VIA Rail Canada

2023 ANNUAL REPORT

TABLE OF CONTENTS

WHO WE ARE

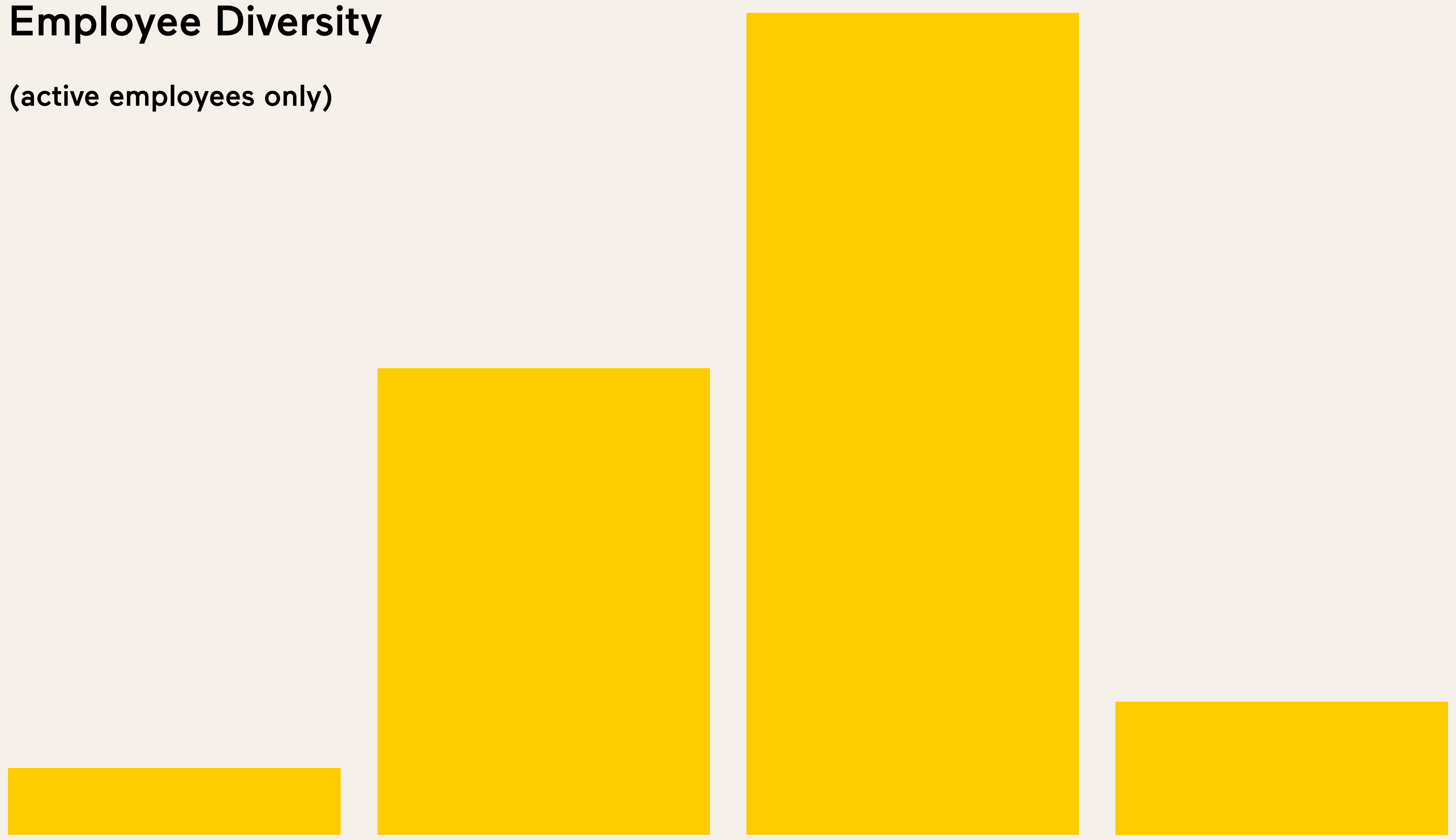
VIA Rail operates Canada's national passenger rail service on behalf of the Government of Canada, meeting passenger needs for intercity travel as well as transportation to regional and remote communities. An independent Crown corporation established in 1977, VIA Rail provides safe, accessible, reliable, cost-effective, and environmentally responsible service from coast to coast to coast in both official languages.

EMPLOYEES

3,668

Employee Diversity

(active employees only)



3% are Indigenous Peoples

21% are visible minorities

37% are women

6% are people with disabilities

PASSENGERS

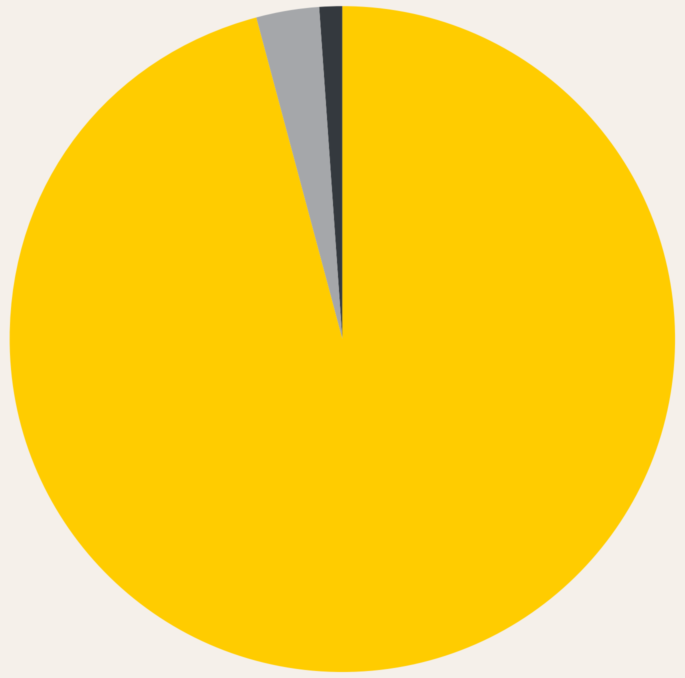
Passenger Trips

4.1 M

Distance Travelled by Passengers

910 M

Passenger Miles



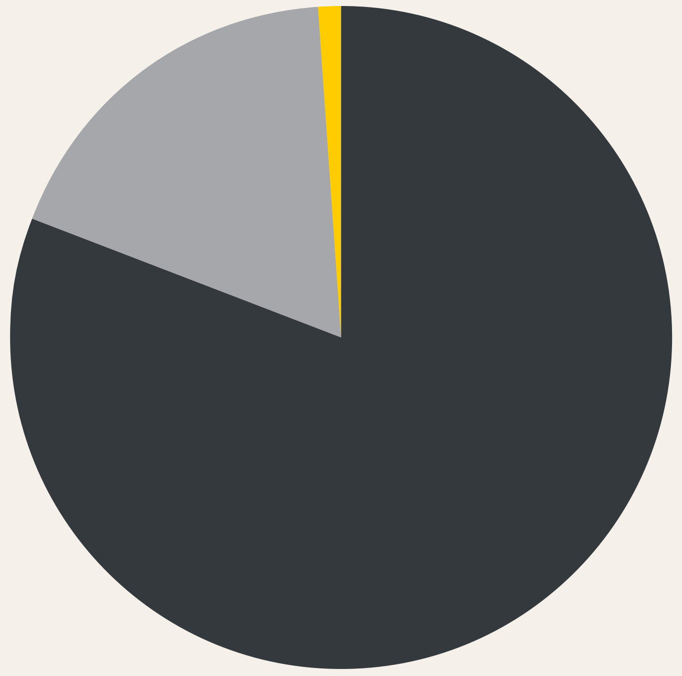
Passenger Trips per Train Route

96%

of passenger trips were taken in the Québec City–Windsor corridor

3% Long-Distance

1% Regional



Passenger Revenue per Train Route

82%

of passenger revenues are from intercity travel (in the Corridor)

17% Long-Distance

1% Regional


2206
2206
VIA
VIA Rail Canada

FLEET

Locomotives 71

Train cars
(in and out of service) 352

New Trains in the Québec City–Windsor corridor 12

BUILDINGS

VIA Rail trains run through 101 train stations of which 44 are designated Heritage stations

VIA Rail owns 61 of these stations

101

Maintenance centres

Montréal, Toronto, Winnipeg, Vancouver

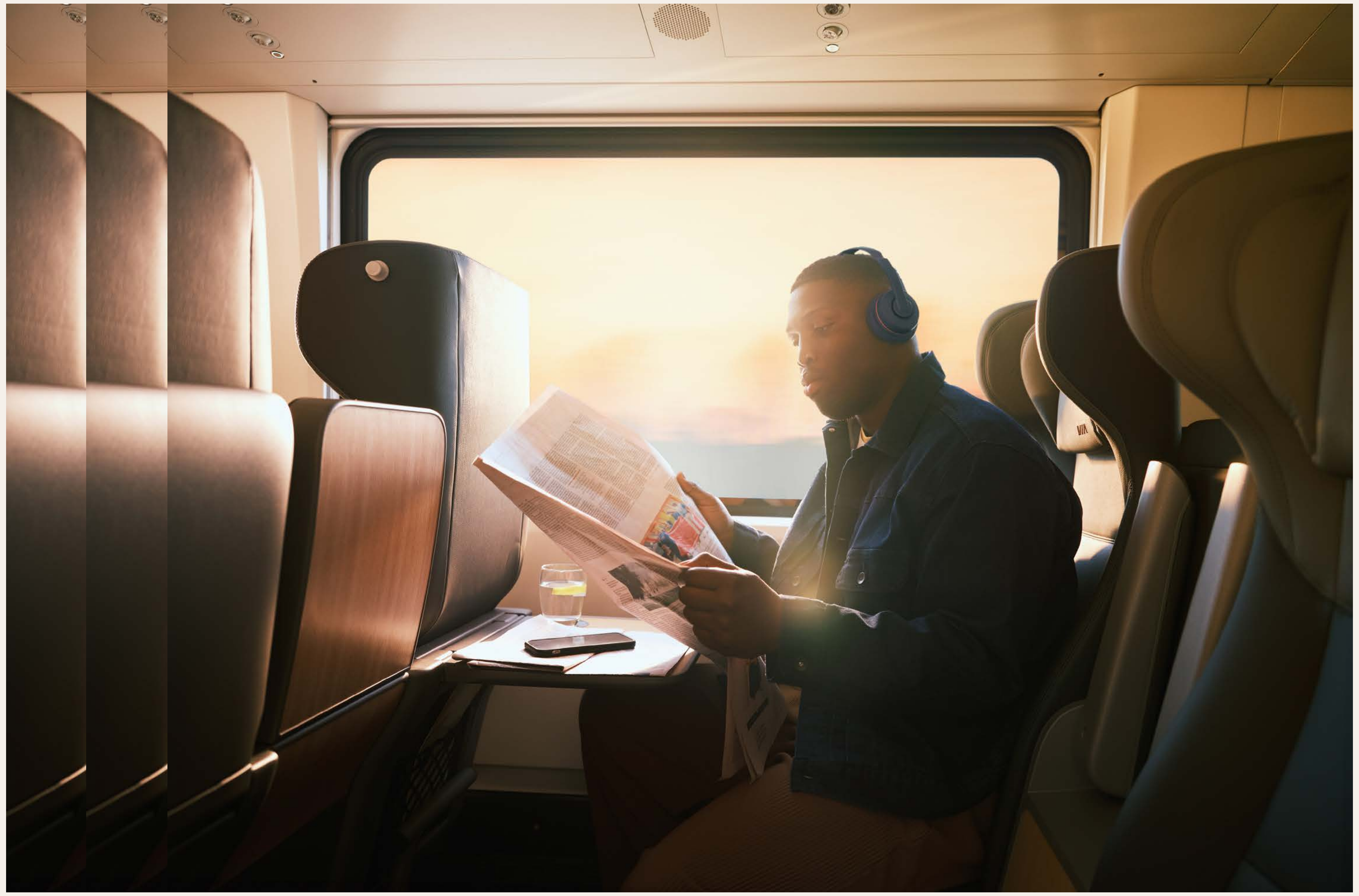
4

Offices

1 head office and 6 regional offices

7

WHERE WE OPERATE



With a fleet of locomotives and train cars, stations and maintenance centres, VIA Rail's operations span the nation we serve. Our employees are dedicated to moving Canadians from East to West, North to South, with stops in between.

Frequency of Train Departures

370
departures per week on average, of which 85.4% depart on time

Departures increased to 406 per week as of December 31, 2023

400+
communities served across Canada

Long-Distance Travel and Tourism

In Western and Eastern Canada, VIA Rail's trains provide intercity service connecting communities while supporting Canada's tourism industry by attracting travellers from around the world. The *Canadian*, VIA Rail's western transcontinental train, provides service between Vancouver and Toronto. In Eastern Canada, the *Ocean* runs between Montréal and Halifax.

Intercity Travel (in the Corridor)

In the densely populated Corridor area between Québec City and Windsor, VIA Rail trains provide travel between the downtown cores of major urban centres, as well as between suburban centres and communities.

Regional Services

VIA Rail provides passenger service in several rural and remote regions of Canada. Mandated by the Government of Canada to meet essential transportation needs, these trains serve many communities where alternative, year-round transportation is limited or unavailable.


VIA
VIA Rail Canada

VISION, MISSION, VALUES

VIA Rail is dedicated to ensuring that its vision, mission and values truly reflect its aspiration and the mandate provided by the Government of Canada.

OUR VISION

A Smarter Way to Move People

We aspire to positively impact the lives of those around us: passengers, employees, partners and the communities we serve. VIA Rail provides sustainable, efficient and effective passenger rail service while embedding environmental, social, economic and ethical considerations into our strategy and everyday operations.

OUR MISSION

Passengers First

Our primary focus is our passengers. We work on improving our services and redefining VIA Rail to provide our passengers with the most enjoyable travel experience and to find better ways to connect Canadian communities. Safety is and will remain paramount.

OUR VALUES

Go Further Together

We collaborate to yield better results. We deliver as one. We are accountable for our actions to gain and maintain the trust of our shareholder, our passengers, and our colleagues.

Act Today for a Better Tomorrow

We understand that our actions today will affect the world we live in tomorrow. We embed sustainability as an important criterion in our decisions. We rethink our ways, and we challenge the status quo. We reimagine the possible.

Go the Extra Mile

We put the passenger at the centre of our decision-making. We put ourselves in the shoes of our passengers and our colleagues. We create positive experiences for both our passengers and our colleagues, so they stay onboard.

MESSAGE FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS

FRANÇOISE BERTRAND, o.c., c.q.
Chairperson of the Board of Directors

2023 was a pivotal year for VIA Rail as we introduced new equipment, launched a modern new reservation system, restored several key train frequencies in the Québec City–Windsor corridor, and achieved a significant increase in revenues. The end result is that we were able to better serve our passengers and build the foundation for our future growth.

We began 2023 under the direction of Martin R Landry. During his tenure as our President and Chief Executive Officer, he led the official inauguration of our new fleet of trains and addressed challenges professionally and effectively. On behalf of the Board of Directors, I wish to thank Martin for his leadership and wish him a joyful retirement.

A highlight of the year was the appointment in June of Mario Péloquin as our President and CEO. Mario is a seasoned leader who, due to his lifetime of experience in the rail and transportation industries, is uniquely positioned to oversee the complexities of our operations and to champion the integral role of passenger trains in stimulating economic growth and addressing environmental challenges.

Since joining the organization, our new President and CEO has crisscrossed the country reviewing our operations and meeting with staff as well as passengers and partners. Based on this fact-finding tour and other research, Mario, the executive team, and the Board of Directors have identified the pillars upon which our future success will be built and that will be the basis of our strategic plan. The plan will be revealed in 2024 and will reflect our commitment to steering VIA Rail towards a future defined by innovation, efficiency, and sustainability.

In terms of efficiency, a key focus for VIA Rail in 2023 was the comprehensive review of our operations and cost structures. Through an in-depth examination of every facet of our business, our goal is to enhance our performance, and ensure that VIA Rail operates with maximum efficiency. With increasing demand for passenger rail services, and a growing recognition of the importance of collective transport in the fight against climate change, VIA Rail is also rising to the challenge through forward-looking investments and concrete projects for the future.

Projects like our new fleet of trains which, in 2023, began serving four large cities in the Québec City–Windsor corridor (Québec City, Montréal, Ottawa, Toronto) and all the communities in between, with more to come in 2024. We are particularly proud that they offer accessibility features that are among the most advanced in the world. We are confident that our modern new trains will encourage even more travellers to choose the comfort and sustainability of passenger rail over their cars.

In 2023, we were also proud to unveil a new, modern reservation system. It greatly simplifies the process of booking online, giving passengers much more autonomy in setting up their journeys. Over the coming months, we will continue to build this reservation system with a goal of further enhancing the passenger experience.

Looking ahead, we recognize that replacing VIA Rail's long distance, regional and remote trains is the next crucial step in our modernization journey. Our commitment extends beyond serving one region; we are dedicated to connecting communities in every region of this country with modern, sustainable, and fully accessible trains. We are well aware that we provide an essential service to remote and regional areas, many of which are indigenous communities. We take pride in serving over 400 communities across Canada and the central role we play in connecting Canadians regardless of where they live. Our continued success, however, requires the renewal of our long-distance, remote, and regional fleet which are now more than 70 years old.

On behalf of the Board of Directors, I would like to thank the Government of Canada, particularly the Minister of Transport, the Honourable Pablo Rodriguez and the entire team at Transport Canada for sharing VIA Rail's vision of a sustainable, efficient and accessible passenger rail service that positively impacts the lives of our passengers, and the communities we serve.

I would like to thank VIA Rail's dedicated employees. They go above and beyond every day to serve our passengers, and none of our initiatives would be possible without their expertise and hard work.

I extend my heartfelt gratitude to my colleagues on the Board for their unwavering commitment and hard work. I would particularly like to thank Jane Mowat, who retired in August 2023, for her dedication and devotion over the past 10 years, especially for her exemplary work as chairperson of the audit committee. Jane always had the success of VIA Rail at heart, and brought valuable insights as well as a wealth of experience to our Board discussions.

My final words of gratitude must go to our loyal passengers. Thank you for your trust in VIA Rail.

I am confident that with the momentum gained in 2023, as we continue to modernize and innovate, we are shaping the future of transportation for the benefit of all Canadians.

We look forward to welcoming you on board our trains.

Françoise Bertrand

FRANÇOISE BERTRAND, o.c., c.q.
Chairperson of the Board of Directors

MESSAGE FROM THE PRESIDENT AND CEO

MARIO PÉLOQUIN
President and CEO

As the son and grandson of railway workers, and someone who has spent his adult life working in transportation, it is an enormous honour to be leading Canada's national passenger rail service, and a privilege to collaborate with the remarkable group of people who work at VIA Rail. In my first months as President and CEO, I made it a priority to meet as many of our 3,600 employees as I could, and I learned that they are highly skilled, passionate, and committed to serving Canadians.

It is even more exciting to be jumping aboard at a time when VIA Rail and passenger rail worldwide are in the midst of a profound and far-reaching transformation. The train is increasingly being recognized as an important vehicle in the global drive to reduce our collective carbon footprint. Both the United States and the European Union are investing billions in building up their passenger rail networks, and we now have the opportunity to write a uniquely Canadian story.

VIA Rail has already made substantive progress towards shaping the future of rail travel in Canada, and in 2023 we took significant steps forward, reflecting our commitment to modernization and a better travel experience for our passengers.

Our clients in the Québec City–Windsor corridor are seeing it first-hand with the arrival of our new, modern trains, which offer outstanding levels of comfort, convenience, and accessibility. If you haven't already, I encourage you to hop aboard for a vivid demonstration of why travelling by train is simply the best way to go. It's a source of great pride to see these modern trains transforming the travel experience for our passengers, and I congratulate the dedicated VIA Rail team for making it happen. We eagerly anticipate connecting more Canadians in the Corridor with our new fleet in 2024.

I want to express my gratitude and admiration to our colleagues who were responsible for the successful launch of our new reservation system in 2023. It was an extraordinarily complex, multi-year undertaking, which VIA's people delivered with top-notch professionalism and a relentless focus on the passenger. It launched with minimal disruption to our passengers and is now an example of successful deployment of a new technological tool in Canada. The new reservation system is designed to support many other initiatives. It isn't just for today; it is a flexible tool, able to evolve to meet the changing needs of our passengers. We are entering a new era of travel, and this is just the beginning.

In 2023, we also delivered an exciting and necessary proposal for a new fleet of trains to serve our long distance, regional and remote routes from coast to coast to coast. Simply put, our existing trains need to be replaced as they are past their prime and will be forced into retirement in the coming years. Our plan builds on the growing demand from Canadians for passenger rail as an accessible and sustainable means of transportation. Our vision is that this new fleet serving passengers from Halifax to Winnipeg to Vancouver, and remote regional communities like Jonquière, White River and Churchill will enhance accessibility, support reconciliation with Indigenous communities and contribute to building a greener future for all Canadians. Our ambition is to serve more Canadians in more communities.

