VIA Rail Canada

ANNUAL REPORT 2022

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Who we are

VIA Rail operates Canada's national passenger rail service on behalf of the Government of Canada, meeting customer needs for intercity travel and transportation to regional and remote communities.

An independent Crown corporation established in 1977, VIA Rail provides a safe, accessible, reliable, cost-effective, and environmentally responsible service from coast to coast in both official languages.

Employees

Employees

3,438

3,073 active and 382 inactive employees at the end of the year

Employee diversity

2%
are Indigenous people

36%
of our employees are women

18%
are visible minority

1.3%
are veterans

3%
are people with disabilities

Passengers

Passenger Trips

3.3 M

covering close to 1,200 million kilometres across Canada, of which: 85% is intercity travel, 13% is long-distance and 2% is regional

Passenger Trips per Train Route

96%

of passenger trips consist of intercity travel (in the Corridor)

96% Intercity Travel
3% Long-Distance
1% Regional

Passenger Revenue per Train Route

81%

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

81% Intercity Travel
18% Long-Distance
1% Regional

Fleet

355

train cars

(in and out of service)

74

locomotives

Buildings

104

train stations of which 24 are Heritage stations

VIA Rail owns **61** of those stations

7

offices

1 head office

6 regionals

4

maintenance centres

- Montréal
- Toronto
- Winnipeg
- Vancouver

Where we operate

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

Frequency Train Departures

328

departures per week on average, of which 82.6% depart on time

400+

communities served across Canada

- **Intercity Travel (in the Corridor)**

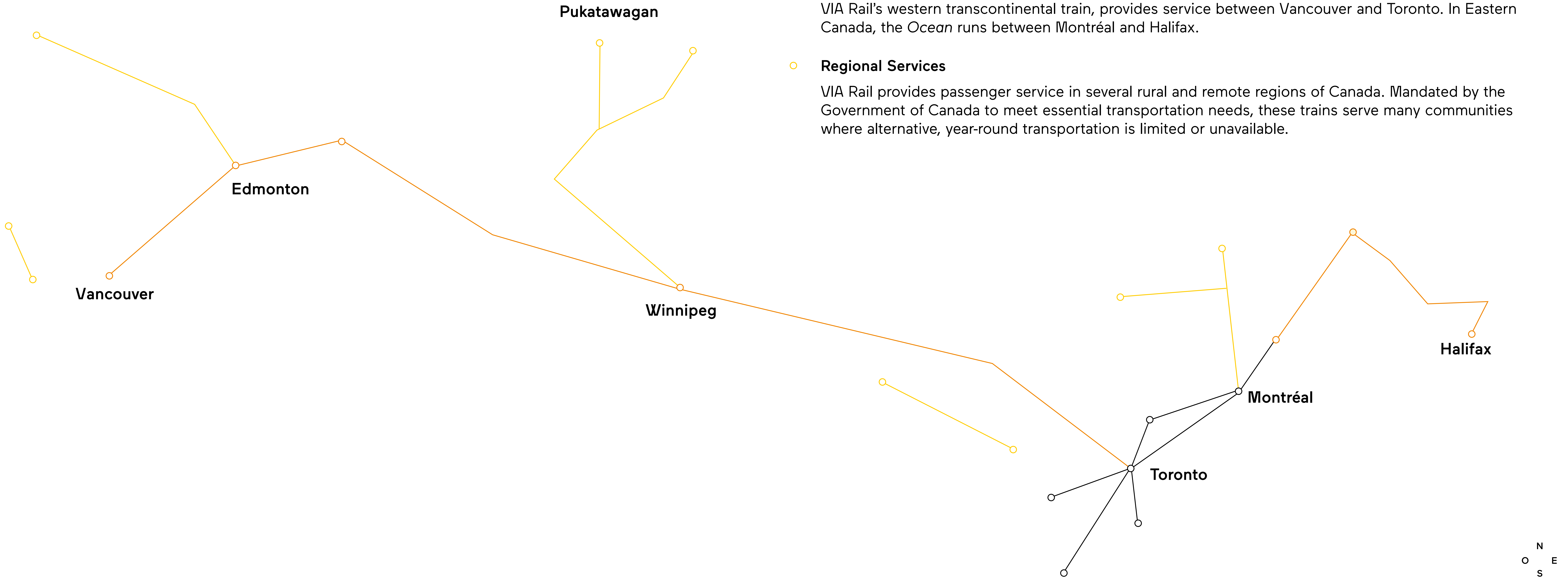
  In the densely populated Corridor area between Québec City and Windsor, VIA Rail trains provide travel between the downtown cores of major urban centres, as well as between suburban centres and communities.

- **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.

- **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.



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 to serve Canadians from coast to coast.

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 move. VIA Rail provides sustainable, efficient and effective passenger rail service and our agenda is 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 customers, and our colleagues.

Act 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 customer 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 customers and our colleagues, so they stay onboard.

Message from the Chairperson of the Board of Directors

The year 2022 has been filled with forward-looking achievements. The planned "book your comeback" for our passengers was somewhat delayed, but when the time came, all of VIA Rail's employees were happy to welcome back our customers, and our customers were thrilled to travel again: our ridership results speak for themselves.

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

VIA Rail provides a safe, accessible, reliable and caring passenger rail service that meets the needs of Canadians. In 2022, we transported 3.3 million people through the more than 400 communities we serve in Canada, covering over 1,200 million kilometres. Through our many routes, we serve a multitude of communities across all provinces. We thank our passengers for their loyalty, and we look towards 2023 with the confidence that we will be able to serve more Canadians better and more effectively across the country.

Over the past year, we not only regained momentum with increased ridership, but continued to work hard on our modernization projects, many of which will become a reality in the year 2023. Major milestones were reached with respect to our Corridor fleet. In the fall, we welcomed our employees and our first passengers onboard the first new train with great excitement and pride, and since then, this train has been running regularly between Montréal and Ottawa. In 2023, we will take delivery of several more trains, allowing even more customers to travel on these more modern, more comfortable, and more accessible trains.

The new reservation system, designed for ease of use by both our passengers and employees, will be rolled out in 2023. This enhanced booking ecosystem will provide a more intuitive, flexible, convenient, and streamlined experience. This technological initiative is and will remain a cornerstone in shaping our passengers' journeys for years to come.

