		**4**		7		**8**		13
Less: Regulatory deferrals		**(10)**		(12)		**(22)**		(24)
	$	**23**	$	23	**$**	**43**	$	45
Company cash pension contributions								
Going concern current service - cash payment	**$**	**23**	$	23	**$**	**46**	$	48
Going concern current service - accrued		**-**		-		**(3)**		(3)
	$	**23**	$	23	**$**	**43**	$	45

(1) For the three and six months ended February 29, 2024, pension current service expense does not include $1 and $2 respectively, related to the Company's unfunded pension plan (three and six months ended February 28, 2023 - $nil and $1 respectively). Net interest expense for the three and six months ended February 29, 2024 does not include $2 and $4 respectively, related to the Company's unfunded pension plan (three and six months ended February 28, 2023 - $1 and $2 respectively).

Three and six months ended February 29, 2024 and February 28, 2023 (millions of Canadian dollars)

5. Property, plant and equipment

Property, plant and equipment are comprised of the following:

	Land and buildings	Systems and equipment	Assets under development [1]	Total
Cost				
Balance at August 31, 2023	$ 461	$ 815	$ 160	$ 1,436
Additions	-	-	49	49
Derecognition [2]	-	-	(49)	(49)
Reclass	1	(1)	-	-
Transfers	16	32	(48)	-
Balance at February 29, 2024	**$ 478**	**$ 846**	**$ 112**	**$ 1,436**
Accumulated depreciation				
Balance at August 31, 2023	$ 146	$ 554	$ -	$ 700
Depreciation	11	26	-	37
Balance at February 29, 2024	**$ 157**	**$ 580**	**$ -**	**$ 737**
Carrying amounts				
At August 31, 2023	$ 315	$ 261	$ 160	$ 736
At February 29, 2024	**$ 321**	**$ 266**	**$ 112**	**$ 699**

(1) Additions to assets under development are shown net of $3 (August 31, 2023 - $5) related to government funding under the National Trade Corridors Fund (NTCF).

(2) The Company entered into a purchase agreement in 2015, that was subsequently amended and restated, in relation to the replacement of certain surveillance equipment. In March 2024, the Company declared the vendor to be in default of the agreement due to multiple technical failures and provided a termination notice. The carrying amount of the related asset was determined not to be recoverable through value in use or fair value less costs of disposal, and during the three months ended February 29, 2024, the Company recorded an asset impairment of $49.

The impact of the asset impairment is recorded in Technical services expenses ($28), Salaries and benefits expense ($10), Other finance costs ($7), Facilities and maintenance expenses ($2) and Other expenses ($2) as presented on the Interim condensed consolidated statements of operations (consolidated statements of operations) for the three and six months ended February 29, 2024.

Three and six months ended February 29, 2024 and February 28, 2023 (millions of Canadian dollars)

6. Intangible assets

Intangible assets are comprised of the following:

	Air navigation right	Purchased software	Internally developed software	Assets under development [1]	Total
Cost					
Balance at August 31, 2023	$ 702	$ 188	$ 302	$ 40	$ 1,232
Additions	-	-	-	30	30
Transfers	-	-	16	(16)	-
Balance at February 29, 2024	**$ 702**	**$ 188**	**$ 318**	**$ 54**	**$ 1,262**
Accumulated amortization					
Balance at August 31, 2023	$ 226	$ 125	$ 179	$ -	$ 530
Amortization	13	5	15	-	33
Balance at February 29, 2024	**$ 239**	**$ 130**	**$ 194**	**$ -**	**$ 563**
Carrying amounts					
At August 31, 2023	$ 476	$ 63	$ 123	$ 40	$ 702
At February 29, 2024	**$ 463**	**$ 58**	**$ 124**	**$ 54**	**$ 699**

(1) Additions to assets under development are shown net of $3 (August 31, 2023 - $8) related to government funding under the NTCF.

7. Long-term debt

On February 9, 2024, the Company repaid the $185 Series 2021-2 General Obligation Notes upon maturity. The balance of long-term debt as at February 29, 2024 is $2,170, including $16 classified as current. The amount in current debt relates to the annual amortization payment for the Series 97-2 amortizing revenue bonds. The Company's long-term debt and security are described in note 13 of the 2023 annual financial statements.

8. Provisions

Provisions for onerous contracts are recognized where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits to be received. During the three months ended February 29, 2024, the Company reduced the onerous provision related to a technology sales and services contract by $6. This amount is included in Other operating expenses on the consolidated statements of operations. As at February 29, 2024, onerous provisions of $12 are included in other non-current liabilities on the Interim condensed consolidated statements of financial position (August 31, 2023 - $18).

Three and six months ended February 29, 2024 and February 28, 2023 (millions of Canadian dollars)

9. Financial instruments and financial risk management

Summary of financial instruments

The following table presents the carrying amount of the Company's financial instruments, by classification category and includes the fair value hierarchy classification for each financial instrument as defined in note 16 of the 2023 annual financial statements. Excluding long-term debt, the carrying amount approximates the fair value of all of the Company's financial instruments.

