

VIA HFR – VIA TGF Inc.

Quarterly Financial Report for the Period Ended

June 30, 2023

Quarter 1

UNAUDITED

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Management's discussion and analysis

VIA HFR – VIA TGF Inc. Mandate

VIA HFR - VIA TGF Inc. (VIA HFR) was incorporated on November 29, 2022, in accordance with the *Canada Business Corporations Act*. It reports to Parliament directly through the Minister of Transport. Its mandate is to develop and implement the High Frequency Rail project with the private sector, including the design, construction, financing, operation and maintenance of passenger rail services in Ontario and Quebec. VIA HFR is a wholly-owned subsidiary of VIA Rail which operates at arm's length and acts as a parent Crown Corporation under the *Financial Administration Act*, with some exceptions in accordance with Order in Council P.C. #2022-0260.

High Frequency Rail (HFR) Project Overview

The HFR Project will seek to deliver an enhanced passenger experience, providing more frequent, faster, and more reliable service on modern accessible trains with improved operational performance between some of Canada's largest urban areas including Toronto, Ottawa, Montreal, and Quebec City. The HFR Project will consist of an over 1,000 km intercity passenger rail network of mostly electrified tracks.

Following the conclusion of a competitive procurement process with the Request for Qualifications (RFQ) in July 2023 and the Request for Proposals (RFP) stages in 2024, Canada, through VIA HFR, would then engage a Private Developer Partner to further advance and optimize the design and scope of the HFR Project during a Co-Development Phase within the parameters set out in a Pre-Development Agreement.

Objectives, Activities, and Expected Results for 2023-24

This section summarizes VIA HFR's objectives, activities and planned results. Some activities will persist beyond this fiscal year to complete the Procurement phase and prepare the corporation for the Co-Development Phase, which is expected to begin in fiscal year 2024-25. Full details can be found in VIA HFR's 2023-24 Summary Corporate Plan.

1. Establishing and Operationalizing VIA HFR Results

Activities

- Establish appropriate governance processes and corporate policies to staff the organization effectively to undertake VIA HFR's other objectives for the Procurement and future phases.
- Establish organizational processes, continue to add resources, and develop forecasting requirements and reporting processes to progress to the Co-Development phase.

Results

- VIA HFR hires key staff and is able to advance its immediate priorities.

2. Providing expert advice and acting as the technical lead to the Transport Canada-led procurement process

Activities

- Provide strategic advice (financial, market and commercial) on selection criteria and proposal evaluation and process.
- Provide quality assurance services for technical and engineering deliverables.
- Develop components of the Pre-Development Agreement.

Results

- The HFR Procurement process is successful with the selection of a Private Developer Partner that has an actionable proposal that respects the scope, cost, timing, and parameters of the project.

3. Leading select HFR-enabling activities

Activities

- Advance engagement with host railways with respect to track access.
- Support the impact assessment and regulatory approvals, including conducting technical/field/engineering studies, public engagement activities and identification of mitigations and accommodations.
- Prepare for Indigenous consultations, including fulfilling the Crown's duty to consult through dialogue and co-development of mitigation and accommodation measures.
- Explore mechanisms to support the participation of Indigenous peoples in consultation and engagement activities for the project.
- Assess safety-related requirements.
- Plan and prepare for land acquisition and utility management.
- Identify construction permit requirements and conduct geotechnical work to de-risk the project and advance the impact assessment process.

Results

- HFR-enabling activities advance as planned to support project timelines during the Procurement phase and future phases.

4. Strategic advisor to the Minister of Transport (the Accountable Owner) and supporting organization

Activities

- Provide briefings to the Minister of Transport, covering VIA HFR's range of responsibilities.
- Maintain the project business case, including annual updates to reflect the progress of main features of the project and business environment.

Results

- The Minister of Transport is satisfied that VIA HFR is delivering its mandate effectively.

Risk Management

Risk Management is a fundamental component of the HFR project, which has several risk-management objectives:

- Establishing a culture of proactive risk management;
- Establishing a consistent framework for risk identification, assessment, control, and reporting; and,
- Identifying risk owners to ensure accountability. Risk management is an ongoing process that identifies and assesses risks, and manages their mitigation.

A risk register has been developed jointly by the Technical Office (which will be imbedded into VIA HFR as of July 1) and the Government Office (imbedded within Transport Canada). It will be reviewed regularly. This risk-management process allows project officials to stay ahead of the risks associated with the HFR project.

Some of the HFR project's risks will be borne by the Government of Canada, some jointly with the Government of Canada and VIA HFR, and some primarily by VIA HFR. Risks borne by the Private Developer Partner will be further elaborated in future Corporate Plans.