Meanwhile, the government is making concrete progress with the creation of a subsidiary in the High Frequency Rail (HFR) project. This project, initiated by VIA Rail, will help provide an improved service for passengers travelling in the Québec City-Windsor corridor. As the Minister of Transport explains, HFR is one of the largest infrastructure projects in Canadian history. It will provide Canadians with a sustainable transportation option for inter-city travel.

Following a mandate given by the Minister, we created, in November, a subsidiary, VIA HFR – VIA TGF Inc., which will act as the dedicated project office. It is through this new structure that HFR will become a reality. To guide this new organization, VIA Rail was pleased to appoint the three founding members of its Board of Directors, Robert Prichard, President, Marie-José Nadeau, Vice-President and Robert Fonberg, Director. We are confident that these seasoned directors will contribute their expertise to bring this project to fruition.

With its 45 years of experience in serving Canadians, VIA Rail will collaborate with this subsidiary to make HFR happen, and we are confident that we can provide the expertise to do so.

At the same time, in keeping with our mandate, VIA Rail is analyzing and exploring how we can better serve communities outside the Corridor. We are committed to serving all Canadians and we are working towards doing so, with a goal of always improving.

Last May, the Board of Directors turned to Martin R Landry to act as interim President and Chief Executive Officer, following the departure of Cynthia Garneau. He agreed to step in for a few months. His experience at VIA Rail as Chief Commercial Officer, his knowledge and determination have helped us stay the course on our return to service goals and the progression of our modernization projects. We are grateful for all that he has accomplished during his nine-year tenure at VIA Rail and for the dedication he has shown during his ten-month term as President.

The year 2022 was driven by the commitment, passion, and agility of our more than 3,400 employees across the network. It is thanks to each and every one of them that we have risen to the many challenges.

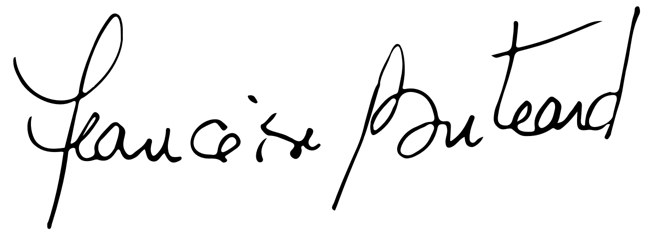
I cannot overlook the adverse effects of a major winter storm that disrupted our operations at the end of the year, immobilizing our trains for extended periods. We deeply regret the discomfort, anxiety and difficulties experienced by our passengers, despite the best efforts of our employees. Corrective actions to our processes have already been taken and we are working together to use the lessons learned to improve our performance in the future. Thank you to everyone for their patience and understanding during this exceptional situation.

I would like to recognize the excellent work of my colleagues on the Board of Directors, who hail from across the country. Thank you for your commitment, your exceptional availability, and your continued dedication. I would like to thank Kathy Baig and Geneviève Tanguay for their contribution. After a six-year term, they have stepped down from the Board of Directors in 2022.

To the Honourable Omar Alghabra, Minister of Transport, and to our valued collaborators at Transport Canada, a sincere thank you for their support and trust. The government's vision as expressed by the Minister and Ministry is very inspiring and holds great promise for the future of passenger rail in Canada. In the context of the climate crisis, this vision is very reassuring.

Looking to the Future

In 2023, we will continue our efforts to serve all Canadians from coast to coast. We want to create more value for our passengers, for our communities, for our stakeholders and for all those who rely on safe, secure, accessible, efficient, and sustainable passenger rail service.



Françoise Bertrand, o.c., c.q.
Chairperson of the Board of Directors

Message from Interim President and CEO

The year 2022 was pivotal for VIA Rail, a year where we successfully executed our post-pandemic return to service and made excellent progress on our key modernization initiatives across the Corporation. Our customers responded with great enthusiasm as most of our services were restored in June across the network. This was made possible by the dedication and commitment of the more than 3,400 VIA Rail employees right across the country. It was rewarding to welcome our employees back to work and doing what they do best, serving our customers, and we did so while achieving our best-ever safety record. A great accomplishment that we are all very proud of!

MARTIN R LANDRY
Interim President and Chief Executive Officer

The robust return of our services in the second half of 2022 led to a significant improvement of our key financials where we saw revenues increase by more than 150% compared to 2021, while operating expenses rose by 31.7%, leading to a reduction of 4.4% in operating funding requirements.

2022 was also a year of great progress on our core modernization initiatives, the most visible one taking place in the last six months. After having received the second of our planned 32 new trainsets, 500 dedicated VIA Rail employees boarded in October for two end-to-end test runs between Montréal and Ottawa. A few short weeks later, members of VIA's Management Committee joined me in welcoming the delighted customers who were the first ones to sample the future of travel in our busy Québec City to Windsor corridor. A truly historic event for VIA Rail. This momentous day was made possible by the relentless efforts of a large contingent of talented VIA Rail employees and delivered on the commitment made in 2018 when the Corridor New Fleet program was launched, namely, to welcome our first passengers before the end of 2022.

All of us at VIA Rail look forward to the full commercial operations of these new trains later in 2023, where Canadians will be able to travel on one of the most modern, most accessible, most comfortable trains in the country all the while reducing our environmental footprint.

Another key highlight of the year came in the summer as VIA Rail submitted a business case to address the replacement of its aging trains serving Canadian communities outside the Corridor. These services are far more than transportation, they act as a lifeline that connects communities together and to the rest of the nation. All of us at VIA Rail take this responsibility with great pride and many believe that the very nature of the Corporation is best exemplified when serving these Canadian communities. The trains currently operating on these routes were manufactured between 1947 and 1955 and the time has come to replace them.

In 2023, when VIA Rail launches its new reservation system, another key component of our modernization journey will become a reality. In the past year, our project team comprised of employees from across the organization pushed ahead with the development of a system that will bring our clients a new level of autonomy, convenience, flexibility, and accessibility.

In the face of economy-wide labour shortages, we enacted new initiatives to help us reach our recruitment targets and retain our people. This, coupled with the implementation of a recruitment strategy and a new collective agreement with our unionized on-board, station, mechanical services, call centres and administrative employees, enabled us to resume service while others in the transportation industry were facing workforce challenges.

We aim to be the reflection of the communities we serve, and we launched several initiatives to promote greater diversity, including an ambassador program in which people from all business units volunteered to be leaders in promoting inclusion. The more diverse we are, the richer the decisions we make to ensure that our services stay relevant.