In our pursuit of modernization, I want to emphasize the critical concept of "integrated mobility." It means that travellers should be able to effortlessly switch between various modes of transport, from origin to destination, wherever it may be. Whether they are travelling by train, plane, car, bus, or boat, connections should be seamless at every stage of their journey. Coordinating our efforts with transportation partners makes sense because we share a common goal: to encourage more people to choose collective transport. Integrated mobility will be a central focus during my tenure as CEO of VIA Rail, and you will be hearing more about it in the months and years ahead as a key element of our ongoing commitment to enhance services for Canadians.

As we build a better passenger rail system, VIA Rail continues to face an important challenge. We own only 3% of the tracks we use. This means that we must work in close collaboration with the host railways, both freight and commuter, to ensure that all services, as different as they may be, can run with greater efficiency. We are all railroaders. On the Montréal–Ottawa line, where we control and maintain the majority of the tracks, our trains are on time about 95% of the time, compared to less than 60% for the rest of the network. We are committed to finding innovative solutions to enhance our services in collaboration with the railways that host our services.

One of those innovative solutions is VIA HFR. This subsidiary of VIA Rail with its own Board and Management Team is tasked with creating a more direct rail link between Québec City and Toronto with its own dedicated tracks. We believe in the project as our mandates are complementary, and we are working closely with the VIA HFR team, sharing our decades of expertise in operating passenger rail in Canada. While we wait for this long-term project to materialize, our focus remains steadfast on delivering an improved and more reliable service on the current infrastructure.

Since my arrival at VIA Rail, I have assembled a proactive, modern and talented executive team, and together we are developing a 2030 strategic plan which we will be excited to share in 2024. I want to thank the executive team and the Board of Directors for supporting the initiatives in the plan and continually showing dedication and ambition to make VIA Rail all it can be.

I join our Board Chair in offering my heartfelt thanks to each member of our team for their extraordinary efforts. I offer my personal thanks to the VIA Rail Board of Directors and to the Government of Canada for the trust they have placed in me to lead the modernization of our national passenger rail service on behalf of Canadians.

I hope you will join VIA Rail on this journey, and we're looking forward to welcoming you aboard our trains to the future.

MARIO PÉLOQUIN
President and Chief Executive Officer

THE YEAR AT A GLANCE

Financial Results are produced according to International Financial Reporting Standards. Financial statement results by line have been reclassified to reflect the internal presentation.

	2023	2022	2021	2020	2019
KEY FINANCIAL INDICATORS (in millions of dollars)					
Total passenger revenues (1)	408.4	317.9	118.2	76.0	388.0
Total revenues (1)	**430.7**	**335.1**	**133.5**	**92.0**	**411.1**
Operating expenses (1)	809.7	676.0	479.1	482.0	663.4
Contributions for employee benefits (1)	2.8	13.4	24.9	25.8	28.4
Total Operating expenses (1)	**812.5**	**689.4**	**504.0**	**507.8**	**691.8**
Operating loss	**381.8**	**354.3**	**370.5**	**415.8**	**280.7**
Capital expenditures	391.2	318.2	226.4	252.9	268.8
Total Funding Required	**773.0**	**672.5**	**596.9**	**668.7**	**549.5**
Government Operating Funding	381.8	354.3	370.5	415.8	280.7
Government Capital Funding	184.7	147.3	126.2	88.5	112.4
Government Capital Funding – Fleet replacement program	206.5	170.9	100.2	164.4	155.3
Total Government Funding	**773.0**	**672.5**	**596.9**	**668.7**	**548.4**
Asset Renewal Funding	**–**	**–**	**–**	**–**	**1.1**
KEY OPERATING STATISTICS (2)					
Total passenger-miles (in millions)	910	749	327	227	1,055
Total passengers (in thousands)	4,117	3,302	1,512	1,147	5,008
Total seat-miles (in millions)	1,490	1,225	668	508	1,772
Operating deficit per passenger-mile (in cents)	42.0	47.3	113.3	183.2	26.6
Yield (cents per passenger-mile)	43.6	41.8	35.4	31.2	35.9
Train-miles operated (in thousands)	6,343	5,382	3,647	2,870	6,933
Car-miles operated (in thousands)	39,446	34,340	18,472	14,583	43,661
Average passenger load factor (%)	61	61	49	45	60
Average number of passenger-miles per train mile	143	139	90	79	152
On-time performance (%)	59	57	72	71	68
Number of full time equivalent employees during the period	3,316	2,975	2,370	2,825	3,308

(1) Financial statement amounts were adjusted to reflect funded activities.
(2) Key operating statistics are unaudited.

THE YEAR AT A GLANCE (cont’d)

KEY OPERATING STATISTICS BY SERVICE GROUP

Train Service Summary – For the year 2023 (Revenues and costs by train service are unaudited)

Train Services	Revenues (in thousands)	Costs (in thousands)	Shortfall (in thousands)	Subsidy per passenger	Subsidy per passenger-mile	Passengers per week	Passengers per year
Montréal-Ottawa-Toronto	$ 219,538	$ 348,906	$ 129,368	$ 60.56	$ 0.24	41,077	2,136,024
Québec City-Montréal-Ottawa	78,504	121,581	43,077	44.94	0.30	18,432	958,451
Corridor East	**$ 298,042**	**$ 470,487**	**$ 172,445**	**$ 55.73**	**$ 0.25**	**59,509**	**3,094,475**
Toronto-London-Sarnia-Windsor	50,233	87,282	37,049	47.35	0.37	15,046	782,412
Toronto-Niagara	2,048	9,674	7,626	n/a	1.69	1,091	56,711
Southwestern Ontario (SWO)	**$ 52,281**	**$ 96,956**	**$ 44,675**	**$ 53.24**	**$ 0.42**	**16,137**	**839,123**
Corridor	**$ 350,323**	**$ 567,443**	**$ 217,120**	**$ 55.20**	**$ 0.28**	**75,646**	**3,933,598**
Montréal-Halifax	13,829	58,193	44,364	682.23	1.26	1,251	65,028
Toronto-Vancouver	61,549	124,130	62,581	1,014.77	0.79	1,186	61,670
Longhauls	**$ 75,378**	**$ 182,323**	**$ 106,945**	**$ 844.09**	**$ 0.94**	**2,437**	**126,698**
Montréal-Gaspé	0	0	0	n/a	n/a	0	0
Montréal-Jonquière	352	7,700	7,348	1,031.88	5.87	137	7,121
Montréal-Senneterre	365	6,972	6,607	830.80	4.83	153	7,955
Sudbury-White River	320	5,767	5,447	762.67	5.13	137	7,142
Winnipeg-Churchill	2,811	24,661	21,850	982.15	3.27	428	22,247
Jasper-Prince Rupert	1,108	11,730	10,622	882.37	2.87	232	12,038
Mandatory	**$ 4,956**	**$ 56,830**	**$ 51,874**	**$ 918.11**	**$ 3.69**	**1,087**	**56,503**
The Pas and Pukatawagan (1)	n/a	$ 5,852	$ 5,852	n/a	n/a	n/a	n/a
Total	**$ 430,657**	**$ 812,448**	**$ 381,791**	**$ 92.74**	**$ 0.42**	**79,169**	**4,116,799**

(1) Service operated by Keewatin Railway Company between The Pas and Pukatawagan.

GOVERNANCE

THE BOARD OF DIRECTORS

VIA Rail's Board of Directors, in collaboration with the Executive Management team, plays a critical role in aligning the Corporation's strategic direction and Corporate Plan with the objectives of the Government of Canada. Board members report to VIA Rail's sole shareholder, the Government of Canada, through the Minister of Transport.

As of December 31, 2023, the Board of Directors consisted of the Chairperson of the Board, the President and CEO and seven other directors appointed by the Government of Canada. Of the eight directors (not including the President and CEO of VIA Rail), three are women and five are men. The Board is responsible for overseeing the strategic direction and management of the Corporation, and reports on VIA Rail's operations to Parliament through the Honourable Pablo Rodriguez, Minister of Transport.

The Board held 14 meetings and the committees met a total of 25 times over the course of 2023. The average overall attendance rate of Board meetings was 92%. Cumulative fees paid to board members during this time period totalled $332,900.

The Board of Directors

FRANÇOISE BERTRAND
MONTRÉAL (QUÉBEC)

Chairperson of the Board of Directors
Member since 2017

Ex officio member of all Committees

GRANT CHRISTOFF
VANCOUVER (BRITISH COLUMBIA)

Board Member since March 2019

Member of the Stakeholders' Engagement and Communications Committee and member of the Audit and Pension Investment Committee

DANIEL GALLIVAN
HALIFAX (NOVA SCOTIA)

Board Member since June 2017

Chairperson of the Governance Committee, member of the Stakeholders' Engagement and Communications Committee and member of the Human Resources Committee

JONATHAN GOLDBLOOM
MONTRÉAL (QUÉBEC)

Board Member since June 2017

Chairperson of the Stakeholders' Engagement and Communications Committee, member of the Human Resources Committee and member of the Governance Committee

MIRANDA KEATING ERICKSON
CALGARY (ALBERTA)

Board Member since March 2019

Chairperson of the Human Resources Committee, member of the Governance Committee and member of the Major Projects and Fleet Modernization Committee

GLENN RAINBIRD
BELLEVILLE (ONTARIO)

Board Member since June 2017

Chairperson of the Major Projects and Fleet Modernization Committee, member of the Governance Committee and member of the Human Resources Committee

GAIL STEPHENS
VICTORIA (BRITISH COLUMBIA)

Board Member since June 2017

Chairperson of the Audit and Pension Investment Committee, member of the Human Resources Committee and member of the Governance Committee

KENNETH TAN
RICHMOND (BRITISH COLUMBIA)

Board Member since June 2017

Member of the Major Projects and Fleet Modernization Committee and member of the Audit and Pension Investment Committee

Directors' Experience

The Board of VIA Rail is composed of experienced and diverse experts in various fields such as corporate governance, government affairs, finance, project management, human resources, public policy, as well as risk management, safety and security. Board members use their combined wealth of experience to guide and shape the strategic path of VIA Rail, in accordance with the Directors' Competencies Policy.

Independence of the Board

The Board, with the exception of the President and CEO, maintains its independence from the Corporation's management. This separation ensures a productive relationship, with the Board holding management accountable for VIA Rail's performance and routinely evaluating how responsibilities are allocated within the organization. The governance of Board activities and the delineation of the Board's exclusive powers are outlined in the VIA Rail bylaws. The Board and Committee Charters further clarify the Board's governance roles and responsibilities and offer detailed guidelines on Board procedures.

Board and Committee meetings are structured to include designated in camera sessions. In these sessions, directors can have confidential discussions with the President and CEO, as well as separate meetings in his absence. The Audit and Pension Investment Committee engage in private meetings in three distinct formats: with the Office of the Auditor General of Canada's representatives; with VIA Rail's Chief Financial Officer, as well as with the Internal Auditor; and exclusively as a Committee without the President and CEO.

Supporting VIA Rail's Modernization

In 2023, VIA Rail's Board of Directors continued its essential role in guiding and overseeing the Corporation's strategic approach and identification of opportunities, especially in a year marked by important milestones, including the arrival of VIA Rail's new President and CEO, the pre-commercial launch of the new Corridor fleet, an organizational effectiveness exercise and the launch of the new reservation system.

Strategy

In 2024, the VIA Rail Board and the Executive Management team will be launching the new 2030 Vision strategic planning of VIA Rail, which includes transformation initiatives, and a forward-looking strategic perspective. This strategy will help in shaping VIA Rail's Corporate Plan, ensuring it is in sync with the priorities of its shareholder.

Composition and Committees

The renewal of the Board has been a key focus. In 2023, the tenure of five Board directors was extended, including the Chairperson. This decision was made to maintain continuity and to ensure that the Board continues to mirror the essential skills, expertise, and diversity as outlined in the Board skills and diversity matrix. The Privy Council Office also initiated selection processes to fill four vacant director positions.

Compensation

Director compensation at VIA Rail is determined by Order-in-Council. Both the Chairperson and other independent directors are compensated with an annual retainer for their service and participation in Committee and Board meetings. They also receive a fixed per diem for travel time. The compensation structure, which aligns with the Treasury Board Guidelines, is as follows:

- → Chair of the Board: Receives an annual retainer of $12,400 and a per diem of $485.
- → Directors: Receive an annual retainer of $6,200 and the same per diem of $485.
- → Chairs of Committees: Receive the base retainer plus an additional annual retainer of $6,200.

Directors are also reimbursed for reasonable out-of-pocket expenses incurred while performing their duties. These expenses include travel, accommodation, and meals. It's noteworthy that each Board member is a part of multiple committees.

Committees of the Board

As of December 31, 2023, the Board and Committee structure was composed of the following committees:

- → **Audit and Pension Investment Committee:** Gail Stephens, Chair, Grant Christoff and Kenneth Tan
- → **Major Projects and Fleet Modernization Committee:** Glenn Rainbird, Chair, Miranda Keating Erickson and Kenneth Tan
- → **Human Resources Committee:** Miranda Keating Erickson, Chair, Jonathan Goldbloom, Daniel Gallivan, Glenn Rainbird and Gail Stephens
- → **Stakeholders' Engagement and Communications Committee:** Jonathan Goldbloom, Chair, Grant Christoff and Daniel Gallivan
- → **Governance Committee:** Daniel Gallivan, Chair, Jonathan Goldbloom, Gail Stephens, Miranda Keating Erickson and Glenn Rainbird

The Committees' mandates are available under the "Board of Directors" section of VIA Rail's corpo.viarail.ca website. The Chairperson of the Board of Directors is an ex officio member of all Committees. The President and Chief Executive Officer is also an ex officio member of all Committees, except the Audit and Pension Investment Committee.

Board and Management Training

In keeping with their commitment to comprehensive understanding and responsive governance, both the Board and management at VIA Rail have engaged in specialized training sessions focused on key contemporary issues. These include Human Resources trends and best practices, Indigenous affairs, cybersecurity, and artificial intelligence.

Recognizing the importance of Indigenous perspectives and rights in today's global business environment, the Board underwent training to better comprehend and integrate Indigenous considerations into the Corporation's processes. Their training was aimed at fostering a workplace culture that values diversity, equity, and inclusion, ensuring that VIA Rail's Human Resources policies and practices are aligned with the highest standards.

Similarly, in response to the growing threats and opportunities presented by digital advancements, the Board and Management participated in cybersecurity training. This training aimed to enhance their understanding of the risks and strategies needed to safeguard sensitive information and digital assets. Additionally, they received education on the implications and applications of artificial intelligence, ensuring they remain abreast of the latest technological developments. These training initiatives reflect VIA Rail's dedication to being at the forefront of emerging trends and challenges in the corporate and social landscapes.

Travel, Hospitality and Conference Expenses

THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING 2023	
Françoise Bertrand Chairperson of the Board of Directors	$15,597
Mario Péloquin President and CEO	$19,477
Martin R Landry Interim President and CEO	$9,621
Executive Management committee members (11 members)	$105,866
Board of Directors (10 members)	$130,383
Total VIA Rail (including above expenses)	**$969,570**

Executive Compensation

2023 EXECUTIVE COMPENSATION RANGE DISCLOSURE[1]	
Cash Compensation[2]	**Officers**
Base Salary Range	$204,445 – $327,984
Incentive Program Range	35% – 50%
Total Compensation Range per Calendar Year	**$311,788 – $573,972**

PERQUISITES PROGRAM	
Car Allowance	$24,000
Social, Sport Club Memberships	
Health Care Spending Account	
Comprehensive Medical Exams	
Financial Planning Services	

1. On December 31, 2023, Executive Officers were: President and Chief Executive Officer, Chief Captial Programs Officer, Chief Service Delivery Officer, Chief Communications and Marketing Officer, Chief Human Resources Officer, Chief Commercial Officer, Chief Strategic Officer and Chief Financial Officer (interim).

2. The Cash Compensation does not report the actual salary and incentives paid to Executives but merely the range for their respective positions.

Annual Public Meeting

VIA Rail's 2023 Annual Public Meeting was pre-recorded and presented on June 7, 2023. During the meeting, Françoise Bertrand, Chairperson of the Board of Directors, and Marie-Claude Cardin, Chief Financial Officer, shared and discussed results from 2022 along with VIA Rail's plans for the future. Canadians were invited to submit questions about our operations and services in the weeks leading up to the meeting, which can be found here. Subtitled versions of the Annual Public Meeting are available on VIA Rail's YouTube channel in both official languages and offered with closed captioning, voiceover, and sign language interpretation (ASL).

Access to Information and Privacy

VIA Rail believes that openness and transparency are the starting points in building a relationship of trust with its passengers, partners and the public in general. VIA Rail has continuously improved its practices related to access to information as provided in the *Access to Information Act* and the *Privacy Act*, to which VIA Rail became subject in 2007.

In the summer of 2023, as per the requirements of the Government of Canada, VIA Rail submitted its 2022-2023 annual reports on access to information and privacy to the Access to Information Commissioner and the Privacy Commissioner, respectively, as well as to the Minister of Transport. VIA Rail is committed to responding to information requests from the public, the media and all those interested in our operations in a timely manner. From April 1, 2022 to March 31, 2023, VIA Rail received 62 new requests under the *Access to Information Act* and the *Privacy Act*. This compared to a total of 36 requests received during the corresponding period from April 2021 to March 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER AND THE YEAR ENDED DECEMBER 31, 2023

1. Introduction

Management's discussion and analysis report outlines the financial results of VIA Rail Canada Inc. (The Corporation) for the quarter and the year ended December 31, 2023, compared with the quarter and the year ended December 31, 2022. This document should be read in conjunction with the audited financial statements and notes.

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 decisions that the Corporation's stakeholders make on the basis of the financial information.

Forward-Looking Statement Disclosure

This Management's discussion and analysis report contains forward-looking statements which may be identified with the words "may", "likely to", "could". These statements reflect our evaluation of the information currently available and are subject to a number of risks and uncertainties referred to in the risk section of this document.

2. Corporate Overview

VIA Rail is a non-agent Crown corporation which operates Canada's national passenger rail service on behalf of the Government of Canada. The Corporation's objectives are to manage and provide a safe, efficient, reliable, and environmentally sustainable passenger rail service that meets the needs of travellers in Canada.

The Government of Canada determines the Corporation's role within the overall structure and services provided by the Federal government and provides appropriations to subsidize passenger rail services.

3. COVID-19 Pandemic

This year as things returned to normal following the pandemic, the Corporation's operations are back to levels that are significantly higher than those of the corresponding cumulative period of 2022, with 17.9 per cent more train miles and 21.5 per cent more seat miles. Capacity deployed this quarter has slightly increased compared to the corresponding quarter last year with 4.9 per cent more train miles and 11.7 per cent higher seat miles. This increase is attributable to the reintroduction of frequencies in Southwestern Ontario.