As at February 29, 2024	Amortized Cost	FVTPL	Fair value hierarchy
Financial assets			
Cash and cash equivalents	**$ 570**	**$ -**	
Accounts receivable and other	**128**	**-**	
Current investments			
Debt service reserve fund	**79**	**-**	
Other current assets			
Derivative assets (1)	**-**	**1**	Level 2
Investment in preferred interests (2)	**-**	**204**	Level 3
Long-term receivables (3)	**37**	**-**	
Other non-current assets			
Non-current derivative assets (1)	**-**	**1**	Level 2
	$ 814	**$ 206**	
Financial liabilities			
Trade and other payables			
Trade payables and accrued liabilities	**$ 251**	**$ -**	
Long-term debt (including current portion)			
Bonds and notes payable (4)	**2,170**	**-**	Level 2
	$ 2,421	**$ -**	

As at August 31, 2023	Amortized Cost	FVTPL	Fair value hierarchy
Financial assets			
Cash and cash equivalents	$ 586	$ -	
Accounts receivable and other	149	-	
Current investments			
Short-term investments (5)	99	-	
Debt service reserve fund	77	-	
Other current assets			
Derivative assets (1)	-	1	Level 2
Investment in preferred interests (2)	-	203	Level 3
Long-term receivables (3)	50	-	
	$ 961	$ 204	
Financial liabilities			
Trade and other payables			
Trade payables and accrued liabilities	$ 262	$ -	
Long-term debt (including current portion)			
Bonds and notes payable (4)	2,354	-	Level 2
	$ 2,616	$ -	

9. Financial instruments and financial risk management (continued)

Summary of financial instruments (continued)

(1) Derivative assets and liabilities are recorded at fair value determined using prevailing foreign exchange market rates and interest rates at the reporting date.

(2) This instrument is recorded at fair value based on the valuation technique described in note 12 of the 2023 annual financial statements. The increase in the carrying value as at February 29, 2024 is as a result of the effect of foreign exchange and is included in Other (within Other (income) and expenses) on the consolidated statements of operations.

The nature of Aireon LLC's (Aireon) business makes its long-term operating plan sensitive to the achievement of management's revenue growth forecast, the risk of which is reflected in the discount rate critical assumption of the valuation. A 1% increase in the discount rate would result in a $27 CDN decrease in fair value and a 1% reduction in the discount rate would result in a $27 CDN increase in fair value.

(3) Long-term receivables include $40 of deferred payments related to the September 1, 2020 customer service charge increase as described in note 16 (b) of the 2023 annual financial statements (August 31, 2023 - $53), which are presented net of an estimated credit loss provision of $3 (August 31, 2023 - $4).

(4) The fair value of the Company's bonds and notes payable is classified as Level 2 in the fair value hierarchy as it is determined using secondary market ask prices at the reporting date. As at February 29, 2024, the fair value was $1,915 (August 31, 2023 - $2,045), inclusive of accrued interest of $22 (August 31, 2023 - $22).

(5) Short-term investments consist of Bearer Deposit Notes with an original maturity of more than three months from date of purchase.

There have been no transfers between levels of the fair value hierarchy since August 31, 2023.

Financial risk management

The Company is exposed to several risks as a result of holding financial instruments, including interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk. The Company's exposure to financial risks and how the Company manages each of those risks are described in note 16 (a)-(c) of the 2023 annual financial statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the six months ended February 29, 2024, except as noted below.

Liquidity risk

Separate from the Company's syndicated credit facility are letter of credit facilities for pension obligations of $860 as at February 29, 2024 (August 31, 2023 - $860). During the six months ended February 29, 2024, all four credit facilities were extended, whereby $450 will mature on December 31, 2024 and $410 will mature on December 31, 2025, unless extended. As at February 29, 2024, $781 was drawn for solvency funding (August 31, 2023 - $751) for the registered pension plan and $38 for supplemental retirement arrangements (August 31, 2023 - $38).

Three and six months ended February 29, 2024 and February 28, 2023 (millions of Canadian dollars)

10. Commitments

The following table presents a maturity analysis of the Company's undiscounted contractual cash flows for its financial liabilities, capital commitments, lease liabilities and other commitments as at February 29, 2024:

		Remaining payments – for years ending August 31					
	Total	**2024**	**2025**	**2026**	**2027**	**2028**	**Thereafter**
Trade payables and accrued liabilities	**$ 232**	$ 232	$ -	$ -	$ -	$ -	$ -
Long-term debt (including current portion) [1], [2]	**2,180**	16	16	301	222	-	1,625
Interest payments [2]	**1,191**	34	70	67	65	48	907
Capital commitments [3]	**293**	94	84	58	33	10	14
Lease liability	**55**	1	3	3	3	3	42
Related party loan [4]	**15**	15	-	-	-	-	-
	$ 3,966	$ 392	$ 173	$ 429	$ 323	$ 61	$ 2,588

(1) Payments represent principal of $2,180. The Company may choose to repay a portion of these maturities with available cash and/or may increase the size of a re-financing to generate additional liquidity or for other purposes, and/or may choose to redeem in whole or in part an issue in advance of its scheduled maturity.

(2) Further details on interest rates and maturity dates on long-term debt are provided in note 13 of the 2023 annual financial statements.

(3) The Company has commitments for the acquisition of property, plant and equipment and intangible assets amounting to $293 as at February 29, 2024 (August 31, 2023 - $151).

(4) The Company has an agreement with Aireon to provide a subordinated loan up to a total of $15 CDN ($11 U.S.) through the earlier of October 10, 2028 or the date on which the senior credit facility is paid in full and terminated or refinanced.