At VIA Rail, sustainability is fundamentally linked to our value of acting today for a better tomorrow. In 2022, we unveiled VIA Rail's five-year sustainability plan which will ensure we embed environmental, social and governance performance in all VIA Rail's operations so that it can be future ready and more resilient. Determined to continue moving forward on this path and reinforcing its commitment towards responsible business practices, VIA Rail became the first land transportation company in Canada to join the United Nations Global Compact last year. Our participation to the Compact represents a key foundational action that will enable us to join a global movement and advance broader sustainable development and societal goals.

Passenger rail has never been more vital and relevant. We are thrilled to be back and excited for the future as we deliver on our mandate to Canadians.

On a more personal note, I would like to thank the VIA Rail board of directors who asked me to take the helm of the company in late May just prior to our June return. Their steady hand and guidance were of great service to me and to the members of our management team, and I am truly honoured by the opportunity to lead a great Canadian institution such as VIA Rail Canada.

2022 was a year we can all be proud of, a year on which we will build a strong future as we serve Canadians from coast to coast to coast.

Martin R Landry
Interim 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.

	2022	2021	2020	2019	2018
KEY FINANCIAL INDICATORS (in millions of dollars)					
Total passenger revenues (1)	**317.9**	118.2	76.0	388.0	369.0
Total revenues (1)	**335.1**	**133.5**	**92.0**	**411.1**	**392.6**
Operating expenses (1)	**676.0**	479.0	482.0	663.4	633.4
Contributions for employee benefits (1)	**13.4**	25.0	25.8	28.4	31.8
Total Operating expenses (1)	**689.4**	**504.0**	**507.8**	**691.8**	**665.2**
Operating loss	**354.3**	**370.5**	**415.8**	**280.7**	**272.6**
Capital expenditures	**318.2**	226.4	252.9	268.8	123.8
Total Funding Required	**672.5**	**596.9**	**668.7**	**549.5**	**396.4**
Government Operating Funding	**354.3**	370.5	415.8	280.7	272.6
Government Capital Funding	**147.3**	126.2	88.5	112.4	121.8
Government Capital Funding – Fleet Replacement Program	**170.9**	100.2	164.4	155.3	0.0
Total Government Funding	**672.5**	**596.9**	**668.7**	**548.4**	**394.4**
Asset Renewal Funding	**0.0**	**0.0**	**0.0**	**1.1**	**2.0**
KEY OPERATING STATISTICS (2)					
Total passenger miles (in millions)	**749**	327	227	1,055	992
Total passengers (in thousands)	**3,302**	1,512	1,147	5,008	4,745
Total seat miles (in millions)	**1,225**	668	508	1,772	1,745
Operating deficit per passenger mile (in cents)	**47.3**	113.3	183.2	26.6	27.5
Yield (cents per passenger mile)	**41.8**	35.4	31.2	35.9	36.4
Train miles operated (in thousands)	**5,382**	3,647	2,870	6,933	6,825
Car miles operated (in thousands)	**34,340**	18,472	14,583	43,661	44,766
Average passenger load factor (%)	**61**	49	45	60	57
Average number of passenger miles per train mile	**139**	90	79	152	145
On-time performance (%)	**57**	72	71	68	71
Number of full time equivalent employees during the period	**2,975**	2,370	2,825	3,308	3,207

(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 2022 (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	$ 176,446	$ 300,478	$ 124,032	$ 69.60	$ 0.27	34,272	1,782,165
Québec City-Montréal-Ottawa	52,285	98,807	46,522	66.80	0.45	13,394	696,488
Corridor East	**$ 228,731**	**$ 399,285**	**$ 170,554**	**$ 68.81**	**$ 0.31**	**47,666**	**2,478,653**
Toronto-London-Sarnia-Windsor	38,984	77,761	38,777	59.91	0.46	12,449	647,305
Toronto-Niagara	977	5,453	4,476	165.09	2.07	521	27,112
South Western Ontario (SWO)	**$ 39,961**	**$ 83,214**	**$ 43,253**	**$ 64.13**	**$ 0.50**	**12,970**	**674,417**
Corridor	**$ 268,692**	**$ 482,499**	**$ 213,807**	**$ 67.81**	**$ 0.33**	**60,636**	**3,153,070**
Montréal-Halifax	10,301	48,719	38,418	728.58	1.31	1,014	52,730
Toronto-Vancouver	51,691	104,682	52,991	1,029.21	0.78	990	51,487
Longhauls	**$ 61,992**	**$ 153,401**	**$ 91,409**	**$ 877.10**	**$ 0.94**	**2,004**	**104,217**
Montréal-Gaspé	0	0	0	n/a	n/a	0	0
Montréal-Jonquière	267	5,450	5,183	821.13	5.06	121	6,312
Montréal-Senneterre	213	5,386	5,173	1,109.85	5.85	90	4,661
Sudbury-White River	186	4,194	4,008	878.18	6.25	88	4,564
Winnipeg-Churchill	3,107	26,229	23,122	1,083.56	3.67	410	21,339
Jasper-Prince Rupert	595	8,446	7,851	1,063.10	3.17	142	7,385
Mandatory	**$ 4,368**	**$ 49,705**	**$ 45,337**	**$ 1,024.31**	**$ 4.00**	**851**	**44,261**
The Pas and Pukatawagan (1)	n/a	$ 3,754	$ 3,754	n/a	n/a	n/a	n/a
Total	**$ 335,052**	**$ 689,359**	**$ 354,307**	**$ 107.32**	**$ 0.47**	**63,491**	**3,301,548**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022, compared with the quarter and the year ended December 31, 2021. 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 quarter, the Corporation's operations returned to levels that are slightly below those operated before the pandemic, which represents a significant increase compared to the corresponding quarter of 2021. Capacity has increased by 21.8 per cent in terms of train miles, and by 21.9 per cent in terms of seat miles, as a result of a return to normal.