4. Highlights of Financial Results and Major Key Operating Statistics

(in millions of Canadian dollars)	QUARTERS ENDED DECEMBER 31 2023	2022	Var $	Var %	YEARS ENDED DECEMBER 31 2023	2022	Var $	Var %
Financial Performance								
Passenger revenues *(section 5.2)*	**106.1**	97.3	8.8	9.0%	**409.6**	317.0	92.6	29.2%
Other revenues	**6.1**	5.6	0.5	8.9%	**22.3**	17.2	5.1	29.7%
Total revenues	**112.2**	102.9	9.3	9.0%	**431.9**	334.2	97.7	29.2%
Operating expenses *(section 5.3)*	**262.1**	247.0	15.1	6.1%	**944.1**	823.4	120.7	14.7%
Operating loss before funding from the Government of Canada and income taxes *(section 5.1)*	**(149.9)**	(144.1)	(5.8)	(4.0%)	**(512.2)**	(489.2)	(23.0)	(4.7%)
Net loss for the period	**(13.7)**	(22.0)	8.3	37.7%	**(9.1)**	(15.2)	6.1	40.1%
Remeasurements of defined benefit components of the pension plans and post-employment benefit plans (net of tax)	**(31.6)**	(196.0)	164.4	83.9%	**(31.7)**	96.4	(128.1)	(132.9%)
Comprehensive (loss) income for the period	**(45.3)**	(218.0)	172.7	79.2%	**(40.8)**	81.2	(122.0)	(150.2%)

4. Highlights of Financial Results and Major Key Operating Statistics (cont'd)

	QUARTERS ENDED DECEMBER 31				YEARS ENDED DECEMBER 31			
(in millions of Canadian dollars)	**2023**	2022	Var $	Var %	**2023**	2022	Var $	Var %
Financial Position and Cash Flows								
Total assets *(section 5.4) (Note 1)*	**2,868.6**	2,591.3	277.3	10.7%	**2,868.6**	2,591.3	277.3	10.7%
Total liabilities and deferred capital funding *(section 5.4) (Note 1)*	**2,674.3**	2,356.1	318.2	13.5%	**2,674.3**	2,356.1	318.2	13.5%
Cash *(section 5.5)*	**22.8**	9.8	13.0	132.7%	**22.8**	9.8	13.0	132.7%
Net cash (used in) provided by operating activities *(section 5.5)*	**(19.6)**	(24.1)	4.5	18.7%	**7.5**	8.3	(0.8)	(9.6%)
Net cash (used in) provided by investing activities *(section 5.5)*	**(5.1)**	14.0	(19.1)	(136.4%)	**9.6**	1.4	8.2	585.7%
Net cash (used in) financing activities *(section 5.5)*	**(0.9)**	(1.0)	0.1	10.0%	**(4.0)**	(4.3)	0.3	7.0%
Government Funding								
Operating *(section 6)*	**93.5**	87.1	6.4	7.3%	**381.8**	354.3	27.5	7.8%
Capital *(section 6)*	**133.0**	114.0	19.0	16.7%	**391.2**	318.2	73.0	22.9%
Total Government funding	**226.5**	**201.1**	**25.4**	**12.6%**	**773.0**	**672.5**	**100.5**	**14.9%**
Key Operating Statistics								
Train miles operated (in thousands)	**1,637**	1,560	77	4.9%	**6,343**	5,382	961	17.9%
Seat miles (in millions)	**392**	351	41	11.7%	**1,490**	1,226	264	21.5%
Passenger miles (in millions)	**238**	224	14	6.3%	**910**	749	160	21.4%
Passengers (in thousands)	**1,099.7**	1,031.2	68.5	6.6%	**4,117.0**	3,301.7	815.3	24.7%
Average passenger load factor (%)	**61**	64	(3)	(4.7%)	**61**	61	–	0.0%
RASM (revenue per available seat-mile) (in cents) – *Note 2*	**28.62**	29.44	(0.82)	(2.8%)	**28.91**	27.33	1.58	5.8%
CASM (cost per available seat-mile) (in cents) – *Note 2*	**52.49**	54.26	(1.77)	(3.3%)	**54.54**	56.23	(1.69)	(3.0%)
Cost recovery ratio (%) – *Note 2*	**54.5**	54.3	0.2	0.4%	**53.0**	48.6	4.4	9.1%
Operating deficit per passenger-mile (in cents) – *Note 2*	**39.3**	38.9	0.4	1.0%	**42.0**	47.3	(5.3)	(11.2%)
On-time performance (%)	**54**	59	(5)	(8.5%)	**59**	57	2	3.5%

(Amounts in bracket represent decreases)
Note 1: Comparative figures as at December 31, 2022
Note 2: Based on funded results

4. Highlights of Financial Results and Major Key Operating Statistics (cont'd)

Financial Highlights

Fourth quarter

- Total revenues increased by 9.0 per cent resulting mainly from an increase in ridership led by higher demand, compared to the corresponding quarter of 2022.
- Operating expenses increased by 6.1 per cent primarily due to the operating costs associated to the additional ridership and to cost increases reflecting inflation.
- The operating loss increased by 4.0 per cent due to an increase in operating expenses, partly offset by an increase in revenues.
- Operating funding increased by 7.3 per cent, reflecting the higher amounts required for funded activities.
- The Corporation generated a comprehensive loss of $45.3 million compared to a comprehensive loss of $218.0 million in 2022. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

4. Highlights of Financial Results and Major Key Operating Statistics (cont'd)

Year

- → Total revenues increased by 29.2 per cent also resulting from an increase in frequencies led by higher demand.
- → Operating expenses increased by 14.7 per cent due to the higher costs directly associated to the additional frequencies operated compared to last year and cost increases reflecting inflation.
- → The operating loss increased by 4.7 per cent due to an increase in operating expenses, mostly offset by an increase in revenues.
- → Operating funding increased by 7.8 per cent, reflected by higher amounts required for funded activities.
- → The Corporation generated a comprehensive loss of $40.8 million compared to a comprehensive income of $81.2 million in 2022. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Most of the operating statistics related to revenues, ridership and load factors have improved this quarter, however revenues per available seat-mile (RASM) have slightly deteriorated reflecting the fact that the increase in revenues (9.0%) was lower than the increase in capacity (11.7 per cent seat-miles). As well as for costs per available seat-mile (CASM), they have improved since the increase in costs (6.1 per cent) was lower than the increase in capacity (11.7 per cent seat-miles).

As a result, the cost recovery ratio has improved by 0.4 per cent compared to the corresponding quarter last year.

On a cumulative basis, all statistics have improved compared to the corresponding period last year.

5. Analysis of Financial Results

5.1 COMPARISON OF IFRS AND FUNDED OPERATING RESULTS

	QUARTERS ENDED DECEMBER 31				YEARS ENDED DECEMBER 31			
(in millions of Canadian dollars)	2023	2022	Var $	Var %	2023	2022	Var $	Var %
Operating loss on a funded basis	**(93.5)**	**(87.1)**	**(6.4)**	**(7.3%)**	**(381.8)**	**(354.3)**	**(27.5)**	**(7.8%)**
NON-FUNDED ADJUSTMENT TO REVENUES								
Adjustment for VIA Préférence points and other	**0.1**	(0.4)	0.5	125.0%	**1.2**	(0.9)	2.1	233.3%
NON-FUNDED ADJUSTMENTS TO EXPENSES								
Pension and other employee future benefits	**(4.9)**	(13.3)	8.4	63.2%	**(4.7)**	(18.6)	13.9	74.7%
Depreciation of property, plant and equipment, amortization of intangible assets, depreciation of right-of-use assets and loss on disposal	**(41.1)**	(35.5)	(5.6)	(15.8%)	**(125.1)**	(114.3)	(10.8)	(9.4%)
Other provisions for non-cash items	**(10.5)**	(7.8)	(2.7)	(34.6%)	**(1.8)**	(1.1)	(0.7)	(63.6%)
Total non-funded adjustments to expenses	**(56.5)**	(56.6)	0.1	0.2%	**(131.6)**	(134.0)	2.4	1.8%
Total items not requiring funds from operations	**(56.4)**	**(57.0)**	**0.6**	**1.1%**	**(130.4)**	**(134.9)**	**4.5**	**3.3%**
Operating loss under IFRS	**(149.9)**	**(144.1)**	**(5.8)**	**(4.0%)**	**(512.2)**	**(489.2)**	**(23.0)**	**(4.7%)**
Operating funding from the Government of Canada	**93.5**	87.1	6.4	7.3%	**381.8**	354.3	27.5	7.8%
Amortization of deferred capital funding	**39.7**	34.3	5.4	15.7%	**120.0**	109.2	10.8	9.9%
Net loss before income taxes	**(16.7)**	**(22.7)**	**6.0**	**26.4%**	**(10.4)**	**(25.7)**	**15.3**	**59.5%**
Income tax recovery	**3.0**	0.7	2.3	328.6%	**1.3**	10.5	(9.2)	(87.6%)
Net loss under IFRS for the period	**(13.7)**	**(22.0)**	**8.3**	**37.7%**	**(9.1)**	**(15.2)**	**6.1**	**(40.1%)**
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans	**(43.0)**	(256.7)	213.7	83.2%	**(43.2)**	132.3	(175.5)	(132.7%)
Income tax recovery (expense)	**11.4**	60.7	(49.3)	(81.2%)	**11.5**	(35.9)	47.4	132.0%
Other comprehensive (loss) income	**(31.6)**	**(196.0)**	**164.4**	**83.9%**	**(31.7)**	**96.4**	**(128.1)**	**(132.9%)**
Comprehensive (loss) income for the period	**(45.3)**	**(218.0)**	**172.7**	**79.2%**	**(40.8)**	**81.2**	**(122.0)**	**(150.2%)**

(Amounts in bracket represent decreases)

5. Analysis of Financial Results (cont'd)

5.1 COMPARISON OF IFRS AND FUNDED OPERATING RESULTS (cont'd)

Net loss under IFRS for the quarter:

Net loss of $13.7 million this quarter, compared to a net loss of $22.0 million last year, representing an improvement of $8.3 million mainly due to:

- Higher government funding recognized during the quarter $6.4 million
- Higher amortization of deferred capital funding $5.4 million
- Higher deferred income tax recovery of $2.3 million, partly offset by
- Higher operating loss ($5.8 million), resulting from additional operating expenses of $15.1 million, less higher revenues of $9.3 million.

Net loss under IFRS for the year:

Net loss of $9.1 million for the year, compared to a net loss of $15.2 million last year, representing an improvement of $6.1 million mainly due to:

- Higher government funding recognized during the year $27.5 million
- Higher amortization of deferred capital funding $10.8 million, partly offset by
- Lower deferred income tax recovery of $9.2 million
- Higher operating loss ($23.0 million), attributable to higher revenues of $97.7 million partially offset by higher expenses of $120.7 million.

Comprehensive (loss) income

Remeasurement of defined benefit component of the pension plans and post-employment benefit plans is composed of quarterly non-cash remeasurements resulting from changes in actuarial assumptions and the return on pension plan assets. For more details see Note 15 of the audited financial statements.

5. Analysis of Financial Results (cont'd)

5.2 REVENUES

	QUARTERS ENDED DECEMBER 31				YEARS ENDED DECEMBER 31			
(in millions of Canadian dollars)	2023	2022	Var $	Var %	2023	2022	Var $	Var %
Passenger revenues								
Corridor East	**75.5**	69.5	6.0	8.6%	**277.3**	217.6	59.7	27.4%
Southwestern Ontario (SWO)	**13.3**	13.0	0.3	2.3%	**48.0**	36.9	11.1	30.1%
Québec City – Windsor corridor	**88.8**	**82.5**	**6.3**	**7.6%**	**325.3**	**254.5**	**70.8**	**27.8%**
Ocean	**3.1**	2.4	0.7	29.2%	**12.8**	9.5	3.3	34.7%
Canadian	**11.6**	10.5	1.1	10.5%	**55.0**	46.2	8.8	19.0%
Regional services	**0.9**	1.1	(0.2)	(18.2%)	**3.8**	3.4	0.4	11.8%
Non-Corridor	**15.6**	**14.0**	**1.6**	**11.4%**	**71.6**	**59.1**	**12.5**	**21.2%**
Other	**1.7**	0.8	0.9	112.5%	**12.7**	3.4	9.3	273.5%
Total passenger revenues under IFRS	**106.1**	**97.3**	**8.8**	**9.0%**	**409.6**	**317.0**	**92.6**	**29.2%**
Other revenues	**6.1**	5.6	0.5	8.9%	**22.3**	17.2	5.1	29.7%
Total revenues under IFRS	**112.2**	**102.9**	**9.3**	**9.0%**	**431.9**	**334.2**	**97.7**	**29.2%**
Adjustment for VIA Préférence points (non-funded) and other	**(0.1)**	0.4	(0.5)	(125.0%)	**(1.2)**	0.9	(2.1)	(233.3%)
TOTAL FUNDED REVENUES	**112.1**	**103.3**	**8.8**	**8.5%**	**430.7**	**335.1**	**95.6**	**28.5%**

(Amounts in bracket represent decreases)

5. Analysis of Financial Results (cont'd)

5.2 REVENUES (cont'd)

Passengers

	QUARTERS ENDED DECEMBER 31				YEARS ENDED DECEMBER 31			
(in thousands)	2023	2022	Var #	Var %	2023	2022	Var #	Var %
Passengers								
Corridor East	**829.8**	768.4	61.4	8.0%	**3,094.5**	2,478.7	615.8	24.8%
Southwestern Ontario (SWO)	**225.8**	224.3	1.5	0.7%	**839.1**	674.4	164.7	24.4%
Québec City – Windsor corridor	**1,055.6**	**992.7**	**62.9**	**6.3%**	**3,933.6**	**3,153.1**	**780.5**	**24.8%**
Ocean	**15.9**	13.2	2.7	20.5%	**65.0**	52.8	12.2	23.1%
Canadian	**13.6**	12.8	0.8	6.3%	**61.7**	51.5	10.2	19.8%
Regional services	**14.6**	12.5	2.1	16.8%	**56.5**	44.3	12.2	27.5%
Non-Corridor	**44.1**	**38.5**	**5.6**	**14.5%**	**183.2**	**148.6**	**34.6**	**23.3%**
TOTAL PASSENGERS	**1,099.7**	**1,031.2**	**68.5**	**6.6%**	**4,116.8**	**3,301.7**	**815.1**	**24.7%**

(Amounts in bracket represent decreases)

5. Analysis of Financial Results (cont'd)

5.2 REVENUES (cont'd)

Passenger revenues

Passenger revenues have increased by $8.8 million (9.0 per cent) during the quarter and by $92.6 million (29.2 per cent) for the year. Both increases are mainly attributable to higher revenues generated in all major train services reflecting the impact of the reintroduction of services and the increase in ridership (6.6 per cent for the quarter and 24.7 per cent for the period). Average revenues have increased by 2.3 per cent for the quarter and 3.6 per cent for the year.

Québec City – Windsor corridor

Revenues have increased by $6.3 million (7.6 per cent) during the quarter as a result of the increased demand (6.3 per cent more passengers) and higher average revenues (1.3 per cent). Capacity (in terms of seat miles offered) increased by 8.4 per cent compared to the corresponding quarter last year.

On a cumulative basis, revenues have increased by $70.8 million (27.8 per cent) for the year. Capacity increased by 22.3 per cent, ridership has increased by 24.8 per cent, while average revenues have improved by 2.5 per cent.

5. Analysis of Financial Results (cont'd)

5.2 REVENUES (cont'd)

Ocean

Revenues for the quarter have increased by $0.7 million (29.2 per cent) compared to last year.

Ridership has increased by 20.5 per cent for the quarter and average revenues have improved by 8.9 per cent. On a cumulative basis, revenues have increased by $3.3 million (34.7 per cent), mostly due to higher ridership (increase of 23.1 per cent) and higher average revenues (9.0 per cent).

Canadian

Revenues have increased by $1.1 million (10.5 per cent) compared to the same quarter last year and by $8.8 million (19.0 per cent) compared to last year. The increases result mainly from higher ridership of 6.3 per cent for the quarter and of 19.8 per cent for the year. Capacity in terms of seat-miles increased by 48.0 per cent for the quarter and by 28.2 per cent for the year.

Regional services

Revenues have decreased by $0.2 million (18.2 per cent) for the quarter but have increased by $0.4 million (11.8 per cent) for the year. The decrease for the quarter is mainly due to lower average revenues ((26.5) per cent). The increase for the year results from additional ridership (27.5 per cent), partly offset by lower average revenues ((12.1) per cent).

Other revenues

Other revenues have increased by $0.5 million (8.9 per cent) for the quarter and have increased by $5.1 million (29.7 per cent) for the year. These increases are due to higher investment income driven by the high interest rates and third-party revenues as well as higher station revenues, reflecting the increased levels of operations.

5. Analysis of Financial Results (cont'd)

5.3 OPERATING EXPENSES

	QUARTERS ENDED DECEMBER 31				YEARS ENDED DECEMBER 31			
(in millions of Canadian dollars)	2023	2022	Var $	Var %	2023	2022	Var $	Var %
Compensation and employee benefits	**98.2**	99.8	(1.6)	(1.6%)	**368.0**	339.5	28.5	8.4%
Train operations and fuel	**45.7**	49.9	(4.2)	(8.4%)	**181.6**	162.0	19.6	12.1%
Stations and property	**14.0**	10.9	3.1	28.4%	**47.8**	41.1	6.7	16.3%
Marketing and sales	**13.6**	11.4	2.2	19.3%	**42.4**	32.9	9.5	28.9%
Maintenance material	**9.8**	9.9	(0.1)	(1.0%)	**40.0**	35.5	4.5	12.7%
On-train product costs	**9.7**	9.9	(0.2)	(2.0%)	**39.7**	31.6	8.1	25.6%
Professional services	**6.9**	4.5	2.4	53.3%	**29.0**	16.2	12.8	79.0%
Telecommunications	**9.4**	7.7	1.7	22.1%	**30.6**	27.2	3.4	12.5%
Technical services	**1.1**	0.8	0.3	37.5%	**4.2**	0.8	3.4	425.0%
Depreciation and amortization	**32.7**	28.4	4.3	15.1%	**114.3**	105.5	8.8	8.3%
Loss on disposal of property, plant and equipment and intangible assets	**8.4**	7.1	1.3	18.3%	**10.8**	8.8	2.0	22.7%
Unrealized net loss on derivative financial instruments	**3.5**	1.7	1.8	105.9%	**2.2**	1.6	0.6	37.5%
Other	**9.1**	5.0	4.1	82.0%	**33.5**	20.7	12.8	61.8%
Total operating expenses under IFRS	**262.1**	**247.0**	**15.1**	**6.1%**	**944.1**	**823.4**	**120.7**	**14.7%**
Non-funded adjustments *(section 5.1)*	**(56.5)**	(56.6)	0.1	0.2%	**(131.6)**	(134.0)	2.4	1.8%
Total funded expenses	**205.6**	**190.4**	**15.2**	**8.0%**	**812.5**	**689.4**	**123.1**	**17.9%**

(Amounts in bracket represent decreases)
(Explanations are provided for expenses for which quarterly variances are of $3 million or more, or 10 per cent or more)

5. Analysis of Financial Results (cont'd)

5.3 OPERATING EXPENSES (cont'd)

Total operating expenses increased by $15.1 million (6.1 per cent) for the quarter and by $120.7 million (14.7 per cent) for the year. The primary variances are:

Compensation and employee benefits

The expenses decreased by $1.6 million (1.6 per cent) during the quarter and increased by $28.5 million (8.4 per cent) for the year. The decrease for the quarter is mainly due to lower employee benefit costs. The increase for the year is attributable to higher staffing costs associated to the additional frequencies operated compared to the previous year as the impact of annual salary increases, partly offset by lower employee benefit costs.

Train operations and fuel

The expenses decreased by $4.2 million (8.4 per cent) during the quarter and increased by $19.6 million (12.1 per cent) for the year. The decrease for the quarter results mainly from the lower fuel prices, partly offset by higher costs for access to third-party infrastructure, reflecting contractual cost increases and additional frequencies. The increase for the year is due to the additional frequencies operated which generated higher costs for access to third-party infrastructure, track maintenance and higher crew expenses. These increased were partly offset by lower fuel costs, stemming from lower fuel prices.

Stations and property

The expenses increased by $3.1 million (28.4 per cent) during the quarter and by $6.7 million (16.3 per cent) for the year due to higher lease costs, as well as additional building and site maintenance expenses reflecting the increased level of frequencies and ridership.

5. Analysis of Financial Results (cont'd)

5.3 OPERATING EXPENSES (cont'd)

Marketing and sales

The expenses increased by $2.2 million (19.3 per cent) during the quarter and by $9.5 million (28.9 per cent) for the year. These increases are mainly attributable to higher support costs for the reservation systems as the Corporation migrated to a new reservation system in November. Credit card commission costs also rose reflecting the increase in sales for both the quarter and year.

Maintenance material

The expenses have decreased by $0.1 million (1.0 per cent) for the quarter and increased by $4.5 million (12.7 per cent) for the year. The increase for the year is mainly due to the increase in price for parts which are impacted by current inflation rates as well as additional maintenance work associated to current operating levels and the aging non-Corridor fleet.

On-train product costs

The expenses decreased by $0.2 million (2.0 per cent) for the quarter and increased by $8.1 million (25.6 per cent) for the year. The increase for the year result from the increased ridership specifically in Business and Sleeper classes as well as higher prices reflecting current inflation rates.

Professional services

The expenses increased by $2.4 million (53.3 per cent) for the quarter and by $12.8 million (79.0 per cent) for the year. These increases are due to higher consulting fees for a corporate wide initiative aiming at reviewing internal processes and identify additional cost-saving opportunities.

5. Analysis of Financial Results (cont’d)

5.3 OPERATING EXPENSES (cont’d)

Telecommunications

The expenses increased by $1.7 million (22.1 per cent) during the quarter and increased by $3.4 million (12.5 per cent) for the year. These increases result from support and license costs associated with newly implemented systems, as well as higher telecommunications costs reflecting the increased level of services and wifi usage.

Technical services

The expense increased by $0.3 million (37.5 per cent) for the quarter and by $3.4 million (425.0 per cent) during the year. These increases result from new Corridor fleet trainsets in operations.

Loss on disposal of property, plant and equipment and intangible assets

The expense increased by $1.3 million (18.3 per cent) during the quarter and by $2.0 million (22.7 per cent) for the year. These increases are due to retirement and disposal of more equipment at the end of life.