During the Procurement phase, the main project risks for VIA HFR include:

- Establishing VIA HFR as a capable Project Development Office
- Securing access to infrastructure and land
- Meeting Project Objectives

Performance highlights of financial Results for the Fiscal Quarter

This document presents the first quarterly report for VIA HFR, covering the period of April 1, 2023 to June 30, 2023. For fiscal year 2023-24, Parliament appropriated \$43.67M for VIA HFR through the 2023-24 Main Estimates, the first ever appropriations for the new Crown Corporation.

In the first quarter of 2023-24 VIA HFR focused primarily on planning and establishing critical controls and direction to enable the Crown Corporation to succeed on its longer-term mandate to advance the HFR project. Spending of \$0.48M in the first quarter reflects this start-up phase. Costs were largely focused on office space rent (25%), as well as salaries (36%) and professional services (25%) necessary to advance the operationalization of VIA HFR.

VIA HFR plans to spend the full remaining amount of its Parliamentary appropriations, \$43.19M, over the final three quarters of the year as indicated in the 2023-24 operating budget below:

Expenditure Categories (Thousands of dollars)	2023/24
Management & Support: Salary and Wages	\$2,662
Management & Support: Other Operating Costs	\$1,977
Technical Office: Specialized individuals hired under contractual Agreements	\$4,224
Technical Office: Engineering, accounting, procurement, legal, technical and communication services	\$34,807
Totals: Salary and Wages	\$2,662
Totals: Other Operating Costs	\$41,008
Grand Total	\$43,670

In the second quarter, VIA HFR will be assigned over 30 contracts for services critical to advancing the competitive process to identify and select a Private Developer Partner for the HFR project. These contracts, and their associated work effort, along with an increased headcount, are projected to result in significant increases in expenses starting early in the second quarter and continuing to grow over the fiscal year.

Interim Quarterly Financial Statements

VIA HFR – VIA TGF Inc. Unaudited Quarterly Financial Statements for the First Quarter of 2023-24

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines is necessary to enable the preparation of quarterly 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 quarterly financial statements.

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

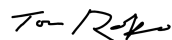
Marc-Olivier Ranger, Interim Chief Executive Officer



Ottawa, Canada

August 29, 2023

Tom Roberts, Interim Chief Financial Officer



Ottawa, Canada

August 29, 2023

VIA HFR – VIA TGF Inc.
 Quarterly Statement of Financial Position - Unaudited
 As at June 30, 2023
 (Thousands of dollars)

	June 30 2023
Financial assets	
Cash	\$2,225
Accounts receivable	\$0
Total financial assets	\$2,225
Liabilities	
Accounts payable and accrued liabilities	\$484
Total liabilities	\$484
Net debt/surplus	\$1,741
Non-financial assets	
Tangible capital assets	\$0
Pre-paid expenses	\$0
Total non-financial assets	\$0
Accumulated surplus	\$1,741
Accumulated surplus is comprised of:	
Accumulated operating surplus	\$1,741
	\$1,741

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

VIA HFR – VIA TGF Inc.
Quarterly Statement of Operations - Unaudited
for the three months ended June 30, 2023
(Thousands of dollars)

	12 Months Ended March 31, 2024 (2023-24 Budget)	3 Months Ended June 30, 2023 (Actual)
Revenues		
Parliamentary appropriations - Note 3	\$43,670	\$2,225
Interest revenue	\$0	\$0
Total revenues	\$43,670	\$2,225
Expenses		
Operating expenses – Note 4	\$43,670	\$484
Total expenses	\$43,670	\$484
Operating surplus	\$0	\$1,741
Accumulated surplus or (deficit) at the beginning of the period	\$0	\$0
Accumulated operating surplus or (deficit) at end of period	\$0	\$1,741

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

VIA HFR – VIA TGF Inc.

Quarterly Statement of Change in Net Financial Assets (Net Debt) - Unaudited

for the three months ended June 30, 2023

(Thousands of dollars)

	12 Months Ended March 31, 2024 (2023-24 Budget)	3 Months Ended June 30, 2023 (Actual)
Surplus for the Period	\$0	\$1,741
Tangible Capital Assets		
Acquisition of tangible capital assets	\$0	\$0
Amortization of tangible capital assets	\$0	\$0
	\$0	\$1,741
Non-Financial Assets		
Changes in prepaid expenses	\$0	0
Change in net surplus	\$0	\$1,741
Net surplus (debt) beginning of period	\$0	\$0
Net surplus (debt) end of Period	\$0	\$1,741

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

VIA HFR – VIA TGF Inc.
Quarterly Statement of Cash Flow - Unaudited
for the three months ended June 30, 2023
(Thousands of dollars)