4. Highlights of Financial Results and Major Key Operating Statistics

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2022**	**2021**	**Var $**	**Var %**	**2022**	**2021**	**Var $**	**Var %**
Financial Performance								
Passenger revenues *(section 5.2)*	**97.3**	53.5	43.8	81.9%	**317.0**	118.2	198.8	168.2%
Other revenues	**5.6**	4.3	1.3	30.2%	**17.2**	15.3	1.9	12.4%
Total revenues	**102.9**	57.8	45.1	78.0%	**334.2**	133.5	200.7	150.3%
Operating expenses *(section 5.3)*	**247.0**	190.8	56.2	29.5%	**823.4**	625.0	198.4	31.7%
Operating loss before funding from the Government of Canada and income taxes *(section 5.1)*	**(144.1)**	(133.0)	(11.1)	(8.3%)	**(489.2)**	(491.5)	2.3	0.5%
Net loss for the period	**(22.0)**	(28.9)	6.9	23.9%	**(15.2)**	(26.3)	11.1	42.2%
Remeasurements of defined benefit components of the pension plans and post-employment benefit plans (net of tax)	**(196.0)**	54.3	(250.3)	(461.0%)	**96.4**	339.2	(242.8)	(71.6%)
Comprehensive (loss) income for the period	**(218.0)**	25.4	(243.4)	(958.3%)	**81.2**	312.9	(231.7)	(74.0%)

(Amounts in bracket represent decreases)

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)	**2022**	**2021**	**Var $**	**Var %**	**2022**	**2021**	**Var $**	**Var %**
Financial Position and Cash Flows								
Total assets *(section 5.4)*	**2,591.3**	2,177.5	413.8	19.0%	**2,591.3**	2,177.5	413.8	19.0%
Total liabilities and deferred capital funding *(section 5.4)*	**2,356.1**	2,023.5	332.6	16.4%	**2,356.1**	2,023.5	332.6	16.4%
Cash *(section 5.5)*	**9.8**	4.4	5.4	122.7%	**9.8**	4.4	5.4	122.7%
Net cash (used in) provided by operating activities *(section 5.5)*	**(24.1)**	(31.1)	7.0	22.5%	**8.3**	15.3	(7.0)	(45.8%)
Net cash provided by (used in) investing activities *(section 5.5)*	**14.0**	8.4	5.6	66.7%	**1.4**	(20.5)	21.9	106.8%
Net cash (used in) financing activities *(section 5.5)*	**(1.0)**	(0.6)	(0.4)	(66.7%)	**(4.3)**	(2.6)	(1.7)	(65.4%)
Government Funding								
Operating *(section 6)*	**87.1**	88.0	(0.9)	(1.0%)	**354.3**	370.5	(16.2)	(4.4%)
Capital *(section 6)*	**114.0**	72.1	41.9	58.1%	**318.2**	226.4	91.8	40.5%
Total Government funding	**201.1**	**160.1**	**41.0**	**25.6%**	**672.5**	**596.9**	**75.6**	**12.7%**
Key Operating Statistics								
Train miles operated *(in thousands)*	**1,560**	1,281	279	21.8%	**5,382**	3,647	1,735	47.6%
Seat miles *(in millions)*	**351**	288	63	21.9%	**1,226**	668	558	83.5%
Passenger miles *(in millions)*	**224**	144	80	55.6%	**749**	327	422	129.0%
Passengers *(in thousands)*	**1,031.2**	677.0	354.2	52.3%	**3,301.7**	1,512.0	1,789.7	118.4%
Average passenger load factor *(%)*	**64**	51	13	25.5%	**61**	49	12	24.5%
RASM (revenue per available seat mile) *(in cents) – Note 1*	**29.44**	20.17	9.27	46.0%	**27.33**	19.99	7.34	36.7%
CASM (cost per available seat mile) *(in cents) – Note 1*	**54.26**	50.73	3.53	7.0%	**56.23**	75.45	(19.22)	(25.5%)
Cost recovery ratio *(%) – Note 1*	**54.3**	39.8	14.5	36.4%	**48.6**	26.5	22.1	83.4%
Operating deficit per passenger mile *(in cents) – Note 1*	**38.9**	61.1	(22.2)	(36.3%)	**47.3**	113.3	(66.0)	(58.3%)
On-time performance *(%)*	**59**	68	(9)	(13.2%)	**57**	72	(15)	(20.8%)

(Amounts in bracket represent decreases)
Note 1: based on funded results

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

Financial Highlights

Fourth quarter

- Total revenues increased by 78.0 per cent resulting from an increase in frequencies led by higher demand.
- Operating expenses increased by 29.5 per cent primarily due to the operating costs associated to the additional frequencies.
- The operating loss increased by 8.3 per cent due to an increase in operating expenses, partly offset by an increase in revenues.
- Operating funding decreased by 1.0 per cent, reflecting the lower amounts required for funded activities.
- The Corporation generated a comprehensive loss of $218.0 million compared to a comprehensive income of $25.4 million in 2021. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Year

- Total revenues increased by 150.3 per cent also resulting from an increase in frequencies led by higher demand.
- Operating expenses increased by 31.7 per cent due to the higher costs directly associated to the additional frequencies operated compared to last year.
- The operating loss decreased by 0.5 per cent due to an increase in revenues partly offset by an increase in operating expenses.
- Operating funding decreased by 4.4 per cent, reflecting lower amounts required for funded activities.
- The Corporation generated a comprehensive income of $81.2 million compared to a comprehensive income of $312.9 million in 2021. 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 including train miles, seat miles, passenger miles, as well as revenues and cost per available seat miles were positively impacted during the fourth quarter and on a cumulative basis due to the increase in frequencies. On-time performance was negatively impacted due to congestion on third party infrastructure.