Unrealized net loss on derivative financial instruments

Net loss of $3.5 million for the quarter and $2.2 million for the year compared to a net loss of $1.7 million for the quarter ended December 31, 2022, and a net loss of $1.6 million for the year. Net loss for the quarter and cumulative period ending December 31, 2023, reflects the fact that contract prices are higher than market fuel prices.

Other expenses

The expenses increased by $4.1 million (82.0 per cent) for the quarter and by $12.8 million (61.8 per cent) for the year. The increase result mainly from lower realized gains on derivative financial instruments ($10.4 million) for the year.

5. Analysis of Financial Results (cont'd)

5.4 FINANCIAL POSITION

(in millions of Canadian dollars)	December 31, 2023	December 31, 2022	Var $	Var %
ASSETS				
Current assets	**250.1**	200.1	50.0	25.0%
Advances on contracts	**45.2**	51.1	(5.9)	(11.5%)
Property, plant and equipment	**1,729.6**	1,473.6	256.0	17.4%
Right-of-use assets	**91.3**	95.0	(3.7)	(3.9%)
Intangible assets	**415.5**	388.0	27.5	7.1%
Employee benefit assets	**336.9**	383.5	(46.6)	(12.2%)
Total Assets	**2,868.6**	**2,591.3**	**277.3**	**10.7%**
LIABILITIES				
Current liabilities	**335.5**	280.4	55.1	19.7%
Other payables	**35.3**	29.5	5.8	19.7%
Deferred income tax	**35.2**	48.0	(12.8)	(26.7%)
Lease liabilities	**98.3**	99.9	(1.6)	(1.6%)
Employee benefit liabilities	**32.6**	31.2	1.4	4.5%
Total Liabilities	**536.9**	**489.0**	**47.9**	**9.8%**
Deferred capital funding	**2,137.4**	1,867.1	270.3	14.5%
Share capital	**9.3**	9.3	–	0.0%
Accumulated surplus, beginning of period	**225.9**	144.7	81.2	56.1%
Net loss	**(9.1)**	(15.2)	6.1	40.1%
Other comprehensive (loss) income	**(31.8)**	96.4	(128.2)	(133.0%)
Accumulated surplus, end of period	**185.0**	**225.9**	**(40.9)**	**(18.1%)**
Total Liabilities and Shareholder's equity	**2,868.6**	**2,591.3**	**277.3**	**10.7%**

(Amounts in bracket represent decreases)

5. Analysis of Financial Results (cont'd)

5.4 FINANCIAL POSITION (cont'd)

The main year-over changes in the Statement of Financial Position result from the following major elements:

Assets

Total assets have increased by $277.3 million due mainly to an increase in property, plant and equipment by $256.0 million and in intangible assets by $27.5 as the Corridor fleet Replacement Project and Information Technology projects are progressing.

Current assets have increased by $50.0 million, stemming from an increase of $28.4 million in a receivable from the Government of Canada partly offset by a decreased in employee benefit assets of $46.6 million reflecting a decrease of discount rates.

Liabilities and deferred capital funding

Total liabilities have increased by $47.9 million mainly due to an increase by $55.1 million in current liabilities and to an increase of $5.8 million in other payables. Deferred capital funding has increased by $270.3 million due to capital investments.

Other comprehensive (loss) income

Other comprehensive (loss) income decreased due to a decrease in discount rates affecting employee benefit assets and liabilities partly offset by a higher return on pension plan assets, as explained in section 5.1 of this document.

5. Analysis of Financial Results (cont'd)

5.5 LIQUIDITY, CASH FLOWS AND CAPITAL INVESTMENTS

Liquidity and cash flows

	QUARTERS ENDED DECEMBER 31				YEARS ENDED DECEMBER 31			
(in millions of Canadian dollars)	2023	2022	Var $	Var %	2023	2022	Var $	Var %
Balance, beginning of period	**48.4**	20.9	27.5	(131.6%)	**9.7**	4.4	5.3	120.5%
Net cash (used in) provided by operating activities	**(19.6)**	(24.1)	4.5	18.7%	**7.5**	8.3	(0.8)	(9.6%)
Net cash (used in) provided by investing activities	**(5.1)**	14.0	(19.1)	(136.4%)	**9.6**	1.4	8.2	585.7%
Net cash (used in) financing activities	**(0.9)**	(1.0)	0.1	10.0%	**(4.0)**	(4.3)	0.3	7.0%
Balance, end of period	**22.8**	**9.8**	**13.0**	**(132.7%)**	**22.8**	**9.8**	**13.0**	**132.7%**

(Amounts in bracket represent decreases)

Operating activities

Net cash increased by $4.5 million (18.7 per cent) for the quarter and decreased by $0.8 million (9.6 per cent) for the year. The variances are mainly due to the change in working capital items ($13.5 million for the quarter and $5.6 million for the year) as shown in the Note 19 of the audited financial statements and to a lower loss for the year of $6.2 million.

Investing activities

Net cash decreased by $19.1 million (136.4 per cent) for the quarter and increased by $8.2 million (585.7 per cent) for the year. The increase for the year is mainly due to the timing of the amount received from the government during the year compared to the amounts paid for the acquisition of property, plant and equipment and intangible assets.

5. Analysis of Financial Results (cont'd)

5.5 LIQUIDITY, CASH FLOWS AND CAPITAL INVESTMENTS (cont'd)

Funded capital investments

Property, plant and equipment and intangible assets totalled $2,145.1 million as at December 31, 2023, which is an increase of $283.5 million compared to the balance as at December 31, 2022.

Funded capital investments of $391.2 million were made during the year.

	QUARTERS ENDED DECEMBER 31				YEARS ENDED DECEMBER 31			
(in millions of Canadian dollars)	2023	2022	Var $	Var %	2023	2022	Var $	Var %
Equipment	**8.6**	12.0	(3.4)	(28.3%)	**36.2**	38.4	(2.2)	(5.7%)
Infrastructure	**19.8**	20.8	(1.0)	(4.8%)	**34.8**	32.8	2.0	6.1%
Information technology	**8.9**	11.6	(2.7)	(23.3%)	**33.3**	46.9	(13.6)	(29.0%)
Stations	**17.6**	8.9	8.7	97.8%	**43.6**	18.9	24.7	130.7%
Corridor Fleet Replacement Program	**62.0**	48.1	13.9	28.9%	**206.5**	162.9	43.6	26.8%
Other	**16.1**	4.6	11.5	250.0%	**36.8**	10.3	26.5	257.3%
Total capital investments	**133.0**	**106.0**	**27.0**	**25.5%**	**391.2**	**310.2**	**81.0**	**26.1%**
Advance on contract – Fleet Replacement Program	**–**	8.0	(8.0)	(100.0%)	**–**	8.0	(8.0)	(100.0%)
Total	**133.0**	**114.0**	**19.0**	**16.7%**	**391.2**	**318.2**	**73.0**	**22.9%**

(Amounts in bracket represents decreases)

The most significant investments made during the quarter and the year were in the Corridor Fleet Replacement Program, in Information Technology projects such as the new reservation system, in Equipment projects including the HEP (head-end power) long haul and non-Corridor equipment rebuild program (referred to as the "Heritage program") and in Infrastructure projects (for track and bridge improvements as well as for the infrastructure project to improve the fluidity and connectivity in Montréal for which the Corporation received funding for $490.1 million).

6. Results Compared to the 2023-2027 Corporate Plan[1]

(1): The Corporate plan provides information on funded activities, therefore comparison between actual and planned results are based on funded activities.

The Corporation continues to work towards achieving the goals and strategies identified in its corporate plan. The financial results of the quarter and the period are in line with corporate plan assumptions and forecasts.

In terms of capital expenditures, although investments for the quarter were below planned expenditures, work progresses on the major strategic projects identified in the plan such as the Corridor Fleet Replacement Program, infrastructure projects, our HEP equipment rebuild programs as well as our new reservation system.

6. Results Compared to the 2023-2027 Corporate Plan[1] (cont'd)

Government funding relating to operating expenses:

(in millions of Canadian dollars)	December 31, 2023	December 31, 2022
Balance, beginning of period (January 1)	**91.0**	63.3
Received to fund operating expenses	**(391.3)**	(326.6)
Recognized in financial results	**381.8**	354.3
Government funding received for the Asset Renewal Fund transfer to operating funding	**(0.9)**	–
Balance, end of period (December 31)	**80.6**	91.0

Government funding relating to capital expenditures:

(in millions of Canadian dollars)	December 31, 2023	December 31, 2022
Balance, beginning of period (January 1)	**42.5**	(7.4)
Received to fund the acquisition of property, plant and equipment and intangible assets (including the cost of land)	**(352.4)**	(268.3)
Used to fund capital expenditures	**391.2**	318.2
Balance, end of period (December 31)	**81.3**	42.5

6. Results Compared to the 2023-2027 Corporate Plan[1] (cont'd)

Parliamentary appropriations

The Corporation receives its funding from the Government of Canada based on the Government's fiscal year which begins April 1 and ends March 31. Thus, parliamentary appropriations for operating expenses and capital expenditures are based on the Government's fiscal year.

Parliamentary appropriation for operating expenses

	For the twelve-month period ending March 31, 2024	For the twelve-month period ending March 31, 2023
Original parliamentary appropriation	**390.3**	308.8
Supplementary parliamentary appropriation *(Note 1)*	**117.2**	14.4
Revised annual parliamentary appropriation	**507.5**	323.2
Appropriation recognized for the three months ended June 30	**85.6**	79.9
Appropriation recognized for the three months ended September 30	**82.5**	67.0
Appropriation recognized for the three months ended December 31	**93.5**	87.1
Total appropriation recognized for the period	**261.6**	234.0
Appropriation available for remainder of the government fiscal year	**245.9**	89.2

Note 1: For 2023-2024 – includes an amount of $117.2 million received for operations and for 2022-2023 an amount of $14.4 million for the creation of VIA's HFR subsidiary.

6. Results Compared to the 2023-2027 Corporate Plan[1] (cont'd)

Parliamentary appropriation for capital expenditures

	For the twelve-month period ending March 31, 2024	For the twelve-month period ending March 31, 2023
Original parliamentary appropriation	**843.4**	671.8
Supplementary parliamentary appropriation *(Note 1)*	**131.7**	101.4
Revised annual parliamentary appropriation	**975.1**	773.2
Appropriation recognized for the three months ended June 30	**67.1**	65.1
Appropriation recognized for the three months ended September 30	**118.3**	84.3
Appropriation recognized for the three months ended December 31	**133.0**	114.0
Total appropriation recognized for the period	**318.4**	263.4
Appropriation available for remainder of the government fiscal year	**656.7**	509.8

Note 1: For 2023-2024 – includes an amount of $131.7 million received for capital investments obtained through Supplementary Estimates B and for 2022-2023 – includes an amount of $96.3 million obtained through Supplementary Estimates B and an amount of $5.2 million obtained through Supplementary Estimates C.

7. Risk Analysis

This section highlights the Corporation's key risks which may have potential impact on the Corporation's financial results and provides information on risks for which the trend or status has changed compared to the status as at December 31, 2022.

Nature of Risk	Trend	Current Situation
Financial Sustainability		
The Corporation has limited powers as a non-agent Crown Corporation and is dependent on annual government budgetary allocations to fund its operations, capital and pension obligations. Government funding constitutes a risk in the efficient delivery of the Corporation's services, as well as in the planning and execution of its medium-to-long-term strategies.	↑	The Corporation has been faced with increasing costs in 2023 due to the high inflation, particularly in compensation costs but also third-party access costs, maintenance materials, and on-train product costs. The Corporation received additional operational funding from the Government of Canada as part of the 2023 Federal Budget and will have sufficient funding for the year 2023. However, with the end of the current funding envelope approaching and with insufficient operating funding and no capital funding confirmed for the years beyond the current funding envelope, there is a risk that the Corporation may not be able to efficiently deliver its services nor execute its medium-to-long-term strategies. The Corporation continues to closely monitor the situation and is in communication with Transport Canada concerning potential additional funding requirements for years beyond 2023.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Service Offering		
The Corporation's lack of ability to meet travel market needs through existing and future services could hinder its capacity to meet the revenue plan and can cause the funding to be insufficient and lead to cost/service reductions. Current service offering challenges include: → Deteriorating economic environment (risk of recession, inflation) → Infrastructure access challenges (freight congestion, speed issues, blockades) → Reduced capacity due to aging fleet → Competition	→	The Corporation will continue to face capacity issues until the new Corridor fleet is in service. Furthermore, the uncertainty related to potential recessions as well as the potential change in travel patterns of customers could hinder the Corporation's ability to achieve its revenue plan and require additional containment measures to compensate for lost revenues.
Asset Management		
Most of the Corporation's rolling stock equipment, used for non-Corridor services, has essentially reached the end of its operating life. Its reliability has deteriorated in the past few years, resulting in delays and additional operating costs to maintain a state of good repair. Increased maintenance costs and reduced availability of equipment in upcoming years are to be expected until a replacement fleet is introduced.	↑	The Corporation is running an aging fleet requiring more inspections and repairs, as a result of which service revenues and costs as well as equipment availability will be negatively impacted in the future. Substantial investments will be required to keep as much equipment in operating conditions until it is replaced by a new fleet. The Corporation continues to closely monitor the situation and is in communication with Transport Canada concerning funding requirements for the replacement of the existing fleet providing services on non-Corridor routes.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Operational Security and Safety		
Events such as collisions, derailments and pedestrian accidents may negatively impact revenues. Such events and new regulations on grade crossings may also result in significant non-budgeted costs for the Corporation.	↑	The Corporation, through its enhanced Safety Management System (SMS), applies operational procedures and controls which ensure compliance with railway safety requirements. The Corporation also completes regular inspections of its equipment, stations and infrastructure. These activities are carried on to manage and mitigate the safety risks of our railway operations, as well as the potential significant unexpected costs which may result from the Corporation's operations. The Corporation has developed a security roadmap and has, over the last few years, implemented various initiatives to enhance security in some of its stations. With regards to the new regulatory requirements on grade crossings issued by Transport Canada, the effective date at which work must be completed has been extended beyond the original implementation date of November 27, 2021. The Corporation has completed the work on its infrastructure, and work is currently underway on third-party owned infrastructure on which the Corporation operates.
Access to Third-Party Assets		
The services provided by host railways have been deteriorating during the past few years, resulting in declining on-time performance, which resulted in increased operating costs, and which could lead to lower customer satisfaction and revenue generation.	↑	On-time performance has deteriorated since the beginning of the year, down to 54 per cent for the year. The deterioration was seen across all the network, including the Corridor where on-time performance decreased from 69 per cent during the first quarter to 54 per cent in the fourth quarter. Poor on-time performance and associated delays could have a negative impact on customer satisfaction and ridership and could hinder the Corporation's efforts to bring passengers back on the trains. Management is working with infrastructure owners to address the situation and improve on-time performance.

↑ Increasing   → Stable   ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Use of Technology and Cybersecurity		
As part of regular business operations, the Corporation collects, processes and stores sensitive data, including personal information of passengers, employees and information of business partners. Any technology system failure, degradation, interruption or misuse, security breach, inefficient migration to a new system, or failure to comply with applicable data confidentiality, privacy, security or other related obligations, could adversely affect the Corporation's reputation. It could also expose the Corporation to litigation, claims for contract breach, fines, sanctions or remediation costs or otherwise materially and adversely affect its operations. Any of the previous could have a material adverse effect on the Corporation, its business, results from operations and financial conditions.	→	The Corporation relies heavily on technology to operate its business, including to increase its revenues and reduce its costs. Technology systems are at risk of cybersecurity incidents, and it is generally viewed that cyber-attacks have increased and will continue to increase in both occurrence and complexity. The Corporation invests in security initiatives such as employee awareness training and third-party assessment of controls as well as in disaster recovery plans; these initiatives may however not be successful or adequately address this evolving risk.
Talent Management		
The Corporation's workforce is mature and many employees could retire in the next few years, including some with specific technical skills. Furthermore, the employment market has been increasingly competitive. Without proper succession planning and strategies to attract and retain employees, key knowledge and competencies could be lost. The situation could result in loss of productivity and increased costs.	→	The Corporation has put in place an apprenticeship program for skilled technical positions and ensure successful transfer of knowledge, and the Corporation has continued its locomotive engineer training program to have a sufficient workforce given potential upcoming retirements and is currently recruiting for additional classes.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Climate Change		
The Corporation is subject to climate change-related risks. Climate-related physical risks like the rise in extreme weather events or increase of weather variability could delay or interrupt operations and services and negatively impacting the Corporation's on-time performance, schedules, revenue generation and could increase operating costs. Also, transition risks that arise from the transition to a low-carbon economy such as changes in environmental regulations, including increased carbon pricing or new regulations prescribing increased efficiency, could increase the Corporation's operating costs or investment in more fuel-efficient rolling stock.	↑	The Corporation deployed a five-year sustainability plan based on environmental, social and governance priorities that will help reduce its environmental footprint, enhance its role as a responsible transportation provider and create lasting value for present and future generations. Related to the plan's Climate Action priority, the Corporation is working on three strategies: 1. Upgrade greenhouse gas (GHG) emissions reduction targets to support Canada's 2050 net-zero emissions ambition; 2. Improve fuel and energy efficiency in all operations; 3. Complete a review of climate change risks and implement an action plan. In 2023, the Corporation progressed on further identifying, understanding and managing climate risks and opportunities, namely by: 1. Undertaking a climate scenario analysis looking at two scenarios (high-emissions and low-emissions) and time horizons to further refine understanding of main climate risks and opportunities and their potential impact on the Corporation. 2. Delivering a climate change awareness session to key leaders. 3. Consolidating business responses to map out how the Corporation is prepared to face climate risks and opportunities. 4. Integrating material categories of scope 3 GHG emissions (all other emissions inventory, following the identification and quantification work completed in 2022. The Corporation also finalized its detailed decarbonization plan which identifies short, medium and long-term initiatives, as well as major operational, financial and technological challenges in decarbonizing our operations.

↑ Increasing → Stable ↓ Decreasing

8. Outlook

Results of the fourth quarter improved compared to the corresponding quarter of 2022 in terms of revenues and ridership, as the Corporation has now deployed its maximal available capacity and reintroduced almost all its frequencies across the network.

The reintroduction of frequencies in services which do not all cover their costs, as well as higher costs resulting from current inflation rates have increased the Corporation's deficit and could result in a funding shortfall for future Government fiscal years. The Corporation received, through Budget 2023, additional operating funding for 2023-24 Government fiscal year and will continue to closely monitor the situation and communicate with Transport Canada concerning potential additional funding requirements for government years 2024-25 and beyond.

In the meantime, work progresses to implement initiatives to streamline processes and minimize operating costs as part of the Corporation's continuous improvement journey, while communications continue with third-party infrastructure owners to improve on-time performance and protect the Corporation's operations on their network. In addition, strategic projects such as the Corridor Fleet Replacement Program and the new reservation system have reached important milestones with the introduction of a portion of the new fleet this year and the launch of the new reservation system in November. The introduction of additional trainsets and additional features of our new reservation system are planned for 2024. In parallel, significant investments in our non-Corridor fleet will be made to maximize capacity and reliability until a new fleet can be put in service.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Management's Responsibility Statement

YEAR ENDED DECEMBER 31, 2023

Management of the Corporation is responsible for the preparation and fair presentation of the financial statements contained in the Annual Report. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) and necessarily include certain amounts that are based on management's best estimates and judgment. Financial information contained throughout the Annual Report is consistent with that in the financial statements. Management considers that the financial statements present fairly the financial position of the Corporation and its financial performance and its cash flows.

To fulfil its responsibility, the Corporation maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. Transactions are properly authorized and are in accordance with the relevant legislation, by-laws of the Corporation and Government directives; resources are managed efficiently and economically; and operations are carried out effectively.

The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit & Pension Investment Committee of the Board of Directors, consisting of five independent Directors who are independent in accordance with the Corporation's standards of independence, meets periodically with the internal auditors KPMG and external auditors and with management, to review the scope of their audits and to assess reports on audit work performed. It is responsible for reviewing the financial statements and Annual report.

The Board of Directors, on the recommendation of the Audit & Pension Investment Committee, approved the financial statements.

The external auditor, the Auditor General of Canada, has audited the Corporation's financial statements for the year ended December 31, 2023 and her report indicates the scope of her audit and her opinion on the financial statements.

MARIO PÉLOQUIN, MBA
President and Chief Executive Officer

CARL DELISLE, CPA
Chief Financial Officer

Montréal, Canada
March 21, 2024

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VIA Rail Canada Inc., which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VIA Rail Canada Inc. as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of VIA Rail Canada Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing VIA Rail Canada Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate VIA Rail Canada Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing VIA Rail Canada Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VIA Rail Canada Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on VIA Rail Canada Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause VIA Rail Canada Inc. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of VIA Rail Canada Inc. coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the articles and by-laws of VIA Rail Canada Inc., and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of VIA Rail Canada Inc. that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for VIA Rail Canada Inc.'s compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable VIA Rail Canada Inc. to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Chantale Perreault.