	3 Months Ended - June 30, 2023
Operating transactions	
Net Surplus end of period	\$1,741
Increase in Accounts Payable	\$484
Cash provided by operating activities	\$2,225
Capital transactions	
Acquisition of tangible capital assets	\$0
Cash provided by capital transactions	\$0
Investing transactions	
Cash used for investment activities	\$0
Cash provided by investing transactions	\$0
Increase in Cash	\$2,225
Cash beginning of period	\$0
Cash end of Period	\$2,225

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

Notes to the Financial Statements for the three months ended June 30, 2023

Unaudited
(Thousands of dollars)

1. General Information:

These interim financial statements have been prepared by management following the requirements set out by section 131.1 (1) of the Financial Administration Act which requires most parent Crown Corporations to prepare and make public quarterly financial reports in compliance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations.

These interim financial statements have not been subject to an external audit or review and comprise the first set of financial statements to be prepared by VIA HFR – VIA TGF Inc. These financial statements should be read in conjunction with the narrative discussion included in this quarterly financial report.

Authorities and Activities

VIA HFR was incorporated on November 29, 2022, in accordance with the Canada Business Corporations Act. It reports to Parliament directly through the Minister of Transport. Its mandate is to develop and implement the HFR project with the private sector, including the design, construction, financing, operation and maintenance of passenger rail services in Ontario and Quebec. The mandate may only be amended with the approval of the Governor in Council (Order in Council P.C. 2022-261; Order in Council P.C. 2022-259 (both dated March 24, 2022)). VIA HFR is a wholly-owned subsidiary of VIA Rail Canada Inc. but operates at arm's length. VIA HFR acts as a parent Crown Corporation under the Financial Administration Act, with 7 exceptions in accordance with Order in Council P.C. #2022-0260.

2. Significant Accounting Policies

A. Basis Of Accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and are reported in Canadian dollars.

B. Measurement of uncertainty

The preparation of the quarterly financial statements in accordance with the PSAS requires management to make estimates and assumptions that affect the reported amounts of financial assets, liabilities, and non-financial assets at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

VIA HFR currently does not have items requiring the use of significant estimates and judgment.

C. Cash

Cash consists of cash held in VIA HFR's bank accounts.

D. Accounts Receivable

Accounts receivables are recorded and carried at cost.

E. Accounts payable and accrued liabilities

Accounts payable relate to the amount the corporation owes and are recorded and carried at cost.

F. Expenses

Expenses are recognized in the period in which they are incurred. Estimates for accruals are made at the end of each period.

G. Interest revenue

Interest on cash deposits is recorded in the period in which it is earned.

H. Budgeted Figures

Budget figures included in the Financial Statements were provided for comparison. These figures are consistent with VIA HFR's Corporate Plan.

3. Parliamentary Appropriations

Parliamentary appropriations are recognized as revenue when the transfers are authorized, and eligibility criteria are met. Any portion of a parliamentary appropriation to which VIA-HFR is entitled to but has not received is recognized under Accounts Receivable from the Government of Canada.

Of the parliamentary appropriations approved (\$43.67M through the 2023-24 Main Estimates), \$2.225M was received in the first quarter.

VIA HFR had no other sources of income in the first quarter, and as 2023-24 represents the first year of operations, there were no carry-forward balances of appropriations, nor previous periods with which to compare.

Of the \$2,225M received, \$0.484M was expensed, leaving a balance of \$1,741M which is forecast to be utilized during the second quarter of 2023-24. Further, the balance of \$41.445M in parliamentary appropriations is expected to be received over the remaining three quarters of 2023-24.

4. Operating Expenses

Expenses by Type (thousands)

Category	3 Months Ended - June 30, 2023
Compensation and benefits	\$ 176
Rent	\$ 119
Professional Services	\$ 119
Voice and Data Communication	\$ 5
Informatics	\$ 16
Training and Conferences	\$ 4
Travel	\$ 44
Total	\$ 484

5. Related Party Transactions:

VIA HFR receives a variety of back-office services from VIA Rail in the areas of finance, human resources, information technology, and facilities management. This includes the use of underlying systems, such as VIA Rail's financial system. Due to timing of the establishment of VIA HFR's bank account, payments of invoices for expenses incurred by VIA HFR were issued by VIA Rail. These amounts are tracked as Accounts Receivable by VIA Rail, and Accounts Payable by VIA HFR, totaling \$418K in the first quarter. The balance of the accounts payable and accrued liabilities reported in this quarterly financial report relate to expenses incurred before June 30, for which invoices were not received and entered in the financial system by June 30.