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)	**2022**	**2021**	**Var $**	**Var %**	**2022**	**2021**	**Var $**	**Var %**
Operating loss on a funded basis	**(87.1)**	**(88.0)**	**0.9**	**1.0%**	**(354.3)**	**(370.5)**	**16.2**	**4.4%**
NON-FUNDED ADJUSTMENT TO REVENUES								
Adjustment for VIA Préférence points and other	**(0.4)**	(0.3)	(0.1)	(33.3%)	**(0.9)**	–	(0.9)	n/a
NON-FUNDED ADJUSTMENTS TO EXPENSES								
Pension and other employee future benefits	**(13.3)**	(7.0)	(6.3)	(90.0%)	**(18.6)**	(15.1)	(3.5)	(23.2%)
Depreciation of property, plant and equipment, amortization of intangible assets, depreciation of right-of-use assets and loss on disposal	**(35.5)**	(29.0)	(6.5)	(22.4%)	**(114.3)**	(110.8)	(3.5)	(3.2%)
Other provisions for non-cash items	**(7.8)**	(8.7)	0.9	10.3%	**(1.1)**	4.9	(6.0)	(122.4%)
Total non-funded adjustments to expenses	**(56.6)**	(44.7)	(11.9)	(26.6%)	**(134.0)**	(121.0)	(13.0)	(10.7%)
Total items not requiring funds from operations	**(57.0)**	**(45.0)**	**(12.0)**	**(26.7%)**	**(134.9)**	**(121.0)**	**(13.9)**	**(11.5%)**
Operating loss under IFRS	**(144.1)**	**(133.0)**	**(11.1)**	**(8.3%)**	**(489.2)**	**(491.5)**	**2.3**	**0.5%**
Operating funding from the Government of Canada	**87.1**	88.0	(0.9)	(1.0%)	**354.3**	370.5	(16.2)	(4.4%)
Amortization of deferred capital funding	**34.3**	28.2	6.1	21.6%	**109.2**	107.0	2.2	2.1%
Net loss before income taxes	**(22.7)**	**(16.8)**	**(5.9)**	**(35.1%)**	**(25.7)**	**(14.0)**	**(11.7)**	**(83.6%)**
Income tax recovery (expense)	**0.7**	(12.1)	12.8	105.8%	**10.5**	(12.3)	22.8	185.4%
Net loss under IFRS for the period	**(22.0)**	**(28.9)**	**6.9**	**23.9%**	**(15.2)**	**(26.3)**	**11.1**	**42.2%**
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans	**(256.7)**	64.6	(321.3)	(497.4%)	**132.3**	349.5	(217.2)	(62.1%)
Income tax recovery (expense)	**60.7**	(10.3)	71.0	(689.3%)	**(35.9)**	(10.3)	(25.6)	248.5%
Other comprehensive (loss) income	**(196.0)**	**54.3**	**(250.3)**	**(461.0%)**	**96.4**	**339.2**	**(242.8)**	**(71.6%)**
Comprehensive (loss) income for the period	**(218.0)**	**25.4**	**(243.4)**	**(958.3%)**	**81.2**	**312.9**	**(231.7)**	**74.0%**

(Amounts in bracket represent decreases)

5.1 Comparison of IFRS and Funded Operating Results (cont'd)

Net loss under IFRS for the quarter:

Net loss of $22.0 million this quarter, compared to a net loss of $28.9 million last year, representing an improvement of $6.9 million mainly due to:

- Lower deferred income tax expense of $12.8 million.
- Higher amortization of deferred capital funding $6.1 million.
- And partly offset by higher operating loss ($11.1 million), attributable to higher operating expenses of $56.2 million partly offset by higher revenues of $45.1 million.
- And lower government funding recognized during the quarter ($0.9 million).

Net loss under IFRS for the year:

Net loss of $15.2 million for the year, compared to a net loss of $26.3 million last year, representing an improvement of $11.1 million mainly due to:

- Lower deferred income tax expense of $22.8 million.
- Higher amortization of deferred capital funding $2.2 million.
- Partly offset by lower operating loss ($2.3 million), attributable to higher revenues of $200.7 million partially offset by higher expenses of $198.4 million.
- And by lower government funding recognized during the year ($16.2 million).

5.1 Comparison of IFRS and Funded Operating Results (cont'd)

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.

Comprehensive loss of $218.0 million in the fourth quarter of 2022 and comprehensive income of $81.2 million for the year ended December 31, 2022, include the following:

Remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of ($256.7) million in the fourth quarter of 2022 is due to a remeasurement loss of $387.6 million resulting from an actual rate of return on plan assets as well as to an actuarial gain of $0.9 million related to the post-employment benefit plan, and to an actuarial gain of $130.0 million on the defined benefit obligation. The remeasurement is partly offset by a deferred income tax recovery of $60.7 million associated to the employee benefit assets.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of $132.3 million for the year is due to the increase in the discount rate used to determine the defined benefit obligation (5.10 per cent as at December 31, 2022 compared to 3.00 per cent as at December 31, 2021), which resulted in an actuarial gain of $ 546.1 million, as well as to a remeasurement loss of 421.9 million resulting from the return on plan assets during the year. The remeasurement also includes an actuarial gain of $8.1 million resulting from the increase in the discount rate used to determine the post-employment benefit obligation (5.10 per cent as at December 31, 2022 compared to 3.00 per cent as at December 31, 2021). The remeasurement is partly offset by a deferred income tax expense of $35.9 million associated to the employee benefit assets.

Comprehensive income of $25.4 million in the fourth quarter of 2021 and comprehensive income of $312.9 million for the year ended December 31, 2021, include the following:

Remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of $64.6 million in the fourth quarter of 2021 is due to an actuarial loss of $67.1 million on the defined benefit obligation arising from a 20-basis-point decrease in the discount rate since September 30, 2021, and to a remeasurement gain of $132.6 million resulting from higher actual rate of return on plan assets. The remeasurement also included an actuarial loss of $0.9 million due to the decrease in the discount rate used to determine the post-employment benefit obligation. The remeasurement was partly offset by a deferred income tax expense of $10.3 million associated to the employee benefit assets.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of $349.5 million for the year was due to the increase in the discount rate used to determine the defined benefit obligation (3.00 per cent as at December 31, 2021 compare to 2.50 per cent as at December 31, 2020), which resulted in an actuarial gain of $194.3 million, combined with a return on plan assets of $153.2 million during the period. The remeasurement also included an actuarial gain of $2.0 million due to the increase in the discount rate used to determine the post-employment benefit obligation (3.00 per cent as at December 31, 2021 compared to 2.60 per cent as at December 31, 2020). The remeasurement was partly offset by a deferred income tax expense of $10.3 million associated to the employee benefit assets.

5.2 Revenues

(in millions of Canadian dollars)	Quarters ended December 31				Years ended December 31			
	2022	**2021**	**Var $**	**Var %**	**2022**	**2021**	**Var $**	**Var %**
Passenger revenues								
Corridor East	**69.5**	41.5	28.0	67.5%	**217.6**	91.2	126.4	138.6%
Southwestern Ontario (SWO)	**13.0**	7.3	5.7	78.1%	**36.9**	16.0	20.9	130.6%
Québec City – Windsor corridor	**82.5**	**48.8**	**33.7**	**69.1%**	**254.5**	**107.2**	**147.3**	**137.4%**
Ocean	**2.4**	1.0	1.4	140.0%	**9.5**	1.7	7.8	458.8%
Canadian	**10.5**	2.3	8.2	356.5%	**46.2**	5.4	40.8	755.6%
Regional services	**1.1**	0.7	0.4	57.1%	**3.4**	1.6	1.8	112.5%
Non-Corridor	**14.0**	**4.0**	**10.0**	**250.0%**	**59.1**	**8.7**	**50.4**	**579.3%**
Other	**0.8**	0.7	0.1	14.3%	**3.4**	2.3	1.1	47.8%
Total passenger revenues under IFRS	**97.3**	**53.5**	**43.8**	**81.9%**	**317.0**	**118.2**	**198.8**	**168.2%**
Other revenues	**5.6**	4.3	1.3	30.2%	**17.2**	15.3	1.9	12.4%
Total revenues under IFRS	**102.9**	**57.8**	**45.1**	**78.0%**	**334.2**	**133.5**	**200.7**	**150.3%**
Adjustment for VIA Préférence points (non-funded) and other	**0.4**	0.3	0.1	33.3%	**0.9**	–	0.9	n/a
TOTAL FUNDED REVENUES	**103.3**	**58.1**	**45.2**	**77.8%**	**335.1**	**133.5**	**201.6**	**151.0%**