Chantale Perreault, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
21 March 2024

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31 (in thousands of Canadian dollars)	2023	2022*
CURRENT ASSETS		
Cash	**$ 22,826**	$ 9,741
Trade and other receivables *(Note 6)*	**188,974**	154,189
Other assets*	**9,903**	10,572
Materials *(Note 7)*	**28,520**	25,655
	250,223	200,157
NON-CURRENT ASSETS		
Advances on contracts *(Note 8)*	**45,159**	51,140
Property, plant and equipment *(Note 9)*	**1,729,587**	1,473,578
Right-of-use assets *(Note 12)*	**91,259**	94,972
Intangible assets *(Note 10)*	**415,482**	387,958
Employee benefit assets *(Note 15)*	**336,922**	383,522
	2,618,409	2,391,170
Total Assets	**$ 2,868,632**	$ 2,591,327

**Certain comparative figures have been reclassified to conform to the current year presentation.*

STATEMENT OF FINANCIAL POSITION

(cont'd)

AS AT DECEMBER 31 (in thousands of Canadian dollars)	2023	2022*
CURRENT LIABILITIES		
Trade and other payables *(Note 11)*	$ 281,084	$ 234,498
Lease liabilities *(Note 12)*	2,340	3,971
Provisions *(Note 13)*	5,899	3,983
Deferred revenues and Other liabilities *(Note 14)**	46,162	37,863
	335,485	280,315
NON-CURRENT LIABILITIES		
Other payables *(Note 19)*	35,265	29,543
Deferred income tax *(Note 16)*	35,245	48,038
Lease liabilities *(Note 12)*	98,305	99,934
Employee benefit liabilities *(Note 15)*	32,582	31,234
	201,397	208,749
Deferred capital funding *(Note 17)*	2,137,385	1,867,080
SHAREHOLDER'S EQUITY		
Share capital *(Note 18)*	9,300	9,300
Accumulated surplus	185,065	225,883
	194,365	235,183
Total Liabilities and Shareholder's equity	$ 2,868,632	$ 2,591,327

Contingencies and Commitments (Notes 13 and 21, respectively)
**Certain comparative figures have been reclassified to conform to the current year presentation.*

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

Approved on behalf of the Board,

FRANÇOISE BERTRAND
Chairperson of the Board of Directors

MARIO PÉLOQUIN, MBA
President and Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31 (in thousands of Canadian dollars)	2023	2022*
REVENUES		
Passenger	$ 409,647	$ 316,994
Other	22,283	17,166
	431,930	334,160
EXPENSES		
Compensation and employee benefits	367,953	339,490
Train operations and fuel	181,534	162,043
Stations and property	47,819	41,079
Marketing and sales	42,350	32,921
Maintenance material	40,014	35,448
On-train product costs	39,736	31,615
Operating taxes	13,748	14,267
Professional services	29,008	16,181
Telecommunications	30,641	27,185
Technical services*	4,229	838
Depreciation of property, plant and equipment *(Note 9)*	90,584	81,401
Amortization of intangible assets *(Note 10)*	19,228	19,418
Depreciation of right-of-use assets *(Note 12)*	4,501	4,713
Loss on disposal of property, plant and equipment *(Note 9)*	9,763	8,731
Loss on disposal of intangible assets *(Note 10)*	1,005	62
Lease termination	(62)	–
Unrealized net loss on derivative financial instruments	2,246	1,646
Realized net loss (net gain) on derivative financial instruments	635	(11,029)
Interest expense on lease liabilities	2,454	2,440
Other*	16,736	14,941
	$ 944,122	$ 823,390

**Certain comparative figures have been reclassified to conform to the current year presentation.*

STATEMENT OF COMPREHENSIVE INCOME

(cont'd)

YEAR ENDED DECEMBER 31 (in thousands of Canadian dollars)	2023	2022*
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**$ (512,192)**	$ (489,230)
Operating funding from the Government of Canada	**381,791**	354,307
Amortization of deferred capital funding *(Note 17)*	**120,050**	109,225
Net loss before income taxes	**(10,351)**	(25,698)
Income tax recovery *(Note 16)*	**1,296**	10,457
NET LOSS FOR THE YEAR	**(9,055)**	(15,241)
Other comprehensive (loss) income		
Amounts not to be reclassified subsequently to net income:		
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans *(Note 15)*	**(43,260)**	132,330
Income tax recovery (expense) *(Note 16)*	**11,497**	(35,915)
	(31,763)	96,415
COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**$ (40,818)**	$ 81,174

**Certain comparative figures have been reclassified to conform to the current year presentation.*

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

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

YEAR ENDED DECEMBER 31 (in thousands of Canadian dollars)	2023	2022
SHARE CAPITAL	$ 9,300	$ 9,300
Accumulated surplus		
Balance, beginning of year	225,883	144,709
Net loss for the year	(9,055)	(15,241)
Other comprehensive (loss) income for the year	(31,763)	96,415
Balance, end of year	185,065	225,883
Total Shareholder's equity	$ 194,365	$ 235,183

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

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31 (in thousands of Canadian dollars)	2023	2022
OPERATING ACTIVITIES		
Net loss for the year	**$ (9,055)**	$ (15,241)
Adjustments to determine net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment *(Note 9)*	**90,584**	81,401
Amortization of intangible assets *(Note 10)*	**19,228**	19,418
Depreciation of right-of-use assets *(Note 12)*	**4,501**	4,713
Loss on disposal of property, plant and equipment *(Note 9)*	**9,763**	8,731
Loss on disposal of intangible assets *(Note 10)*	**1,005**	62
Lease inducement	**–**	6,349
Lease termination	**(62)**	–
Other payables variations	**(306)**	80
Advances on contracts variations	**(2,399)**	(2,442)
Amortization of deferred capital funding *(Note 17)*	**(120,050)**	(109,225)
Income tax recovery	**(1,296)**	(10,457)
Interest income	**(3,582)**	(1,128)
Interest paid	**(2,454)**	(2,440)
Unrealized net loss on derivative financial instruments	**2,246**	1,646
Post-employment and other employee benefit expenses *(Note 15)*	**7,531**	31,994
Employer post-employment and other employee benefit contributions *(Note 15)*	**(5,004)**	(13,350)
Defined benefit surplus utilized to fund the employer contributions *(Note 15)*	**2,161**	–
Interest expense on lease liabilities	**2,454**	2,440
Net change in working capital items *(Note 19)*	**11,324**	5,713
Net cash provided by operating activities	**$ 6,589**	$ 8,264

STATEMENT OF CASH FLOWS
(cont'd)

YEAR ENDED DECEMBER 31 (in thousands of Canadian dollars)	2023	2022
INVESTING ACTIVITIES		
Government funding received related to acquisition of property, plant and equipment and intangible assets *(Note 19)*	$ 352,292	$ 260,272
Government funding received related to an advance on contract *(Note 17)*	–	7,996
Refund of an acquisition of property, plant and equipment financed by the Asset Renewal Fund	(1,522)	–
Acquisition of property, plant and equipment and intangible assets *(Notes 9, 10, 11 and 19)*	(343,675)	(260,055)
Payment of an advance on contract	–	(7,996)
Interest received	3,387	1,128
Proceeds from the disposal of property, plant and equipment and intangible assets	–	24
Net cash provided by investing activities	10,482	1,369
FINANCING ACTIVITIES		
Payment of the lease liabilities	(3,986)	(4,292)
Net cash (used in) financing activities	(3,986)	(4,292)
CASH		
Increase during the year	13,085	5,341
Balance, beginning of year	9,741	4,400
Balance, end of year	$ 22,826	$ 9,741
REPRESENTED BY:		
Cash	$ 22,826	$ 9,741
	$ 22,826	$ 9,741

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

1. Authority, Objectives and General Information

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not an agent of His Majesty. The Corporation was incorporated in 1977 in Canada, under the *Canada Business Corporations Act*. The Corporation is subject to the provisions of *Income Tax Act*. The corporate headquarters is located at 3 Place Ville-Marie, Montréal (Québec). The Corporation's vision is to be a smarter way to move people with a mission to place passengers at the core of everything we do and strive to offer a safe, smart and valued travel experience across Canada. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations. The Corporation has one operating segment, passenger transportation and related services in Canada. The Corporation's activities are considered seasonal since passenger traffic increases significantly during the summer and holiday periods resulting in an increase in revenue for these same periods.

The Corporation is subject to a directive (P.C. 2013-1354) that was issued on December 9, 2013, and a related subsequent directive (P.C. 2016-443) that was issued on June 3, 2016, pursuant to sections 89.8 and 89.9 of the *Financial Administration Act*. As per these directives, the Corporation must obtain Treasury Board approval on the terms and conditions of employment of its non-unionized employees who are not appointed by Governor in Council. The Corporation confirms that the requirements of these directives have been met.

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89(1) of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation confirms that the requirements of the directive have been met.

1. Authority, Objectives and General Information (cont'd)

In March 2022, the Corporation was issued a directive (P.C. 2022-0259) pursuant to section 89 of the *Financial Administration Act* to:

a) procure the incorporation under the *Canada Business Corporations Act* of a wholly-owned subsidiary, the mandate of which is to develop and implement the High Frequency Rail project, including the design, construction, financing, operation and maintenance of passenger rail services in Ontario and Québec through one or more agreements with the private sector, in cooperation with the Minister of Transport;

b) provide all necessary support, expertise, and co-operation to the subsidiary to facilitate the subsidiary's role and fulfilment of its mandate; and

c) provide all necessary support, expertise, and co-operation to the Minister of Transport to facilitate the Minister's role in the development and implementation of the High Frequency Rail project.

The Corporation has incorporated the subsidiary, named VIA HFR – VIA TGF Inc. on November 29, 2022, and confirms that the Corporation will continue to implement the requirements of the directive.

These financial statements were approved and authorized for issue by the Board of Directors on March 21, 2024.

The Corporation has received the additional funding from the Government of Canada and has the adequate resources to operate for the foreseeable future. Management continues to adopt the going concern basis of accounting in preparing the financial statements.

2. Basis of Preparation

a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS Accounting Standards).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except when a specific IFRS Accounting Standards requires fair values measurement as explained in the accounting policies below.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand in the Corporation's financial statements and rounded to the nearest million in the notes to the financial statements.

3. Changes in the Current Year

Accounting policies adopted

IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2

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. The amendments were adopted on January 1, 2023, resulting in a reduction to the level of disclosure included in our accounting policy information note.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued Definition of Accounting Estimates, amendments to IAS 8. The amendments help entities to distinguish between accounting policies and accounting estimates. The amendments were adopted on January 1, 2023, with no impact to the financial statements.

IAS 12 – Income taxes

In May 2021, the IASB issued Deferred tax related to Assets and Liabilities arising from a Single Transactions, amendments to IAS 12. The amendments narrow the scope of the recognition exemption to exclude transactions that give rise to equal taxable temporary difference and deductible temporary difference. The amendments were adopted on January 1, 2023, with no significant impact to the financial statements.

3. Changes in the Current Year (cont'd)

Changes in Presentation

The Corporation has undertaken a review of its financial statements and corresponding disclosure this year. The objective of this review was to provide useful information to the financial statements' users, while also summarizing key financial information in a clearer and simplified manner.

As a result, the Corporation made a number of changes. In the Statement of Financial Position, the Derivative financial instrument asset and the Asset Renewal Fund were combined with Other assets and the Derivative financial instruments liabilities were combined with Deferred revenues and other liabilities. The Corporation also removed certain information in different note disclosures that were deemed not material. The following notes disclosure were removed as they did not include any significant additional information: Revenues, Reconciliation of Operating Loss to Government Funding, Classification of Financial Instruments, Asset Renewal Fund, Other assets, Derivative Financial Instruments, Fair value of Financial Instruments and Non-Monetary Transactions. The changes are identified with an asterisk (*) throughout the financial statements.

4. Summary of Material Accounting Policy Information

The material accounting policy information followed by the Corporation are summarized as follows:

a) Funding from the Government of Canada

Operating funding, which pertains to services, activities and other undertakings of the Corporation for the management and operation of railway passenger services in Canada, is recorded as a reduction of the operating loss. The funding is determined on the basis of operating expenses less revenues excluding unrealized gains and losses on financial instruments, non-cash employee benefits, non-cash transactions relating to property, plant and equipment, right-of-use assets, intangible assets, lease liabilities, deferred income taxes, adjustment for accrued compensation and adjustment for VIA Préférence loyalty program and is based on the operating budget approved by the Government of Canada for each year.

Funding for depreciable property, plant and equipment and intangible assets is recorded as deferred capital funding in the Statement of Financial Position and is amortized on the same basis and over the same periods as the funded depreciable property, plant and equipment and intangible assets. Upon disposal of the funded depreciable property, plant and equipment and intangible assets, the Corporation recognizes into net income all remaining deferred capital funding related to the relevant assets.

4. Summary of Material Accounting Policy Information (cont'd)

Funding for non-depreciable property, plant and equipment is recorded as deferred capital funding in the Statement of Financial Position and is amortized on the same basis and over the same periods as the related depreciable property, plant and equipment.

b) Unconsolidated structured entity

A structured entity is designed to achieve a specific business purpose and has been set up so that any voting or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

Structured entity is not consolidated when the substance of the relationship between the Corporation and the structured entities indicate that the structured entities are not controlled by the Corporation.

The subsidiary (VIA HFR – VIA TGF Inc.) has been determined to be an unconsolidated structured entity as the Corporation is not deemed to have control over the subsidiary based on the criteria outlined in IFRS 10 (see note 5c) – Key Sources of Estimation Uncertainty and Critical Judgments for more information). Consequently, the structured entity has not been consolidated within the Corporation.

The address of the unconsolidated structured entity's registered office is 1, Place Ville Marie, Montréal (Québec).

4. Summary of Material Accounting Policy Information (cont'd)

c) Revenue recognition

i) Passenger revenues

Revenue related to train services is recorded as deferred revenue until the transportation service has been provided. The service is rendered to the customer as the train journey is made. The performance obligation is satisfied over time. The customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs the train service.

For sales of on-train food and beverages and other revenues, revenues are recognized when control of the goods has transferred, being at the point the customer purchases the goods.

The Corporation offers its customers the opportunity to earn points in a loyalty program. This program allows customers to purchase additional services – future train tickets and other products from the accumulated VIA Préférence points. The Corporation considers that the awarding of points gives rise to a performance obligation separate from the purchase of the train ticket or other products, since they confer on the customer a significant right to which he would not have been entitled if he had not bought a train ticket. The customer pays in advance for future services. The consideration received in respect of ticket sales is split between the points awarded under the VIA Préférence loyalty program and the passenger transportation services. The amount allocated to the loyalty program is based on the probability of the awards being converted into train tickets. The probability is reviewed at the end of each annual reporting period. Revenue related to loyalty program points is recognized as deferred revenue until it is exchanged for train tickets or other products. When points are redeemed, the proceeds are determined by the number of points redeemed in exchange for train tickets and other products.

ii) Other revenues

Rental income and other

The Corporation enters into lease agreements as a lessor with respect to some of its stations and facilities. Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. For rental income and other revenues, the customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs the services.

4. Summary of Material Accounting Policy Information (cont'd)

d) Materials

Materials, consisting primarily of items used for the maintenance of rolling stock, are valued at the lower of cost and net realizable value. The cost is determined using the weighted average method and net realizable value is defined as the replacement cost. Materials are presented net of the related obsolescence provision.

e) Property, Plant and Equipment

Property, plant and equipment are recorded at the cost, less accumulated depreciation and any accumulated impairment losses. The cost includes all expenditures directly attributable to the acquisition of the asset.

Projects in progress are recorded at cost and include direct costs of construction, materials, direct labour and overhead.

When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated over their respective useful lives.

The Rolling stock cost of periodic major overhaul programs is capitalized as a separate component and depreciated over its expected useful life. Cost of regular maintenance activities to maintain the Rolling stock in good condition is recorded as operating expenses as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis, from the date they are available for use, at rates sufficient to depreciate the cost of property, plant and equipment, less their residual value, over their estimated useful lives except for leasehold improvements related to the lease of buildings and stations where the depreciation period is the shorter of the lease term or its estimated useful life.

4. Summary of Material Accounting Policy Information (cont'd)

The estimated useful lives are as follows:

	Years
Rolling stock	2 to 58
Maintenance buildings	10 to 75
Stations and facilities	5 to 50
Owned infrastructure	10 to 50
Leasehold improvements	10 to 40
Machinery and equipment	5 to 25
Computer hardware	3 to 7
Other property, plant and equipment *(Note 1)*	3 to 25

Note 1: Other property, plant and equipment include mostly office furniture, luggage carts and security equipment.

The estimated useful life, depreciation method and residual value are reviewed at the end of each annual reporting period taking into account the nature of the assets, past experience, changing technologies and expectations for the in-service period of the assets, with the effect of any changes in estimate being accounted for on a prospective basis. No depreciation is provided for projects in progress and land.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recorded under "Loss on disposal of property, plant and equipment" in the Statement of Comprehensive Income.

4. Summary of Material Accounting Policy Information (cont'd)

f) Right-of-use assets

The Corporation leases several assets including lands, stations, facilities, office spaces and information technology equipment in the normal course of its business.

The Corporation assesses whether a contract is or contains a lease, at inception of a contract. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases who at the commencement date, have a term of 12 months or less) and leases of low-value assets.

The Corporation recognizes right-of-use assets at the commencement date of a lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the liabilities. The cost of right-of-use assets includes the amount of lease liability recognized, initial direct cost incurred, lease payments made at or before the commencement date, less any lease incentives received and an estimate of costs of dismantling and removing the underlying asset, if any.

Right-of-use assets are depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If a lease transfers ownership of the underlying asset or if the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Statement of Financial Position.

4. Summary of Material Accounting Policy Information (cont'd)

g) Intangible assets

Intangible assets acquired separately are recorded at cost less accumulated amortization and accumulated impairment losses.

Projects in progress are recorded at cost and include direct costs of development, direct labour and overhead.

Amortization is recorded on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, taking into account the nature of the assets, past experience, changing technologies and expectations for the in-service period of the assets, with the effect of any changes in estimate being accounted for on a prospective basis. No amortization is provided for Projects in progress.

For internally-generated intangible assets, the expenditure on research activities is recognized as an expense in the year in which it is incurred and the development expense from the development phase of an internal project is recognized as intangible assets if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to net income in the year in which it is incurred.

4. Summary of Material Accounting Policy Information (cont'd)

The Corporation's intangible assets have a finite useful life and are amortized over their useful life according to the straight-line method over the following years:

	Years
Software	3 to 10
Rights of access to rail infrastructure	38
Other intangible assets	10 to 25

Gains and losses on disposals of intangible assets are determined by comparing the proceeds with the carrying amount of the asset and are recorded under "Loss on disposal of intangible assets" in the Statement of Comprehensive Income.

h) Impairment of non-financial assets

The Corporation reviews at each Statement of Financial Position date whether there is any indication of impairment (obsolescence, physical deterioration, significant changes in the method of utilization, performances falling short of forecasts, decline in revenues, other external indicators) or reversal of impairment loss. Non-financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the non-financial asset, the asset's carrying amount exceeds its recoverable amount. If there are indicators of impairment present, the asset's recoverable amount is estimated. Assets that are not yet available for use are tested for impairment at every reporting period regardless of whether an indicator exists.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. The fair value is determined using the current replacement cost. The value in use is determined by the estimated present value of future cash flows generated by the asset.

The carrying amount of the Corporation's property, plant and equipment, right-of-use assets and intangible assets are reviewed at the cash-generating unit (CGU) level to determine whether there is any indication of impairment. For the purpose of impairment testing, a CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. Assets are tested at the CGU level when they cannot be tested individually.

4. Summary of Material Accounting Policy Information (cont'd)

Under the Corporation's business model, no assets are considered to generate cash flows that are largely independent of the cash flows of other assets and liabilities. Instead, all assets interact to create the passenger train service which includes property, plant and equipment, right-of-use assets and intangible assets. These operations are funded by parliamentary appropriations, revenues from passengers and revenues from other sources. Overall levels of cash flows reflect public policy requirements and decisions. They reflect budgetary funding provided to the Corporation in its entirety.

An impairment loss is recognized in net income and calculated as the difference between the carrying amount and the recoverable amount.

