

VIA HFR – VIA TGF Inc.

Quarterly Financial Report for the Period Ended

September 30, 2023

Quarter 2

UNAUDITED

TABLE OF CONTENTS

TABLE OF CONTENTS	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
VIA HFR – VIA TGF Inc. Mandate.....	3
High Frequency Rail (HFR) Project Overview	3
Objectives, Activities, and Expected Results for 2023-24.....	4
Risk Management	7
Performance Highlights of Financial Results for the Fiscal Quarter	9
INTERIM QUARTERLY FINANCIAL STATEMENTS	11
NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023	16

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 is a proposed investment in new infrastructure to transform passenger rail service in Canada. With over 1,000 km of new passenger rail service planned between major centres of Québec City, Trois-Rivières, Montréal, Laval, Ottawa, Peterborough and Toronto, HFR will help build a better future for Canadians with new trains running on mostly electrified and dedicated passenger tracks. This new corridor will use trains that will run faster, more frequently, and on time, making it faster and easier for people in Canada's most populated areas to travel for work or play.

A competitive procurement process is underway. In July 2023, the Government of Canada announced the three teams qualified in the Request for Qualifications (RFQ) process. The RFP process will lead to the selection of the private developer partner that will work collaboratively with VIA HFR to further advance and optimize the design and scope of the HFR Project during the Co-Development Phase.

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.

Objective 1: Establishing and Operationalizing VIA HFR

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.

Expected Results

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

Status

- On track

Objective 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.

Expected 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.

Status

- On track

Objective 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;

Expected Results

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

Status

- On track

Objective 4: Strategic advisor to the Minister of Transport 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.

Expected Results

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

Status

- On track

Objective 5: Project Management

Activities

- Implement a Project Management Plan describing how the HFR Project will be executed, monitored, controlled, and reported;
- Monitor project costs, schedule, activities, and scope to ensure consistency with the Project Charter and other project governance documents;
- Identify strategic options to address project engineering, and technical, market, commercial, and financing issues that significantly impact scope, budget, and schedule.

Expected Results

- Project advancement is closely monitored and reported; adjustments to project scope, timing and costs are justified; project risks and associated mitigation measures are identified and tracked and, the Project's activities are consistent with the Project Charter.

Status

- On track

Risk Management

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

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.

VIA HFR maintains effective corporate risk management to ensure that risks are identified, assessed and managed appropriately. A full assessment of VIA-HFR's corporate risks, potential impacts and risk mitigations will be disclosed in its 2023-24 Annual Report.

A risk register has been developed jointly by VIA HFR and the Government Office (led by 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.

Risk management is a top priority for VIA HFR, and an ongoing process that identifies and assesses risks and mitigation strategies as they evolve through the phases of the project.

With respect to VIA HFR's Objectives, Activities, and Results for 2023-24, the following risks outlined in the 2023-24 Corporate Plan continue to be monitored, mitigated, and effectively managed:

Objective 1: Establishing and Operationalizing VIA HFR

Results: VIA HFR has hired key staff and is able to advance its immediate priorities.

Risk: Delays in the hiring of senior management and staff hinders the advancement of the project. VIA HFR is unable to develop and deliver these activities on a timely basis.

Objective 2: Providing expert advice and being the technical lead to the Government Office-led procurement process

Results: HFR Procurement 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.

Risks: Approaches are advanced by proponents outside the project outcomes (for example, project scope, costs, timing and/or impacts), and are not sufficiently addressed by VIA HFR or the Government Office. Delays in operationalization of VIA HFR affect its capacity to meet its mandated requirements during the Procurement phase.

Objective 3: Leading select HFR-enabling activities

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

Risks: Potential delays in project activities that affect the critical path.

Objective 4: Strategic advisor to the Accountable Owner and supporting organization

Results: The Accountable Owner, the Minister of Transport, is satisfied that VIA HFR is delivering its mandate effectively.

Risks: The Accountable Owner and TC may not be effectively informed of, or advised on, strategic issues affecting the progress of enabling activities or the project scope, timing, costs, or impacts. Delays in operationalization of VIA HFR affect its capacity to meet its mandated requirements during the Procurement phase.

Objective 5: Project Management

Results: Project advancement is closely monitored and reported; adjustments to project scope, timing and costs are justified; project risks and associated mitigation measures are identified and tracked and, the Project's activities are consistent with the Project Charter.

Risks: Project management monitoring does not reflect project needs.

Performance Highlights of Financial Results for the Fiscal Quarter

This document presents the second quarterly report for VIA HFR, covering the period of July 1, 2023, to September 30, 2023. On July 1, 2023, VIA HFR achieved a major milestone when the contracts for the Technical Team (i.e., approximately 30 contracts) were assigned from the Canada Infrastructure Bank to VIA HFR. This critical step signifies that VIA HFR is now ready and able to take on the role of the Project Development Office for the HFR Project.

VIA HFR continues to build its leadership cadre. On September 8th, Martin Imbleau joined VIA HFR as its founding CEO, a key milestone in building the capacity of the new organization. By the end of the second quarter, VIA HFR's workforce was comprised of employed 50 professionals in its core group. It continues to attract and engage the required expertise and talent to deliver its mandate, objectives, and ongoing activities. In August, VIA HFR opened its Toronto satellite office to complement its headquarters in Montreal. This will foster better collaboration between staff across all regions.

During the first half of the fiscal year, VIA HFR subject matter experts were instrumental in supporting Transport Canada and Public Services and Procurement Canada complete the Request for Qualifications (RFQ) process. This resulted in three bidding teams being qualified and invited to the Requestion for Proposal (RFP) Stage.