(Amounts in bracket represent decreases)

5.2 Revenues (cont'd)

Passengers

	Quarters ended December 31				Years ended December 31			
(in thousands)	**2022**	**2021**	**Var #**	**Var %**	**2022**	**2021**	**Var #**	**Var %**
Passengers								
Corridor East	**768.4**	514.0	254.4	49.5%	**2,478.7**	1,139.6	1,339.1	117.5%
Southwestern Ontario (SWO)	**224.3**	144.1	80.2	55.7%	**674.4**	318.6	355.8	111.7%
Québec City – Windsor corridor	**992.7**	**658.1**	**334.6**	**50.8%**	**3,153.1**	**1,458.2**	**1,694.9**	**116.2%**
Ocean	**13.2**	5.8	7.4	127.6%	**52.8**	9.6	43.2	450.0%
Canadian	**12.8**	4.3	8.5	197.7%	**51.5**	14.5	37.0	255.2%
Regional services	**12.5**	8.8	3.7	42.0%	**44.3**	29.7	14.6	49.2%
Non-Corridor	**38.5**	**18.9**	**19.6**	**103.7%**	**148.6**	**53.8**	**94.8**	**176.2%**
TOTAL PASSENGERS	**1,031.2**	**677.0**	**354.2**	**52.3%**	**3,301.7**	**1,512.0**	**1,789.7**	**118.4%**

(Amounts in bracket represent decreases)

Passenger revenues

Passenger revenues have increased by $43.8 million (81.9 per cent) during the quarter and by $198.8 million (168.2 per cent) for the year. The increases for the quarter and the year are mainly attributable to the reintroduction of frequencies and increased capacity driven by the significant increase in demand, as well as to higher average fares.

5.2 Revenues (cont'd)

Québec City – Windsor corridor

Revenues have increased by $33.7 million (69.1 per cent) during the quarter as a result of increased capacity to match passenger demand. Capacity (in terms of seat miles offered) increased by 16.5 per cent compared to the corresponding quarter last year. The increase in revenues reflects the increase in ridership (increase of 50.8 per cent), as well as improved average revenues (12.1 per cent).

On a cumulative basis, revenues have increased by $147.3 million (137.4 per cent) for the year. Capacity increased by 74.9 per cent, ridership has increased by 116.2 per cent, while average revenues have improved by 9.7 per cent.

Ocean

Revenues for the quarter have increased by $1.4 million (140.0 per cent) compared to last year, reflecting the impact of the re-introduction of frequencies (capacity in terms of seat miles increased by 47.3 per cent for the quarter and by 376.9 per cent for the year).

Ridership has increased by 127.6 per cent for the quarter and average revenues have improved by 2.9 per cent. On a cumulative basis, revenues have increased by $7.8 million (458.8 per cent), mostly due to higher ridership (increase of 450.0 per cent).

Canadian

Revenues have increased by $8.2 million (356.5 per cent) compared to the same quarter last year and by $40.8 million (755.6 per cent) compared to last year. The increases result mainly from the resumption of the second round-trip frequency between Vancouver and Toronto.

Regional services

Revenues have increased by $0.4 million (57.1 per cent) for the quarter. Capacity in terms of seat miles increased by 33.0 per cent as frequencies were reintroduced during the first half of 2022. Ridership increased by 42.0 per cent and average revenues grew by 10.4 per cent.

On a cumulative basis, revenues have increased by $1.8 million (112.5 per cent) due to the increase in ridership (49.2 per cent) and to the improved average revenues (38.6 per cent).

Other revenues

Other revenues have increased by $1.3 million (30.2 per cent) for the quarter and by $1.9 million (12.4 per cent) for the year. These increases are attributable to higher station revenues, reflecting the increased levels of operations, as well as to higher investment income, driven by the high interest rates.

5.3 Operating Expenses

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2022**	**2021**	**Var $**	**Var %**	**2022**	**2021**	**Var $**	**Var %**
Compensation and employee benefits	**99.8**	80.0	19.8	24.8%	**339.5**	273.3	66.2	24.2%
Train operations and fuel	**49.9**	32.1	17.8	55.5%	**162.0**	90.3	71.7	79.4%
Stations and property	**10.9**	11.8	(0.9)	(7.6%)	**41.1**	42.2	(1.1)	(2.6%)
Marketing and sales	**11.4**	7.2	4.2	58.3%	**32.9**	17.2	15.7	91.3%
Maintenance material	**9.9**	7.1	2.8	39.4%	**35.5**	26.5	9.0	34.0%
On-train product costs	**9.9**	6.3	3.6	57.1%	**31.6**	15.8	15.8	100.0%
Professional services	**4.5**	5.8	(1.3)	(22.4%)	**16.2**	15.3	0.9	5.9%
Telecommunications	**7.7**	6.9	0.8	11.6%	**27.2**	23.1	4.1	17.7%
Depreciation and amortization	**28.4**	26.0	2.4	9.2%	**105.5**	101.9	3.6	3.5%
Loss on disposal of property, plant and equipment and intangible assets	**7.1**	3.0	4.1	136.7%	**8.8**	8.9	(0.1)	(1.1%)
Unrealized net loss (net gain) on derivative financial instruments	**1.7**	1.4	0.3	21.4%	**1.6**	(5.5)	7.1	129.1%
Other	**5.8**	3.2	2.6	81.3%	**21.5**	16.0	5.5	34.4%
Total operating expenses under IFRS	**247.0**	**190.8**	**56.2**	**29.5%**	**823.4**	**625.0**	**198.4**	**31.7%**
Non-funded adjustments *(section 5.1)*	**(56.6)**	(44.7)	(11.9)	(26.6%)	**(134.0)**	(121.0)	(13.0)	(10.7%)
Total funded expenses	**190.4**	146.1	44.3	30.3%	**689.4**	504.0	185.4	36.8%

(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)

5.3 Operating Expenses (cont'd)

Total operating expenses increased by $56.2 million (29.5 per cent) for the quarter and by $198.4 million (31.7 per cent) for the year. The primary variances are:

Compensation and employee benefits

The expenses increased by $19.8 million (24.8 per cent) during the quarter and by $66.2 million (24.2 per cent) for the year. The increases for both the quarter and the year are attributable to higher staffing costs associated to the additional frequencies operated compared to the corresponding quarter in 2021 as well as the impact of annual salary increases.