When there is a reversal of impairment loss, the carrying amount of the asset is increased to the lower of the recoverable amount and the carrying amount (net of depreciation or amortization) that the asset would have had if previous impairment loss had not been recognized. The reversal of impairment loss is recognized in the Statement of Comprehensive Income.

i) Lease liabilities

The Corporation as a lessee:

The Corporation recognizes at the commencement date of the lease, a lease liability which is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the lease's implicit rate. If this rate cannot be readily determined, the Corporation uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

4. Summary of Material Accounting Policy Information (cont'd)

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The Corporation recognizes non-lease components as expenses and record these expenses on a straight-line basis.

The lease liability is presented as a separate line in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Corporation remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to variations in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to fluctuations in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Corporation's accounting policies as a lessor are described in Note 4 c) Revenue recognition ii) Rental income and other.

Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to its short-term leases (i.e. those with a lease term of 12 months or less from the commencement date and who do not contain a purchase option). The Corporation also applies the low-value asset recognition exemption to leases that are considered of low value (such as point-of-sale terminal). For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Summary of Material Accounting Policy Information (cont'd)

j) Provisions and contingencies

Provisions, including provisions for legal litigations, restructuring and environmental issues, are recognized when it becomes probable that a present obligation (legal or constructive) resulting from a past event will require a settlement and when the amount can be estimated reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

In situations where the amount of the obligation cannot be measured with sufficient reliability or the cash outflows are not probable, a contingent liability is disclosed, unless the possibility of any outflow in settlements is remote.

k) Income taxes

The Corporation utilizes the asset and liability method of accounting for taxes under which deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in net income in the year based on tax rates that have been enacted, or substantially enacted, by the end of the reporting period. Deferred income tax assets are recognized to the extent that realization is considered probable.

4. Summary of Material Accounting Policy Information (cont'd)

l) Employee benefits

i) Pension plans

Employer contributions related to the defined contribution component of the pension plan are recognized as an expense when employees render the service entitling them to the contributions.

The Corporation's obligations for the defined benefit component of the pension plans as well as for other post-employment benefits are actuarially determined using the projected unit credit method and management's best estimate. The present value of the defined benefit obligations is calculated using discount rates based on an interest rate curve that represents the yields on corporate AA bonds. The Canadian Institute of Actuaries' (CIA) calculation model establishes the rates for longer maturities by extrapolating the yield curve to maturity of AA-rated corporate bonds based on the observed relationship between the yields of AA-rated corporate bonds or A-rated corporate bonds and those of provincial AA-rated bonds in the medium-term maturity range. This relationship is then transposed to the universe of provincial AA-rated bonds with longer maturities to extrapolate the bond yields of AA-rated corporate bonds.

The Corporation determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined obligation at the beginning of the year to the net defined benefit liability.

The current service costs, the net interest expense on the net defined benefit liability, the gains and losses on curtailment or settlement and plan amendments are recognized in net income in the year they are incurred.

Remeasurements arising from defined benefit plans comprised of changes in demographic assumptions, changes in financial assumptions, experience adjustments and the return on plan assets excluding amounts included in net interest on the net defined benefit liability are recognized in other comprehensive income in the year they are incurred.

ii) Post-employment benefits

Post-employment benefits include post-retirement medical and life insurance benefits.

Remeasurements arising from post-employment benefit plans comprised of changes in demographic assumptions, changes in financial assumptions and experience adjustments are recognized in other comprehensive income in the year they are incurred.

4. Summary of Material Accounting Policy Information (cont'd)

iii) Employment benefits other than post-employment benefits

The Corporation provides employment benefits other than post-employment benefits as follows:

- Compensation and short-term employee benefits include the annual salary, performance bonuses, paid vacations not included in the annual salary, short-term sick leave, health, dental and life insurance benefits. These benefits are measured on an undiscounted basis and are expensed as the related service is provided.
- Long-term employee benefits include workers' compensation benefits as well as long-term disability benefits and continuation of benefit coverage for employees on long-term disability.

  The actuarial obligation for workers' compensation benefits is calculated on an event driven basis. The method involves dividing the obligation into two distinct components: awarded pensions and future awards. The actuarial obligation for awarded pensions is the actuarial present value of all future projected payments for the award determined as at the valuation date. The actuarial obligation for future awards is the discounted value of expected cash flow for awards yet to be made. The Corporation is self-insured for its workers' compensation benefits.

  The actuarial obligation for other long-term disability benefits and continuation of benefit coverage for employees on long-term disability is calculated on an event driven basis. This method incorporates management's best estimate of cost escalation as well as demographic and other financial assumptions.

  Actuarial gains and losses and other changes in the Corporation's obligations are recognized in net income in the year in which they arise.
- Termination benefits include benefits that are payable when an employment contract is terminated before the normal retirement date. They are recognized as a liability and expense for termination benefits at the earlier of the following dates:

  (a) when the Corporation can no longer withdraw the offer of those benefits; and

  (b) when the Corporation recognizes costs for a restructuring (provision) and involves the payment of termination benefits.
- Other long-term employee benefits include job security benefits administered by various union agreements. These benefits are calculated on an event driven basis and represents management's best estimates of the present value of all future projected payments to unionized employees.

4. Summary of Material Accounting Policy Information (cont'd)

m) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. They are initially measured at fair value.

i) Financial assets

Classification and measurement

Financial assets are measured at fair value at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL).

The classification of a financial asset at initial recognition depends on the financial asset's contractual cash flows characteristics and the Corporation's business model for managing them. With the exception for trade and other receivables that do not contain a significant financing component for which the Corporation has applied the practical expedient, the Corporation measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in net income.

For a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" on the principal amount outstanding. This assessment is performed at an instrument level.

Financial assets that do not give rise to cash flows that are "solely payments of principal and interest" are classified and measured at FVTPL.

The Corporation's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

4. Summary of Material Accounting Policy Information (cont'd)

Financial assets at amortized cost

This category is the most relevant for the Corporation. The Corporation measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in net income when the asset is derecognized, modified or impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria necessary to be measured at amortized cost or at FVTOCI are measured at FVTPL. More precisely financial assets at FVTPL are financial assets held for trading or financial assets designated upon initial recognition at FVTPL. Financial assets are classified at FVTPL if they are acquired for selling or repurchasing in the near term.

Financial assets at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognized in net income.

4. Summary of Material Accounting Policy Information (cont'd)

Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses (ECLs) for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Corporation applies a simplified approach in calculating ECLs which is possible under IFRS 9 when certain conditions apply. The Corporation uses the practical expedient and does not need to adjust the promised amount of consideration for the effects of a significant financing component if the Corporation expects, at contract inception, that the period between when the Corporation performs the service to a customer and when the customer pays for that service will be one year or less. Therefore, the Corporation recognizes a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a loss allowance matrix that is based on past default experience of the debtor, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Amounts considered uncollectible are written off and are included in the "Other" expenses line item in the Statement of Comprehensive Income.

The Corporation does not recognize an ECL for cash and Asset Renewal Fund as they comprise solely of cash.

4. Summary of Material Accounting Policy Information (cont'd)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, and subsequently measured at amortized cost or at FVTPL.

All financial liabilities are recognized initially at fair value.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Other financial liabilities at amortized cost

A financial liability that is not a contingent consideration from an acquirer in a business combination, held for trading, or designated at FVTPL is subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in net income when the other financial liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method.

Financial liabilities measured at FVTPL

Financial liabilities at FVTPL include financial liabilities that are incurred for repurchasing in the near term and financial liabilities designated upon initial recognition as at FVTPL.

Gains or losses on financial liabilities classified at FVTPL are recognized in net income.

4. Summary of Material Accounting Policy Information (cont'd)

iii) Derivative financial instruments

Initial recognition and subsequent measurement

The Corporation uses derivative financial instruments, such as commodity swaps, to manage its exposure to fuel price risk.

Derivatives are initially recognized at fair value at the date on which a derivative contract is entered and are subsequently remeasured at fair value at the reporting date of each reporting period. Any resulting fair value changes are recognized immediately through profit and loss in the line "Unrealized net loss (net gain) on derivative financial instruments".

Derivative financial instruments are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

4. Summary of Material Accounting Policy Information (cont'd)

The following table summarizes the financial assets and financial liabilities held by the Corporation measured at fair value at the end of each reporting period. The table also discloses information about how the fair value of these financial assets and financial liabilities are determined and their fair value hierarchy:

Financial assets / financial liabilities	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship unobservable inputs to fair value
Derivative financial instruments – commodity swaps	Level 2	Discounted cash flow. Future cash flows are estimated based on commodity swap price (from observable commodity market price at the end of the reporting period) and contract commodity swap price, discounted at a market rate that reflects the credit risk of various counterparties.	N/A	N/A

There have been no significant transfers between level 1 and level 2 during the year.

There has been no change in the valuation techniques from the prior year.

4. Summary of Material Accounting Policy Information (cont'd)

The following table summarizes the financial assets and financial liabilities held by the Corporation and their classification as well as the initial and subsequent measurement method at the end of each reporting period.

Classification	Applicable to	Initial measurement	Subsequent measurement	Recognition of income/expense and gain/loss on remeasurement, if any
Amortized cost	• Cash • Trade and other receivables • Current advances to third parties • Asset Renewal Funds • Trade and other payables • Lease liabilities • Other payables	Fair value including transaction costs	Amortized cost using the effective interest rate method	Net income
Fair value through profit or loss (FVTPL)	Derivative financial instruments *(Note 1)*	Fair value	Fair value	Net income

Note 1: Comprised of derivative financial instruments not designated in a hedging relationship.

The fair value approximates carrying value due to the short deadline.

5. Key Sources of Estimation Uncertainty and Critical Judgments

In the application of the Corporation accounting policies, management is required to make certain assumptions, estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. They are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. However, uncertainties relating to assumptions, estimates and judgments could result in outcomes that would require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosure relating to the Corporation's exposure to risks and uncertainties are included in Financial Risks note (Note 20).

Judgments

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

a) Determining the lease term of contracts with renewal and termination options

When the Corporation recognizes a lease as a lessee, it assesses the lease term based on the conditions of the lease. The lease term is the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, and any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Corporation has several lease contracts that include extension and termination options. The Corporation considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Corporation reassesses the amount recognized as right-of-use asset and lease liability if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

b) Determining the value of the projects in progress

Management uses judgment in determining the percentage of completion of the projects in progress as well as the value of the activities performed for these projects and reviews progress on a regular basis. Percentage of completion and value of the projects in progress reflect management's best assessment and are assessed by taking in consideration all information available at the reporting date. Actual amounts of projects in progress could differ from best assessment of management.

5. Key Sources of Estimation Uncertainty and Critical Judgments (cont'd)

c) Unconsolidated structured entity

The Corporation has an investment in an unconsolidated structured entity, through its common voting share investment. Management exercises judgment in determining whether or not the Corporation has control on the structured entity, its wholly owned subsidiary, and consequently whether or not it should consolidate the financial results of the structured entity.

Although the Corporation has the power to appoint or remove directors through its common voting interest, it must do so in consultation with the Minister of Transport and cannot unilaterally appoint or remove directors, thereby limiting its power over the day-to-day activities of the structured entity. In addition, through agreements with VIA HFR – VIA TGF Inc. and Minister of Transport, the Corporation's rights to obtain dividends or the net assets on wind-up or liquidation are limited in that Transport Canada approval must be obtained and the Government of Canada must approve any such requests via the VIA HFR – VIA TGF Inc.'s Corporate Plan and the Board of Directors.

Accordingly, while the Corporation has power over certain activities of the structured entity it is not able to use those powers to influence its returns. Therefore, although the Corporation owns the outstanding common share of the structured entity, it does not consolidate its operations because the Corporation does not have the ability to affect the returns from the common share investment through its power over the entity. The maximum exposure to loss is determined by considering the nature of the interest in the unconsolidated structured entity. At December 31, 2023, the maximum exposure to the Corporation for financial risk related to the structured entity is reflected by the carrying amount of its investment in the statement of financial position of $1 and the collection of account receivable from VIA HFR – VIA TGF Inc.

5. Key Sources of Estimation Uncertainty and Critical Judgments (cont'd)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, which are not included in other notes, are described below. The Corporation based its assumptions and estimates on parameters available when the financial statements were prepared. Estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Corporation.

a) Useful lives of depreciable assets

The key estimate used for Property, plant and equipment and intangible assets is their useful lives. When determining the expected useful lives of these assets, management takes into account the nature of the assets, past experience, changing technologies and expectations for the in-service period of the assets. Management reviews the useful lives of depreciable assets annually.

b) VIA Préférence Loyalty Program

The VIA Préférence loyalty program allows members to acquire "award points" as they travel on the train. These award points entitle members to free travel and other products on the Corporation's trains. In determining the fair value of the award points recorded as deferred revenues, the Corporation takes into consideration the probability of the awards being converted into train tickets. The estimated probabilities on point redemption are based on management experience and on changing customer behaviour and may not reflect the actual redemption rate in the future. Any significant changes in customers' redemption patterns will impact the estimated redemption rate. As such, the amount allocated between the transportation service and the award points may have been significantly different if different probability estimates had been used.

The Corporation also estimates the stand-alone selling price of the loyalty points awarded under the VIA Préférence loyalty program. As points issued under the program are not sold to third parties, estimates of the stand-alone selling price are subject to significant uncertainty. The stand-alone selling price of the loyalty points awarded is based on the average points spent on train tickets and the average fares.

5. Key Sources of Estimation Uncertainty and Critical Judgments (cont'd)

c) Post-employment and other employee benefits

Except for the defined contribution component of the pension plans, the cost of post-employment and other employee benefits and the present value of the related obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates used to measure the obligations, expected future salary increases, expected retirement age, expected mortality rates, expected health care cost trends, expected inflation and expected future pension increase. When determining these assumptions, management takes into account past experience, current market conditions and rates, and the expertise of its actuaries. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting period. Actual results may differ from results that are estimated based on assumptions.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least an "AA" rating or above, as set by internationally recognized credit rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality corporate bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

A sensitivity analysis of key assumptions is presented in Note 15.

d) Income taxes

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals. The Corporation has not recognized any deferred income tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current income tax assets and liabilities.

5. Key Sources of Estimation Uncertainty and Critical Judgments (cont'd)

e) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Corporation uses judgment in assessing, at each reporting date, whether there is any indication that non-financial assets may have lost value requiring the completion of an impairment test. These tests are designed, in part, to determine a recoverable amount, which is the fair value, based on current replacement cost, less costs of disposal. The current replacement cost and the costs of disposal calculations are based on management's best estimates. Difference in estimates could materially affect the financial statements in determining both the impairment existence and the amount of impairment.

f) Lease liabilities: estimating the incremental borrowing rate

Accounting standards require the Corporation to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate (IBR). The determination of the IBR requires the use of various assumptions which, if different than those being used, could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability. The Corporation estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

6. Trade and Other Receivables

The trade and other receivables balance includes the following:

(in millions of Canadian dollars)	2023	2022
Trade	9.1	4.5
Other receivables	7.0	9.8
Loss allowance	(0.3)	(0.4)
Trade and other receivables classified at Amortized cost	**15.8**	13.9
Amount receivable from the Government of Canada – Operating funding	80.6	91.0
Amount receivable from the Government of Canada – Capital funding *(Note 19)*	81.3	42.5
Total receivable from the Government of Canada	161.9	133.5
Sales taxes	11.3	6.8
Total trade and other receivables	**189.0**	154.2

All trade and other receivables amounts have short-term maturities. Their net book values correspond to a reasonable approximation of their fair value.

The maturity of the trade and other receivables over 30 days is detailed in the following table:

(in millions of Canadian dollars)	2023	2022
31 to 60 days	1.6	1.2
61 to 90 days	0.6	0.3
Over 90 days	0.1	–
Total	**2.3**	1.5

The Corporation has recognized in the current year an amount of $0.5 million of impairment loss arising from contracts with customers and other receivables, which is presented in the line “Other” in the Statement of Comprehensive Income (December 31, 2022: $0.3 million).

7. Materials

The materials balance includes the following:

(in millions of Canadian dollars)	2023	2022*
Spare parts	**33.8**	30.5
Provision for obsolete inventory	**(5.8)**	(5.7)
Net spare parts	**28.0**	24.8
Other*	**0.5**	0.9
Total materials	**28.5**	25.7

** Certain comparative figures have been reclassified to conform to the current year presentation.*

(in millions of Canadian dollars)	2023	2022
Spare parts at the beginning	**30.5**	33.8
Purchases of material	**41.3**	34.5
Usage of materials transferred to expenses	**(34.6)**	(31.5)
Usage of materials transferred to property, plant and equipment	**(3.3)**	(4.8)
Write-down of materials	**(0.1)**	(1.5)
Spare parts at the end	**33.8**	30.5
Provision for obsolete inventory	**(5.8)**	(5.7)
Net spare parts at the end of the year	**28.0**	24.8

8. Advances on Contracts

As at December 31, 2023, there is a $45.2 million (December 31, 2022: $51.1 million) advance on contract which includes an amount of $39.9 million (December 31, 2022: $48.2 million) that will be transferred to property, plant and equipment in the future years according to the progress of work and an amount of $5.3 million (December 31, 2022: $2.9 million) that will be transferred to operating expenses in the future years.

9. Property, Plant and Equipment

(in millions of Canadian dollars)	Land	Rolling stock	Maintenance buildings	Stations and facilities *(Note 1)*	Owned infrastructures	Leasehold improvements	Machinery and equipment	Computer hardware	Other	Projects in progress	Total
Cost:											
January 1, 2023	17.6	997.9	180.7	192.6	340.7	98.0	38.8	40.5	10.6	597.8	2,515.2
Additions	–	–	–	–	–	–	–	–	–	356.4	356.4
Disposals	–	(41.6)	(1.0)	(0.1)	(0.1)	(6.6)	(1.1)	(3.0)	(0.2)	(5.4)	(59.1)
Transfers	0.1	289.7	3.4	21.9	12.1	11.5	4.9	3.0	2.9	(349.5)	–
Total cost	17.7	1,246.0	183.1	214.4	352.7	102.9	42.6	40.5	13.3	599.3	2,812.5
Accumulated depreciation and impairment:											
January 1, 2023	–	616.6	111.4	66.2	132.4	60.0	23.9	25.8	5.3	–	1,041.6
Additions	–	53.9	3.4	8.9	10.5	4.4	2.1	5.9	1.5	–	90.6
Disposals	–	(38.1)	(1.0)	(0.1)	(0.1)	(5.8)	(1.1)	(3.0)	(0.1)	–	(49.3)
Total accumulated depreciation and impairment	–	632.4	113.8	75.0	142.8	58.6	24.9	28.7	6.7	–	1,082.9
Total carrying amount	**17.7**	**613.6**	**69.3**	**139.4**	**209.9**	**44.3**	**17.7**	**11.8**	**6.6**	**599.3**	**1,729.6**

Note 1 – The Corporation leases to third parties a small surface area of certain stations belonging to it. Given that this is only a non-significant proportion of certain stations, these assets are not presented on a separate line.

9. Property, Plant and Equipment (cont'd)

(in millions of Canadian dollars)	Land	Rolling stock	Maintenance buildings	Stations and facilities *(Note 1)*	Owned infrastructures	Leasehold improvements	Machinery and equipment	Computer hardware	Other	Projects in progress	Total
Cost:											
January 1, 2022	17.6	938.3	177.9	192.6	323.2	98.6	38.4	40.5	10.1	441.8	2,279.0
Additions	–	–	–	–	–	–	–	–	–	277.8	277.8
Disposals	–	(21.1)	(0.1)	(8.8)	(0.5)	(2.5)	(0.4)	(5.3)	–	(2.9)	(41.6)
Transfers	–	80.7	2.9	8.8	18.0	1.9	0.8	5.3	0.5	(118.9)	–
Total cost	17.6	997.9	180.7	192.6	340.7	98.0	38.8	40.5	10.6	597.8	2,515.2
Accumulated depreciation and impairment:											
January 1, 2022	–	585.8	108.3	66.5	122.9	58.5	22.2	24.4	4.5	–	993.1
Additions	–	46.3	3.2	8.4	10.0	4.0	2.1	6.6	0.8	–	81.4
Disposals	–	(15.5)	(0.1)	(8.7)	(0.5)	(2.5)	(0.4)	(5.2)	–	–	(32.9)
Total accumulated depreciation and impairment	–	616.6	111.4	66.2	132.4	60.0	23.9	25.8	5.3	–	1,041.6
Total carrying amount	**17.6**	**381.3**	**69.3**	**126.4**	**208.3**	**38.0**	**14.9**	**14.7**	**5.3**	**597.8**	**1,473.6**

Note 1 – The Corporation leases to third parties a small surface area of certain stations belonging to it. Given that this is only a non-significant proportion of certain stations, these assets are not presented on a separate line.

Projects in progress primarily consist of rolling stock, improvements to infrastructure and stations. The project in progress amount includes $2.8 million (December 31, 2022: $3.4 million) of materials used in the refurbishing of rail cars.