VIA HFR is advancing other important project-related activities and preparing for the impact assessment process. This will include field studies on existing track and public lands; planning land acquisition strategies; assessing safety-related requirements; and engaging with host railways to understand the conditions of their assets and their access. VIA HFR is engaging with potentially impacted Indigenous communities and organizations to advance consultation and collaboration.

VIA HFR is meeting current demands, while focusing on the future needs of the project and the organization. To facilitate a smooth transition to an eventual Private Developer Partner, VIA HFR is securing talent for the procurement and co-development phases of this project.

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. Spending of \$0.48M in the first quarter reflected the corporation's start-up phase. In the second quarter, VIA HFR's spending increased to \$11.92M reflecting a higher headcount after the integration of the contracts from the Technical Team, and the expenses associated with their work activities. Spending is expected to accelerate quickly as VIA HFR is rapidly onboarding new talent to meet work demands. Spending for the first fiscal year is on track to fully utilize the \$43.67M in appropriations.

Expenditure Categories (Thousands of dollars)	2023/24 (Total Expected Spend)
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

INTERIM QUARTERLY FINANCIAL STATEMENTS

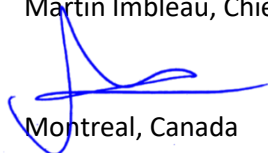
VIA HFR – VIA TGF Inc. Unaudited Quarterly Financial Statements for the Second Quarter of 2023-24

Statement of Management Responsibility for Financial Information

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.

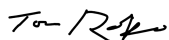
Martin Imbleau, Chief Executive Officer



Montreal, Canada

November 28, 2023

Tom Roberts, Interim Chief Financial Officer



Ottawa, Canada

November 28, 2023

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

	30-Sep 2023
Financial assets	
Cash	183
Government Funding Receivables	9,151
Total financial assets	9,334
Liabilities	
Accounts payable and accrued liabilities	9,334
Total liabilities	9,334
Net debt/surplus	
Non-financial assets	
Tangible capital assets	0
Pre-paid expenses	0
Total non-financial assets	0
Accumulated Deficit	0
Accumulated surplus is comprised of:	
Accumulated operating deficit	0
	0

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 September 30, 2023
(Thousands of dollars)

	12 Months Ended March 31, 2024 (Budget)	3 Months Ended September 30, 2023 (Actual)	6 Months Ended September 30, 2023 (Actual)
Revenues			
Parliamentary appropriations - Note 3	43,670	10,178	12,403
Total revenues	43,670	10,178	12,403
Expenses			
Operating expenses – Note 4	43,670	11,919	12,403
Total expenses	43,670	11,919	12,403
Operating Deficit	0	(1,741)	0
Accumulated surplus or (deficit) at the beginning of the period	0	1,741	0
Accumulated operating surplus or (deficit) at end of period	0	0	0

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 September 30, 2023

(Thousands of dollars)

	12 Months Ended March 31, 2024 (2023-24 Budget)	3 Months Ended September 30, 2023 (Actual)	6 Months Ended September 30, 2023 (Actual)
Deficit for the Period		(1,741)	0
Tangible Capital Assets			
Acquisition of tangible capital assets		0	0
Amortization of tangible capital assets		0	0
		(1,741)	0
Non-Financial Assets			
Changes in prepaid expenses		0	0
Change in net deficit		(1,741)	0
Net surplus (debt) beginning of period		1741	0
Net surplus (debt) end of Period		0	0

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

**Quarterly Statement of Cash Flow - Unaudited
for the three months ended September 30, 2023
(Thousands of dollars)**

	3 Months Ended - September 30, 2023	6 Months Ended - September 30, 2023
Operating transactions		
Net Deficit end of period	(1,741)	0
CHANGE in Accounts Payable	8,850	9,334
CHANGE in Accounts RECEIVABLE	(9,151)	(9,151)
Cash provided by operating activities	(2,042)	183
Capital transactions		
Acquisition of tangible capital assets		
Cash provided by capital transactions		
Investing transactions		
Cash used for investment activities		
Cash provided by investing transactions		
Increase in Cash	(2,042)	183
Cash beginning of period	2,225	0
Cash end of Period	183	183

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

Unaudited

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 eligibility criteria are met, up to the limit of the voted authority. 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 (\$43.7M through the 2023-24 Main Estimates), \$2.2M was received in the first quarter and \$10.2M was received or receivable in the second quarter. Government funding has been appropriated and VIA HFR is eligible based on costs incurred by VIA HFR.

VIA HFR had no other sources of income in the second quarter, and as 2023-24 represents the first year of operations, there are no previous second quarter financials with which to compare. There was a carry-forward surplus of \$1.7M from the first quarter to the second quarter.

By the end of the second quarter of Fiscal year 2023-24, \$12.4M of VIA HFR's parliamentary appropriations have been used. The balance of \$31.3M in parliamentary appropriations is expected to be utilized over the remaining two quarters of 2023-24.

4. Operating Expenses

Expenditure Categories (Thousands of dollars)	2023/24
Business Travel	\$48
Compensation and Benefits	\$907
Property Space Rental	\$213
Professional Services: Engineering, accounting, procurement, legal and other specialized individuals under contract.	\$10,689
Voice and Data Telecommunications	\$14
Other Data Processing	\$21
Other Expenses	\$26
Grand Total	\$11,919

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. Amounts owing for these services are tracked as Accounts Receivable by VIA Rail, and Accounts Payable by VIA HFR, totaling \$106K at the end of the second quarter. The balance of the accounts payable and accrued liabilities reported in this quarterly financial report relate to other expenses incurred before September 30, for which invoices were not received and entered in the financial system by September 30.