Train operations and fuel

The expenses increased by $17.8 million (55.5 per cent) during the quarter and by $71.7 million (79.4 per cent) for the year. The increases for both the quarter and the year are a result of the additional frequencies operated in 2022 as well as from contractual cost increases and higher market fuel prices.

Marketing and sales

The expenses increased by $4.2 million (58.3 per cent) during the quarter and by $15.7 million (91.3 per cent) for the year. These increases are mainly attributable to higher credit card transaction fees associated to passenger revenues as well as additional advertising campaigns launched to inform passengers of the reintroduction of frequencies in the Corridor.

Maintenance material

The expenses have increased by $2.8 million (39.4 per cent) for the quarter and by $9.0 million (34.0 per cent) for the year. These increases are mainly due to the cost associated with the additional frequencies and the increase in price for parts which are impacted by current inflation rates.

On-train product costs

The expenses increased by $3.6 million (57.1 per cent) for the quarter and by $15.8 million (100.0 per cent) for the year. These increases result from the increased ridership in all service classes (Economy, Business and Sleeper) as well as higher prices reflecting current inflation rates.

5.3 Operating Expenses (cont'd)

Telecommunications

The expenses increased by $0.8 million (11.6 per cent) during the quarter and increased by $4.1 million (17.7 per cent) for the year. These increases result from support and license costs for newly implemented systems as well as from additional telecommunications costs for WIFI on board the trains reflecting the increase in ridership.

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

The expense increased by $4.1 million (136.7 per cent) during the quarter but decreased by $0.1 million (1.1 per cent) for the year as fewer assets were disposed for the year. The increase for the quarter stems from HEP equipment retirement.

Unrealized net loss (net gain) on derivative financial instruments

Net loss of $1.7 million for the quarter and net loss of $1.6 million for the year compared to a net loss of $1.4 million for the quarter ended December 31, 2021, and a net gain of $5.5 million for the year. Net loss for the quarter and cumulative period ending December 31, 2022, reflects the fact that contract prices are higher than market fuel prices.

Other expenses

The expenses increased by $2.6 million (81.3 per cent) for the quarter and by $5.5 million (34.4 per cent) for the year. The increase for both the quarter and year stems mainly from higher lease liabilities.

5.4 Financial Position

(in millions of Canadian dollars)	December 31, 2022	December 31, 2021	Var $	Var %
ASSETS				
Current assets	**200.1**	115.0	85.1	74.0%
Advances on contracts	**51.1**	52.5	(1.4)	(2.7%)
Property, plant and equipment	**1,473.6**	1,285.9	187.7	14.6%
Right-of-use assets	**95.0**	87.8	7.2	8.2%
Intangible assets	**388.0**	356.1	31.9	9.0%
Employee benefit assets	**383.5**	280.2	103.3	36.9%
Total Assets	**2,591.3**	**2,177.5**	**413.8**	**19.0%**

(Amounts in bracket represent decreases)

5.4 Financial Position (cont'd)

(in millions of Canadian dollars)	December 31, 2022	December 31, 2021	Var $	Var %
LIABILITIES				
Current liabilities	**280.4**	192.7	87.7	45.5%
Other payables	**29.5**	22.2	7.3	32.9%
Deferred income tax	**48.0**	22.6	25.4	112.4%
Lease liabilities	**99.9**	86.3	13.6	15.8%
Employee benefit liabilities	**31.2**	41.6	(10.4)	(25.0%)
Total Liabilities	**489.0**	**365.4**	**123.6**	**33.8%**
Deferred capital funding	**1,867.1**	1,658.1	209.0	12.6%
Share capital	**9.3**	9.3	–	0.0%
Accumulated surplus (deficit), beginning of period	**144.7**	(168.2)	312.9	186.0%
Net income (loss)	**(15.2)**	(26.3)	11.1	42.2%
Other comprehensive income	**96.4**	339.2	(242.8)	(71.6%)
Accumulated surplus, end of period	**225.9**	**144.7**	**81.2**	**56.1%**
Total Liabilities and Shareholder's equity	**2,591.3**	**2,177.5**	**413.8**	**19.0%**

(Amounts in bracket represent decreases)

5.4 Financial Position (cont'd)

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

Assets

Total assets have increased by $413.8 million due mainly to an increase in the current assets by $85.1 million, stemming from an increase of $77.6 million in a receivable from the Government of Canada as well as from an increase in employee benefit assets by $103.3 million reflecting an increase of discount rates. Property, plant and equipment have increased by $ 187.7 million as the Corridor fleet Replacement Project and Information Technology projects are progressing and intangible assets have increased by $31.9 million.

Liabilities and deferred capital funding

Total liabilities have increased by $123.6 million mainly due to an increase by $87.7 million in current liabilities and to an increase of $25.4 million in deferred income tax liabilities associated with an increase of the employee benefits assets and to an increase of $15.3 million for new lease liabilities, partly offset by a decrease in employee benefit liabilities of $10.4 million due to an increase in the discount rates. Deferred capital funding has increased by $209.0 million due to capital investments.

Comprehensive income

Other comprehensive income decreased due to a lower rate of return on pension plan assets partly offset by an increase in discount rates affecting employee benefit assets and liabilities, as explained in section 5.1 of this document.