10. Intangible Assets

(in millions of Canadian dollars)	External software	In-house developed software	Right of access to rail infrastructure	Other	Projects in progress	Total
Cost:						
January 1, 2023	117.3	7.8	441.7	4.5	91.6	662.9
Additions	–	–	–	–	47.7	47.7
Disposals	(49.2)	–	(0.3)	(0.3)	(0.1)	(49.9)
Transfers	117.4	–	0.7	–	(118.1)	–
Total cost	185.5	7.8	442.1	4.2	21.1	660.7
Accumulated amortization and impairment:						
January 1, 2023	104.4	7.8	159.3	3.4	–	274.9
Additions	7.4	–	11.5	0.3	–	19.2
Disposals	(48.4)	–	(0.3)	(0.2)	–	(48.9)
Total accumulated amortization and impairment	63.4	7.8	170.5	3.5	–	245.2
Total carrying amount	**122.1**	**–**	**271.6**	**0.7**	**21.1**	**415.5**

10. Intangible Assets (cont'd)

(in millions of Canadian dollars)	External software	In-house developed software	Right of access to rail infrastructure	Other	Projects in progress	Total
Cost:						
January 1, 2022	113.6	7.8	438.3	4.5	52.9	617.1
Additions	–	–	–	–	51.4	51.4
Disposals	(5.6)	–	–	–	–	(5.6)
Transfers	9.3	–	3.4	–	(12.7)	–
Total cost	117.3	7.8	441.7	4.5	91.6	662.9
Accumulated amortization and impairment:						
January 1, 2022	102.3	7.8	147.8	3.1	–	261.0
Additions	7.6	–	11.5	0.3	–	19.4
Disposals	(5.5)	–	–	–	–	(5.5)
Total accumulated amortization and impairment	104.4	7.8	159.3	3.4	–	274.9
Total carrying amount	**12.9**	**–**	**282.4**	**1.1**	**91.6**	**388.0**

11. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)	2023	2022*
Wages payable and accrued	**61.3**	51.8
Accounts payable and accruals – Trade	**62.5**	69.3
Accounts payable and accruals – Capital assets	**150.1**	104.1
Trade and other payables classified at Amortized cost	**273.9**	225.2
Other*	**7.2**	9.3
Total trade and other payables	**281.1**	234.5

**Certain comparative figures have been reclassified to conform to the current year presentation.*

12. Leases

The Corporation as a lessee:

The Corporation leases several assets including land, office spaces, stations and facilities and information technologies equipment. Lease of land has lease term of 29 years, leases of office spaces have lease terms between 4 years and 12 years, leases of stations and facilities have lease terms between 5 and 40 years, while information technologies equipment has lease terms of 5 years.

The Corporation also has certain leases with lease terms of 12 months or less and leases of equipment with low value. The Corporation applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

The carrying amounts of right-of-use assets recognized and the movement during the period are as follows:

(in millions of Canadian dollars)	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost:					
January 1, 2023	0.5	23.9	81.9	1.5	107.8
Additions	–	0.4	1.9	–	2.3
Disposals	–	(2.5)	(0.2)	(0.7)	(3.4)
Total cost	0.5	21.8	83.6	0.8	106.7
Accumulated depreciation:					
January 1, 2023	0.1	6.7	4.8	1.2	12.8
Additions	–	1.5	2.7	0.3	4.5
Disposals	–	(1.0)	(0.2)	(0.7)	(1.9)
Total accumulated depreciation	0.1	7.2	7.3	0.8	15.4
Net carrying amount	**0.4**	**14.6**	**76.3**	**–**	**91.3**

12. Leases (cont'd)

(in millions of Canadian dollars)	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost:					
January 1, 2022	0.5	14.3	80.4	0.8	96.0
Additions	–	9.6	1.6	0.7	11.9
Disposals	–	–	(0.1)	–	(0.1)
Total cost	0.5	23.9	81.9	1.5	107.8
Accumulated depreciation:					
January 1, 2022	0.1	4.9	2.7	0.5	8.2
Additions	–	1.8	2.2	0.7	4.7
Disposals	–	–	(0.1)	–	(0.1)
Total accumulated depreciation	0.1	6.7	4.8	1.2	12.8
Net carrying amount	**0.4**	**17.2**	**77.1**	**0.3**	**95.0**

12. Leases (cont'd)

Amount recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	December 31, 2023	December 31, 2022
Expense relating to short-term leases	–	0.2
Expense relating to low-value assets	**0.2**	0.2

Total cash outflow is $6.6 million (December 31, 2022: $7.1 million).

The Corporation has not entered into any sale and leaseback transactions in the current or prior period and has no income from subleasing right-of-use assets. The Corporation has not entered in any variable leases that do not depend on an index or rate.

The carrying amounts of lease liabilities and the movements of the period are as follows:

(in millions of Canadian dollars)	2023	2022
Balance, beginning of year	**103.9**	90.0
Additions	**2.3**	18.2
Accretion of interest	**2.5**	2.4
Payments	**(6.4)**	(6.7)
Termination	**(1.7)**	–
Balance, end of period	**100.6**	103.9
Current	**2.3**	4.0
Non-current	**98.3**	99.9
Total lease liabilities	**100.6**	103.9

12. Leases (cont'd)

DECEMBER 31, 2023	Lease contracts number	Fixed payments (%)	Variable payments (%)
Land leases with payments linked to inflation	1	–	0.4
Office space leases with fixed payments	4	20.4	–
Stations and facilities leases with payments linked to inflation	4	–	57.4
Stations and facilities leases with fixed payments	8	21.8	–
Information technology equipment leases with fixed payments	2	–	–
Total	**19**	**42.2**	**57.8**

12. Leases (cont'd)

The Corporation as a lessor:

The Corporation has entered into leases on some of its assets, such as stations and facilities. These leases have terms between 2 and 25 years. Some leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Some of these operating lease contracts contain a market review clause in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the end of the expiry of the lease period. The Corporation has determined, based on an evaluation of the terms and conditions of the leases, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property and, that the Corporation retains substantially all the risks and reward to ownership of the properties and accounts for the contracts as operating leases.

Rental income recognized by the Corporation during the year is $8.4 million (December 31, 2022: $7.6 million).

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2023, are as follows:

(in millions of Canadian dollars)	
Year 1	**2.4**
Year 2	**1.6**
Year 3	**1.3**
Year 4	**1.4**
Year 5	**1.2**
Year 6 and over	**1.3**
Total	**9.2**

13. Provisions and Contingencies

The provisions balance includes the following:

(in millions of Canadian dollars)	January 1, 2023	Additional provisions recognized	Provisions utilized	Unused amounts reversed	December 31, 2023
Environmental costs	1.0	1.5	(0.2)	–	**2.3**
Litigation and equipment repairs	3.0	2.6	(1.2)	(0.8)	**3.6**
Total provisions	4.0	4.1	(1.4)	(0.8)	**5.9**

Environmental costs

The Corporation's operations are subject to numerous federal, provincial, and municipal environmental laws and regulations concerning among other things, the management of air emissions, wastewater, hazardous materials, wastes and soil contamination as well as the management and decommissioning of underground and aboveground storage tanks. A risk of environmental liability is inherent in railroad and related transportation operations, real estate ownership and other activities of the Corporation with respect to both current and past operations.

The Corporation has performed a review of all of its operations and of all of its sites and facilities at risk in order to determine the potential environmental risks. The sites and the facilities for which environmental risks were identified were or will be the subject of thorough studies and corrective actions were or will be taken if necessary in order to eliminate or to mitigate these risks. The continuous risk management process that is in place allows the Corporation to monitor its activities and properties under normal operating conditions as well as monitor accidents that occur. The properties likely to be contaminated or the activities or property, plant and equipment likely to cause a contamination are addressed, at the moment of their observation, by the development of an action plan according to the nature and the importance of the impact and the applicable requirements.

13. Provisions and Contingencies (cont'd)

When remediation costs can be reasonably estimated, a provision is recorded based on the anticipated future costs.

However, the Corporation's ongoing efforts to identify potential environmental concerns that may be associated with its properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws and containing or remediating contamination cannot be reasonably estimated due to:

(i) the lack of specific technical information available with respect to many sites;

(ii) the absence of any third-party claims with respect to particular sites;

(iii) the uncertainty regarding the ability to recover costs from any third parties with respect to particular sites;

(iv) the fact that the environmental responsibility has not been clearly attributed.

Litigation and equipment repairs

The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. The timing of settlement of these claims depends to a large extent on the pace of negotiation with the various counterparties and legal authorities. The Corporation cannot reliably estimate when these claims will be resolved.

Also, the Corporation incurs equipment repair costs as a result of crossing accidents and other incidents causing damages to the rolling stock. These equipment repair claims are mostly settled between 3 and 18 months from the date of initiation.

Such matters are subject to several uncertainties. Management believes that adequate provisions for litigation and equipment repairs have been made in the affected accounts. The ultimate resolution of those matters is not expected to have a significant adverse effect on the Corporation's financial position.

Asset retirement

The Corporation has entered into certain operating leases where the lessor has the option of requesting that the land/structures or the other assets be returned in the same condition as they were originally leased, or of retaking control of these assets without any compensation to the Corporation for any additions or modifications made to the initial assets. Given the nature of the assets under contract and the options available to the lessor, the asset retirement obligation cannot be reasonably estimated. No liability has been recognized in the financial statements.

14. Deferred Revenues and Other Liabilities

Deferred revenues and other liabilities are comprised of the following:

(in millions of Canadian dollars)	2023	2022*
Advance ticket sales	**29.2**	21.4
VIA Préférence loyalty program	**9.8**	10.8
Other*	**7.2**	5.7
Total deferred revenues and other liabilities	**46.2**	37.9

**Certain comparative figures have been reclassified to conform to the current year presentation.*

Advance ticket sales, which represent contract liabilities, relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as the Corporation performs the contract.

In the current reporting period, an amount of $14.0 million of revenue was recognized relating to advance ticket sales (December 31, 2022: $1.2 million). Management expects that 65 per cent of the advance ticket sales will be recognized as revenue during the next reporting period.

15. Employee Benefit Assets and Liabilities

The Corporation provides a number of pension plans with defined benefits (funded) and defined contribution components. The Corporation also provides unfunded other post-employment benefits, including post-retirement medical and life insurance benefits, and long-term employee benefits such as unfunded self-insured workers' compensation benefits, long-term employee disability benefits and continuation of benefit coverage for employees on long-term disability.

Pension plans

The Corporation's pension plans are governed according to applicable federal legislations such as the *Pension Benefits Standards Act* and the *Income Tax Act*. The pension plans are under the jurisdiction of the Office of the Superintendent of Financial Institutions Canada.

Employees entitled to a defined benefit pension

Pension benefits are based on years of service and average salary of the employee's best five consecutive calendar years up to retirement.

Participants contribute a fixed percentage of their earnings to the pension plan while the Corporation contributes the amount needed to maintain adequate funding as dictated by the prevailing regulation. The pension plans may be required to take measures to offset any funding and solvency deficit by changing the Corporation's and participants' contribution rate. Moreover, additional contributions by the Corporation may be required if these rules are not complied with. The Board is responsible for the investment policy with regard to the assets of the fund.

15. Employee Benefit Assets and Liabilities (cont'd)

Employees entitled to a hybrid pension plan

Employees are provided pension benefits in part from a reduced formula of the defined benefit component of the pension plan, and in part from a defined contribution component.

i) Defined benefit component

Pension benefits under the reduced formula are based on years of service and average salary of the employee's best five consecutive calendar years up to retirement. On each April 1, following the third anniversary of the retirement date, the participant's pension benefits will be indexed by 50 per cent of the increase in the Consumer Price Index subject to a maximum increase of 3 per cent, but only if the plan is in a surplus situation.

The contributions required to fund the defined benefit component of the plan are entirely paid for by the Corporation. The Corporation's contributions vary according to the financial situation of the plan, as determined by the plan's actuary and in accordance with regulatory requirements for pension plan funding.

The Board is responsible for the investment policy with regard to the assets of the fund.

ii) Defined contribution component

Participants' contributions to the defined contribution component are mandatory and represent 4 per cent of their salary. Optional contributions to the defined contribution component can be made by the participants to a maximum of 3 per cent of their salary. The Corporation's contribution is equal to 50 per cent of participant's optional contributions.

The retirement income is based on the accumulation of funds in the individual retirement savings account of the defined contribution component of the plan.

Participants have control over the investment decisions and bear the investment risk.

15. Employee Benefit Assets and Liabilities (cont'd)

Employees entitled to a defined contribution pension

Participants' contributions to the defined contributions plan are mandatory and represent 4 per cent of their salary. Optional contributions to the defined contribution component can be made by the participants to a maximum of 3 per cent of their salary. The Corporation's contribution is equal to 100 per cent of participant's contributions.

The retirement income is based on the accumulation of funds in the individual's retirement savings account of the defined contribution component of the plan.

Participants have control over the investment decisions and bear the investment risk.

Actuarial valuations

The actuarial valuations for these employee benefits, except for the defined contribution component of the pension plans, are carried out by external actuaries who are members of the Canadian Institute of Actuaries.

The actuarial valuations of the various employee benefit plans are as follows:

	ACTUARIAL VALUATION	
Employee benefit plans:	**Most recent valuation**	**Next valuation**
Pension plans	December 31, 2022	**December 31, 2023**
Supplemental Executive Retirement Plan	December 31, 2023	**December 31, 2024**
Supplemental Retirement Plan for management employees (SRP), with respect to active members	December 31, 2022	**December 31, 2023**
Supplemental Retirement Plan for management employees (SRP), with respect to retired members	December 31, 2023	**December 31, 2024**
Post-employment unfunded plan	May 1, 2022	**May 1, 2025**
Self-insured Workers' Compensation	December 31, 2021	**December 31, 2024**
Long-term employee benefits plans, other than "Self-insured Workers' Compensation"	December 31, 2022	**December 31, 2024**

15. Employee Benefit Assets and Liabilities (cont'd)

a) Defined benefit component of the pension plans and post-employment benefits plans

Based on these actuarial valuations and projections to December 31, the summary of the principal valuation results, in aggregate, is as follows:

	DEFINED BENEFIT COMPONENT OF THE PENSION PLANS		POST-EMPLOYMENT BENEFIT PLANS	
(in millions of Canadian dollars)	2023	2022	2023	2022
FAIR VALUE OF PLAN ASSETS				
Balance, beginning of year	**2,334.2**	2,800.0	**–**	–
Interest income	**116.3**	82.4	**–**	–
Return on plan assets (excluding interest income)	**68.8**	(421.9)	**–**	–
Employer contributions	**–**	7.0	**0.7**	0.7
Defined benefit surplus utilized to fund the employer contributions *(Note 2)*	**(2.2)**	–	**–**	–
Employee contributions	**12.8**	12.0	**–**	–
Benefits paid	**(125.4)**	(142.8)	**(0.7)**	(0.7)
Administration expenses	**(2.1)**	(2.5)	**–**	–
Balance, end of year	**2,402.4**	2,334.2	**–**	–
DEFINED BENEFIT OBLIGATION				
Balance, beginning of year	**1,950.7**	2,519.8	**18.7**	26.3
Service cost	**18.3**	33.1	**0.2**	0.4
Past service cost	**0.1**	–	**0.3**	–
Interest expense	**97.7**	74.7	**0.9**	0.8
Employee contributions	**12.8**	12.0	**–**	–
Benefits paid	**(125.4)**	(142.8)	**(0.7)**	(0.7)
Effect of change in demographic assumptions	**(4.1)**	–	**(0.2)**	(0.3)
Effect of change in financial assumptions	**114.1**	(581.7)	**1.3**	(7.2)
Effect of experience adjustments	**1.3**	35.6	**(0.3)**	(0.6)
Balance, end of year	**2,065.5**	1,950.7	**20.2**	18.7
Net defined benefit asset (liability)	**336.9**	383.5	**(20.2)**	(18.7)

Note 1: In 2022, VIA Rail's Defined Benefit Pension Plan (DBP) had a going concern excess, and solvency assets exceeding 105% of liabilities, therefore no minimum contributions were required to be made during the 2023 fiscal year.

Note 2: In accordance with the VIA Rail Pension Plan regulations, a withdrawal of $2.2M from the Non-Unionized DBP surplus was utilized to fund the Non-Unionized Defined Contribution Plan (DCP) employer contributions during the 2023 fiscal year.

15. Employee Benefit Assets and Liabilities (cont'd)

Expected employer contribution for the next year:

(in millions of Canadian dollars)	Defined benefit component of the pension plans 2024	Post-employment benefit plans 2024
Expected employer contribution for the next year	0.0	0.9

The weighted average duration of the defined benefit obligation is 11.9 years (December 31, 2022: 11.1 years).

The percentages of the fair value of the defined benefit component of the pension plan assets by major category are as follows:

	2023				2022			
Assets categories (in percentages)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and short-term notes	2.8	0.1	–	**2.9**	1.8	0.1	–	1.9
Equity securities	16.5	–	–	**16.5**	17.3	–	–	17.3
Fixed income securities	–	22.3	0.7	**23.0**	–	23.1	0.8	23.9
Mutual fund units	0.5	23.8	33.3	**57.6**	1.7	23.0	32.2	56.9
	19.8	**46.2**	**34.0**	**100.0**	20.8	46.2	33.0	100.0

15. Employee Benefit Assets and Liabilities (cont'd)

	DEFINED BENEFIT COMPONENT OF THE PENSION PLANS		POST-EMPLOYMENT BENEFIT PLANS	
	2023	2022	**2023**	2022
WEIGHTED AVERAGE OF SIGNIFICANT FINANCIAL ASSUMPTIONS				
Defined benefit obligation:				
Discount rate	**4.60%**	5.10%	**4.60%**	5.10%
Rate of salary increase	**3.00%**	3.00%	**3.00% – 3.75%[1]**	3.00% – 3.75%[1]
Initial weighted average health care trend rate	**–**	–	**5.60%**	5.70%
Ultimate weighted average health care trend rate	**–**	–	**4.00%**	4.00%
Year ultimate rate reached	**–**	–	**2040**	2040
Rate of price inflation[1]	**2.00%**	2.00%	**–**	–
Rate of pension increase	**1.00%**	1.00%	**–**	–
Defined benefit cost:				
Discount rate	**5.10%**	3.00%	**5.10%**	3.00%
Rate of price inflation[2]	**2.00%**	2.00%	**–**	–
Rate of salary increase	**3.00%**	3.00%	**3.00% – 3.75%[1]**	3.00% – 3.75%[1]
Rate of pension increase	**1.00%**	1.00%	**–**	–
Initial weighted average health care trend rate	**–**	–	**5.70%**	5.70%
Ultimate weighted average health care trend rate	**–**	–	**4.00%**	4.00%
Year ultimate rate reached	**–**	–	**2040**	2040

Note 1: Applicable to executive employees only.
Note 2: 2.6% per year for 2024, and 2.0% per year thereafter (2022 – 3.5% per year for 2023, 2.5% per year for 2024, and 2.0% per year thereafter).

15. Employee Benefit Assets and Liabilities (cont'd)

Significant demographic assumptions – Post-retirement mortality tables

DEFINED BENEFIT OBLIGATION

Defined benefit component of the pension plans:

2023	2022
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.

Post-employment benefit plans:

2023	2022
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.

DEFINED BENEFIT COST

Defined benefit component of the pension plans:

2023	2022
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.

Post-employment benefit plans:

2023	2022
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.

15. Employee Benefit Assets and Liabilities (cont'd)

Risk associated with defined benefit plans

The major risk associated with the pension plans is the funding risk, which is the risk that the investment asset growth and the contributions to the pension plans will not be sufficient to cover the pension obligations, resulting in unfunded liabilities.

The funding risk is linked to the following risks: investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

Investment risk: The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality Canadian corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Consequently, the Corporation has adopted a conservative investment policy which is overseen by the Audit & Pension Investment Committee of the Board.

Interest rate risk: A decrease in the bond interest rate will increase the plan liability; however, due to a liability alignment investment policy, this will be partially offset by an increase in value on the plan's investments in fixed income securities.

Longevity risk: The present value of the defined plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Inflation risk: A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Corporation's liability. A portion of the plan assets are in real returns bonds which will mitigate some of the effects of inflation.

15. Employee Benefit Assets and Liabilities (cont'd)

Sensitivity analysis

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumptions as those that could result in a significant impact on the defined benefit obligation:

	DEFINED BENEFIT OBLIGATION INCREASE / (DECREASE)	
(in millions of Canadian dollars)	2023	2022
Defined benefit component of the pension plans:		
Inflation rates		
Increase of 25 basis points	**28.7**	27.0
Decrease of 25 basis points	**(28.3)**	(26.4)
Discount rates		
Increase of 25 basis points	**(57.4)**	(52.8)
Decrease of 25 basis points	**60.3**	55.5
Pensions-in-payment		
Increase of 25 basis points	**26.2**	22.8
Decrease of 25 basis points	**(25.7)**	(22.3)
Salary increase rates		
Increase of 25 basis points	**3.5**	3.0
Decrease of 25 basis points	**(3.5)**	(3.1)
Mortality tables		
1 year younger	**52.3**	47.2
1 year older	**(53.0)**	(47.8)
Post-employment benefits plans:		
Discount rates		
Increase of 25 basis points	**(0.7)**	(0.6)
Decrease of 25 basis points	**0.7**	0.7

15. Employee Benefit Assets and Liabilities (cont'd)

In the sensitivity analysis presented above, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as the one applied in calculating the defined benefit obligation recognized in the Statement of Financial Position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Asset-liability matching strategies

The Corporation reassesses the pension plans investment policy annually to take into account material changes in plan demographics, the investment environment, and the financial circumstances of the plans as well as changes in risk tolerance. Every few years or when significant changes in circumstances warrant it, the Corporation will conduct a more complete asset liability modelling exercise to determine an optimal investment policy asset mix.

The current asset mix, with its sizable allocation to fixed income securities and income based alternative investments, provides a significant amount of interest rate hedging compared to plan liabilities. This policy posture is expected to deliver a lower volatility of required funding while preserving ongoing funding costs at an acceptable level, when considering the plan maturity profile.

b) Defined contribution component of the pension plan

The expense for the defined contribution component of the pension plan for the year ended December 31, 2023 is $3.7 million (December 31, 2022: $3.0 million). The employer contributions are expected to be $3.6 million in 2024.

15. Employee Benefit Assets and Liabilities (cont'd)

c) Long-term employee benefit plans

Based on these actuarial valuations and projections to December 31, the summary of the principal valuation results for the long-term employee benefits, including self-insured workers' compensation benefits is as follows:

(in millions of Canadian dollars)	2023	2022
FAIR VALUE OF PLAN ASSETS		
Balance, beginning of year	**–**	–
Employer contributions	**4.3**	5.6
Benefits paid	**(4.3)**	(5.6)
Balance, end of year	**–**	–
LONG-TERM EMPLOYEE BENEFIT OBLIGATION		
Balance, beginning of year	**12.4**	15.1
Service cost	**3.5**	3.5
Interest expense	**0.7**	0.5
Benefits paid	**(4.3)**	(5.6)
Effect of change in demographic assumptions	**–**	1.5
Effect of change in financial assumptions	**0.3**	(1.3)
Effect of experience adjustments	**(0.3)**	(1.3)
Balance, end of year	**12.3**	12.4
Net long-term employee benefit liability	**12.3**	12.4

Expected employer contribution for the next year:

(in millions of Canadian dollars)	2024
Expected employer contribution for the next year	3.8

15. Employee Benefit Assets and Liabilities (cont'd)

Weighted average of significant assumptions

	2023	2022
LONG-TERM EMPLOYEE BENEFIT OBLIGATION		
Discount rate	**4.60%**	5.00%
Rate of salary increase	**2.75% – 3.75%**	2.75% – 3.00%
Initial weighted average health care trend rate	**4.70%**	4.70%
Ultimate weighted average health care trend rate	**4.00%**	4.00%
Year ultimate rate reached	**2040**	2040
Rate of price inflation	**2.00%**	2.00%
Mortality tables	Ontario WSIB Workers' compensation 2013-2017 generational mortality table for workers' compensation and 2019 CIA study for Other employment benefits	Ontario WSIB Workers' compensation 2013-2017 generational mortality table for workers' compensation and 2019 CIA study for Other employment benefits
LONG-TERM EMPLOYEE BENEFIT COST		
Discount rate	**5.00%**	2.80%
Rate of salary increase	**2.75% – 3.75%**	2.75% – 3.00%
Initial weighted average health care trend rate	**4.70%**	4.80%
Ultimate weighted average health care trend rate	**4.00%**	4.00%
Year ultimate rate reached	**2040**	2040
Rate of price inflation	**2.00%**	2.00%
Mortality tables	Ontario WSIB Workers' compensation 2013-2017 generational mortality table for workers' compensation and 2019 CIA study for Other employment benefits	Ontario WSIB Workers' compensation 2013-2017 generational mortality table for workers' compensation and 2019 CIA study for Other employment benefits

15. Employee Benefit Assets and Liabilities (cont'd)

Sensitivity analysis

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumption that could result in a significant impact on the long-term employee benefit obligation:

	LONG-TERM EMPLOYEE BENEFIT OBLIGATION INCREASE / (DECREASE)	
(in millions of Canadian dollars)	2023	2022
Discount rates		
Increase of 25 basis points	**(0.2)**	(0.2)
Decrease of 25 basis points	**0.2**	0.2

d) Other long-term employee benefits

Other long-term employee benefits include work security benefits administered by various union agreements. These benefits are calculated on an event driven basis and represent management's best estimates of the present value of all future projected payments to unionized employees. The change in the other long-term employee benefit obligation is explained as follows:

(in millions of Canadian dollars)	2023	2022
FAIR VALUE OF PLAN ASSETS		
Balance, beginning of year	**–**	–
Employer contributions	**–**	0.1
Benefits paid	**–**	(0.1)
Balance, end of year	**–**	–
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION		
Balance, beginning of year	**0.1**	0.2
Benefits paid	**–**	(0.1)
Balance, end of year	**0.1**	0.1
Net other long-term employee benefit liability	**0.1**	0.1

15. Employee Benefit Assets and Liabilities (cont'd)

e) Summary of pension plans, post-employment benefit plans and long-term employee benefit plans recognized in the financial statements

Total amounts recognized in the Statement of Financial Position:

(in millions of Canadian dollars)	2023	2022
Assets:		
Defined benefit component of the pension plans	**336.9**	383.5
Liabilities:		
Post-employment benefit plans	**20.2**	18.7
Long-term employee benefit plans	**12.3**	12.4
Other long-term employee benefits	**0.1**	0.1
Total employee benefits liabilities	**32.6**	31.2

Total amounts recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	2023	2022
Operating expenses:		
Defined benefit component of the pension plans	**1.9**	27.9
Post-employment benefit plans	**1.4**	1.2
Long-term employee benefit plans	**4.2**	2.9
Total	**7.5**	32.0

These operating expenses are included in the "Compensation and employee benefits" line item of the Statement of Comprehensive Income.

15. Employee Benefit Assets and Liabilities (cont'd)

(in millions of Canadian dollars)	2023	2022
Other comprehensive (loss) income:		
Defined benefit component of the pension plans	**(42.5)**	124.2
Post-employment benefit plans	**(0.8)**	8.1
Total	**(43.3)**	132.3

16. Income Taxes

The income tax expense consists of the following:

(in millions of Canadian dollars)	2023	2022
Deferred	**1.3**	10.5
Income tax recovery	**1.3**	10.5

16. Income Taxes (cont'd)

The overall income tax expense for the year differs from the amount that would be computed by applying the combined Federal and provincial statutory income tax rates of 26.53 per cent (December 31, 2022: 26.54 per cent) to income before taxes. The reasons for the differences are as follows:

(in millions of Canadian dollars)	2023	2022
Net loss before income taxes	**(10.4)**	(25.7)
Computed income tax recovery – statutory rates	**2.7**	6.8
Prior year adjustment	**–**	2.5
Non-deductible accounting expenses and other	**(0.3)**	–
Effect of unrecognized tax attributes	**(1.2)**	2.1
Effect of tax rate changes on deferred income taxes	**0.1**	(0.9)
Income tax recovery	**1.3**	10.5

Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

16. Income Taxes (cont’d)

Significant components of the deferred income tax assets and (liabilities) are as follows:

Deferred income tax balances
December 31, 2023

(in millions of Canadian dollars)	Opening Balance	Recognized in net income	Recognized in OCI	Closing Balance
Deferred income tax assets (liabilities):				
Property, plant and equipment and intangible assets	27.2	(0.9)	–	26.3
Provisions	1.3	0.8	–	2.1
Lease liabilities	28.0	(1.2)	–	26.8
Employee benefit liabilities	8.3	0.2	0.2	8.7
Losses carry-forward	16.2	(1.7)	–	14.5
Total deferred income tax assets	81.0	(2.8)	0.2	78.4
Unrealized net gain on derivative financial instruments	(0.2)	0.2	–	–
Right-of-use assets	(27.3)	3.1	–	(24.2)
Employee benefit assets	(101.5)	0.8	11.3	(89.4)
Total deferred income tax liabilities	(129.0)	4.1	11.3	(113.6)
Deferred income tax assets (liabilities)	**(48.0)**	**1.3**	**11.5**	**(35.2)**

16. Income Taxes (cont'd)

Deferred income tax balances
December 31, 2022

(in millions of Canadian dollars)	Opening Balance	Recognized in net income	Recognized in OCI	Closing Balance
Deferred income tax assets (liabilities):				
Property, plant and equipment and intangible assets	20.8	6.4	–	27.2
Provisions	1.7	(0.4)	–	1.3
Lease liabilities	22.2	5.8	–	28.0
Employee benefit liabilities	10.2	0.2	(2.1)	8.3
Losses carry-forward	13.7	2.5	–	16.2
Total deferred income tax assets (liabilities)	68.6	14.5	(2.1)	81.0
Unrealized net gain on derivative financial instruments	(0.6)	0.4	–	(0.2)
Right-of-use assets	(21.6)	(5.7)	–	(27.3)
Employee benefit assets	(69.0)	1.3	(33.8)	(101.5)
Total deferred income tax liabilities	(91.2)	(4.0)	(33.8)	(129.0)
Deferred income tax (liabilities) assets	(22.6)	10.5	(35.9)	(48.0)

16. Income Taxes (cont'd)

The Corporation has $54.6 million (December 31, 2022: $61.0 million) of unused Federal and other provinces and $57.1 million (December 31, 2022: $63.5 million) of unused Québec non-capital tax losses carried forward. These losses expire between 2029 and 2042.

The Corporation has not recognized any deferred tax assets on certain of its deductible temporary differences as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized. The Ontario corporate minimum tax credit and losses expire between 2030 and 2043. Unrecognized deductible temporary differences for which no deferred tax assets have been recognized are attributed to the following:

(in millions of Canadian dollars)	2023	2022
Federal and other provinces:		
Ontario corporate minimum tax credit and losses	**97.7**	87.4
Total	**97.7**	87.4
Québec:		
Property, plant and equipment and intangible assets	**247.3**	194.8
Total	**247.3**	194.8

17. Deferred Capital Funding

Deferred capital funding represents the unamortized portion of the funding used to purchase property, plant and equipment and intangible assets.

(in millions of Canadian dollars)	2023	2022
Balance, beginning of year	**1,867.1**	1,658.1
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**391.2**	310.2
Government funding for an advance on contract	**–**	8.0
Transfer from capital funding to operating funding	**(0.9)**	–
Total Government funding for property, plant and equipment, intangible assets and advance on contract	**390.3**	318.2
Amortization of deferred capital funding	**(120.0)**	(109.2)
Balance, end of year	**2,137.4**	1,867.1

18. Share Capital

The authorized share capital of the Corporation is comprised of an unlimited number of common shares with no par value. For all years presented, 93,000 shares at $100 per share are issued and fully paid.

The Corporation defines its capital as share capital and accumulated deficit and is regulated by the *Financial Administration Act*. The Corporation is not allowed to modify its capital structure without Government approval. The Corporation must obtain Government approval to issue debt instruments. Accordingly, the Corporation does not have access to external financing and does not have a flexible capital structure.

The Corporation manages its equity by prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the Corporation effectively achieves its objectives and purpose while remaining a going concern. The Corporation did not change the way it manages its equity in the current year.

19. Supplemental Cash Flows Information

Net change in working capital items:

(in millions of Canadian dollars)	2023	2022
Trade and other receivables	**4.3**	(33.1)
Other assets	**0.6**	(2.9)
Materials	**(2.9)**	4.5
Trade and other payables	**0.6**	22.7
Provisions	**1.9**	(1.2)
Deferred revenues	**6.8**	15.7
Total	**11.3**	5.7

The change in trade and other receivables excludes an amount of ($38.9) million (December 31, 2022: ($49.9) million) in relation to government funding for capital expenditures, as the amount relates to investing activities.

The change in trade and other payables excludes an amount of $46.0 million (December 31, 2022: $50.1 million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities.

19. Supplemental Cash Flows Information (cont'd)

Investing activities supplemental information:

(in millions of Canadian dollars)	2023	2022
Acquisition of property, plant and equipment and intangible assets	**(404.1)**	(329.2)
Additions to property, plant and equipment and intangible assets not affecting cash as they were previously cash out through the advances on contracts	**8.4**	11.7
Change in accounts payable and accruals – Capital assets	**46.0**	50.1
Change in non-current other payables	**6.0**	7.3
Total cash out for acquisition of property, plant and equipment and intangible assets	**(343.7)**	(260.1)
Government funding invoiced for property, plant and equipment and intangible assets	**391.2**	310.2
Change in amount receivable from (payable to) the Government of Canada – Capital funding	**(38.9)**	(49.9)
Total Government funding received for property, plant and equipment and intangible assets	**352.3**	260.3

20. Financial Risks

a) Risk management

As part of its operations, the Corporation enters into transactions with financial risks exposure such as credit, liquidity and market risks. Exposure to such risks is significantly reduced through close monitoring and strategies that include the use of derivative financial instruments.

Derivative financial instruments such as swaps are utilized by the Corporation in the management of its exposure to changes in fuel prices. Commodity swaps are used to manage its exposure to fuel prices on the entirety of its fuel consumption.

The Corporation does not enter into derivative financial instruments for trading or speculative purposes. The Corporation does not currently apply hedge accounting on these derivative financial instruments.

b) Foreign exchange risk

The Corporation is exposed to foreign exchange risks on the following balances that are denominated in U.S. dollars (USD):

(in millions of Canadian dollars)	2023	2022
Assets:		
Cash	**0.6**	0.5
Trade and other receivables	**0.8**	1.0
Liabilities:		
Trade and other payables	**2.3**	1.4

A variance of 5 per cent in the exchange rate of USD would not have a significant impact on the Corporation's net income.

20. Financial Risks (cont'd)

c) Credit risk

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms and conditions of the agreement. The carrying amount of financial assets is $41.2 million (December 31, 2022: $26.4 million) and represents the Corporation's maximum exposure to credit risk. The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of its financial assets. The Corporation minimizes credit risk on cash, the Asset Renewal Fund and derivative financial instruments by dealing only with reputable and high-quality financial institutions. The Corporation's exposure to credit risks on trade accounts receivable is reduced by applying a credit policy that establishes limits on the concentration of risk, requires assessing and monitoring of counterparty credit risk and sets credit limits. Only Canadian Government departments and agencies, Crown corporations issuing government travel warrants and travel agents who are members of the International Air Transport Association (Billing and Settlement Plan/Airline Reporting Corporation) are exempt from the Corporation's credit approval process.

As at December 31, 2023, approximately 4.9 per cent (December 31, 2022: 6.0 per cent) of trade accounts receivable were over 90 days past due, while approximately 79.2 per cent (December 31, 2022: 83.0 per cent) of trade accounts receivable were current (under 30 days).

As at December 31, 2023, the loss allowance was $0.3 million (December 31, 2022: $0.4 million).

d) Fuel price risk

In order to manage its exposure to changes in fuel prices and minimize volatility in operating cash flows, the Corporation enters into derivative contracts with financial intermediaries based on the price of a commodity (i.e. heating oil) or a market index. A fluctuation of 5 per cent in the USD price of heating oil or fuel would not have a significant impact on the financial statements.

e) Liquidity risk

The Corporation manages its liquidity risk by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and funding activities. The liquidity risk is low since the Corporation does not have debt instruments to service and receives regular funding from the Government of Canada.

The reported financial liabilities below totalling $467.2 million (December 31, 2022: $418.4 million) represent the maximum liquidity risk exposure for the Corporation.

20. Financial Risks (cont'd)

The following table summarizes the contractual maturities for the derivative and non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2023:

(in millions of Canadian dollars)	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Trade and other payables	261.2	0.4	1.7	1.9	8.7	**273.9**
Lease liabilities	1.5	1.6	3.1	6.2	144.0	**156.4**
Deferred revenues and other liabilities*	0.4	0.4	0.8	–	–	**1.6**
Non-current other payables	–	–	–	35.0	0.3	**35.3**
Total	263.1	2.4	5.6	43.1	153.0	**467.2**

**Certain comparative figures have been reclassified to conform to the current year presentation.*

The following table summarizes the contractual maturities for the derivative and non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2022:

(in millions of Canadian dollars)	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Trade and other payables	225.2	–	–	–	–	225.2
Lease liabilities	1.7	1.6	3.1	6.3	150.8	163.5
Deferred revenues and other liabilities*	–	0.1	0.1	–	–	0.2
Non-current other payables	–	–	–	29.0	0.5	29.5
Total	226.9	1.7	3.2	35.3	151.3	418.4

**Certain comparative figures have been reclassified to conform to the current year presentation.*

f) Interest rate risk

Interest rate risk is defined as the Corporation's exposure to a loss of earnings or a loss in the value of its financial instruments as a result of fluctuations in interest rates. As at December 31, 2023 and December 31, 2022, there was no exposure to interest rate risk as all the Corporation's liquidity were invested in cash accounts.

21. Commitments

The following table presents the contractual commitments of the Corporation that are not included in the Statement of Financial Position:

	2023				2022
(in millions of Canadian dollars)	Total commitments	Less than 1 year	From 1 to 5 years	More than 5 years	Total commitments
COMMITMENTS RELATING TO OPERATIONS					
Non-cancellable leases: Lessee	**156.4**	5.8	24.4	126.2	163.7
Technical services and other services	**383.9**	17.3	109.8	256.8	365.8
Usage of tracks	**42.9**	5.3	5.6	32.0	40.4
Total	**583.2**	28.4	139.8	415.0	569.9
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS					
Rolling stock	**390.1**	199.0	191.1	–	551.8
Maintenance buildings	**213.0**	66.8	146.2	–	219.6
Stations and facilities	**10.4**	6.6	3.8	–	15.5
Owned infrastructures	**26.1**	26.1	–	–	–
Computer hardware	**–**	–	–	–	0.5
Leasehold improvement	**0.1**	0.1	–	–	–
Total	**639.7**	298.6	341.1	–	787.4
Total commitments	**1,222.9**	327.0	480.9	415.0	1,357.3

21. Commitments (cont'd)

a) As mentioned in Note 1 Authority, Objectives and General Information, the Corporation has entered into train service agreements for the use of tracks and the control of train operations. For some contracts, no amounts are included in the table above regarding those contracts since the amount of the commitments depends on the annual usage of the tracks.

b) The Corporation has provided letters of credit from a financial institution totalling approximately $25.3 million (December 31, 2022: $22.5 million) to various provincial government workers' compensation boards as security for future payment streams.

22. Related Party Transactions

A) Government of Canada, its agencies and other Crown corporations

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business on trade terms similar to those applied to other individuals and enterprises and these transactions are recorded at fair value.

In 2022, the Corporation and the unconsolidated structured entity entered into a service agreement for collaboration and support regarding the High Frequency Rail (HFR) project and for back-office services provided by the Corporation to VIA HFR – TGF VIA Inc. to facilitate the organization and functioning of the unconsolidated structured entity.
As at December 31, 2023, the Corporation has an account receivable from VIA HFR – TGF VIA Inc. of $1.2 million (December 31, 2022: nil). There were no significant transactions in 2023 and 2022.

Other than disclosed elsewhere in these financial statements, related party transactions are not significant.

22. Related Party Transactions (cont'd)

B) Key management personnel

The remuneration of key executives with the exception of the President and Chief Executive Officer, is determined by the Human Resources Committee having regard to the performance of individuals and market trends. The Human Resources Committee recommendation is then presented and approved by the Board of Directors. The remuneration of the President and Chief Executive Officer is determined by the Governor in Council.

The Corporation's key executives have been defined as the executive staff members that are members of the Corporate Management Committee and the members of the Board of Directors.

The compensation of the key executives of the Corporation is as follows:

(in millions of Canadian dollars)	2023	2022
Compensation and short-term employee benefits	**4.0**	4.3
Termination benefits	**0.8**	2.4
Post-employment benefits	**1.0**	0.9
Total	**5.8**	7.6

The Corporation may enter into transactions with corporations who employ close family members of key management personnel or Directors of the Board. These transactions are made in the normal course of business and are recorded at fair value. These transactions are not significant for the years ended December 31, 2023 and December 31, 2022.

C) Transactions with post-employment benefits plans

Transactions with the Corporation's post-employment benefits plans are conducted in the normal course of business. The transactions with the Corporation's post-employment benefit plans consist of contributions as determined by actuarial valuations, as disclosed in Note 15. There were no other significant transactions during the year.

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