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)	**2022**	**2021**	**Var $**	**Var %**	**2022**	**2021**	**Var $**	**Var %**
Balance, beginning of period	**20.9**	27.7	(6.8)	(24.5%)	**4.4**	12.2	(7.8)	(63.9%)
Net cash (used in) provided by operating activities	**(24.1)**	(31.1)	7.0	22.5%	**8.3**	15.3	(7.0)	(45.8%)
Net cash provided by (used in) investing activities	**14.0**	8.4	5.6	66.7%	**1.4**	(20.5)	21.9	106.8%
Net cash (used in) financing activities	**(1.0)**	(0.6)	(0.4)	(66.7%)	**(4.3)**	(2.6)	(1.7)	(65.4%)
Balance, end of period	**9.8**	**4.4**	**5.4**	**122.7%**	**9.8**	**4.4**	**5.4**	**122.7%**

(Amounts in bracket represent decreases)

Operating activities

Net cash increased by $7.0 million (22.5 per cent) for the quarter and decreased by $7.0 million (45.8 per cent) for the year. The increase for the quarter is mainly due to the variance of $9.0 million in working capital items. The decrease for the year is mainly due to the variance of ($10.5) million in working capital items as shown in Note 26 of the audited financial statements, resulting from an increase in the amount receivable from the Government of Canada and Trade and other payables partly offset by higher deferred revenues, due to reintroduction of frequencies.

Investing activities

Net cash increased by $5.6 million (66.7 per cent) for the quarter and increased by $21.9 million (106.8 per cent) for the year. The increases are mainly due to the timing of the amounts received from the government during the quarter and the year compared to the amounts paid for the acquisition of property, plant and equipment and intangible assets.

5.5 Liquidity, Cash Flows and Capital Investments (cont'd)

Funded capital investments

Property, plant and equipment and intangible assets totalled $1,861.6 million at December 31, 2022, which is an increase of $219.6 million compared to the balance as at December 31, 2021.

Funded capital investments of $318.2 million were made during the year.

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2022**	**2021**	**Var $**	**Var %**	**2022**	**2021**	**Var $**	**Var %**
Equipment	**12.0**	14.4	(2.4)	(16.7%)	**38.4**	58.9	(20.5)	(34.8%)
Infrastructure	**20.8**	2.4	18.4	766.7%	**32.8**	6.8	26.0	382.4%
Information technology	**11.6**	10.4	1.2	11.5%	**46.9**	34.1	12.8	37.5%
Stations	**8.9**	4.7	4.2	89.4%	**18.9**	16.0	2.9	18.1%
Corridor Fleet Replacement Program	**48.1**	37.6	10.5	27.9%	**162.9**	100.2	62.7	62.6%
Other	**4.6**	2.6	2.0	76.9%	**10.3**	10.4	(0.1)	(1.0%)
Total Capital investments	**106.0**	**72.1**	**33.9**	**47.0%**	**310.2**	**226.4**	**83.8**	**37.0%**
Advance on contract – Fleet Replacement Program	**8.0**	–	8.0	n/a	**8.0**	–	8.0	n/a
Total	**114.0**	**72.1**	**41.9**	**58.1%**	**318.2**	**226.4**	**91.8**	**40.5%**

(Amounts in bracket represent 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 Corridor equipment rebuild program (referred to as the "Heritage program") and in Infrastructure projects (for track and bridge improvements as well as for the Montréal Mobility Modernization project for which the Corporation received funding for $490.1 million).

6. Results Compared to the 2022-2026 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, our HEP equipment rebuild programs, our new reservation system and infrastructure projects.

Government funding relating to operating expenses

(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**
Balance, beginning of period (January 1)	**63.3**	47.0
Received to fund operating expenses	**(326.6)**	(354.2)
Recognized in financial results	**354.3**	370.5
Balance, end of period (December 31)	**91.0**	63.3

Government funding relating to capital expenditures

(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**
Balance, beginning of period (January 1)	**(7.4)**	(36.5)
Received to fund the acquisition of property, plant and equipment and intangible assets (including the cost of land)	**(268.3)**	(197.3)
Used to fund capital expenditures	**318.2**	226.4
Balance, end of period (December 31)	**42.5**	(7.4)

6. Results Compared to the 2022-2026 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 *(in millions of Canadian dollars)*	**For the twelve-month period ending March 31, 2023**	**For the twelve-month period ending March 31, 2022**
Original parliamentary appropriation	**308.8**	326.4
Supplementary parliamentary appropriation *(Note 1)*	**14.4**	97.8
Revised annual parliamentary appropriation	**323.2**	424.2
Appropriation recognized for the three months ended June 30	**79.9**	97.3
Appropriation recognized for the three months ended September 30	**67.0**	89.0
Appropriation recognized for the three months ended December 31	**87.1**	88.0
Total appropriation recognized for the period	**234.0**	274.3
Appropriation available for remainder of the government fiscal year	**89.2**	**149.9**

Note 1: For 2021-22 – includes $95 million in Suppl A and $2.8 million in Suppl C through after December 31, 2021, through Suppl C Estimates (related to the additional funding received for COVID-19 relief).
For year 2022-2023 – includes an amount of $14.4 million

6. Results Compared to the 2022-2026 Corporate Plan (1) (cont'd)

Parliamentary appropriation for capital expenditures *(in millions of Canadian dollars)*	**For the twelve-month period ending March 31, 2023**	**For the twelve-month period ending March 31, 2022**
Original parliamentary appropriation	**671.8**	443.4
Supplementary parliamentary appropriation *(Note 1)*	**101.4**	32.4
Revised annual parliamentary appropriation	**773.2**	475.8
Appropriation recognized for the three months ended June 30	**65.1**	48.3
Appropriation recognized for the three months ended September 30	**84.3**	59.2
Appropriation recognized for the three months ended December 31	**114.0**	72.1
Total appropriation recognized for the period	**263.4**	179.6
Appropriation available for remainder of the government fiscal year	**509.8**	**296.2**

Note 1: For 2022-23 – includes $96.3 million in Suppl B and $5.2 million in Suppl 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, 2021.

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 2022 due to the high inflation, particularly in compensation costs but also in fuel, maintenance materials, on-train product costs and third-party access costs, as well as negative pressures on revenues due to reduced car inventory limiting its availability to increase top line revenues. The Corporation has sufficient funding for the year 2022 however, expected cost increases coupled with limited ability to generate additional revenues due to fleet availability will generate additional financial pressures and result in probable additional funding shortfalls. The Corporation continues to closely monitor the situation and is in communication with Transport Canada concerning potential additional funding requirements to address this unprecedented 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: o Deteriorating economic environment (risk of recession, inflation) o Infrastructure access challenges (freight congestion, speed issues, blockades) o Reduced capacity due to aging fleet o 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.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Asset Management		
The Corporation's HEP rolling stock equipment 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. Maintenance costs are projected to increase significantly in upcoming years until a replacement fleet of equipment is introduced, both in the Corridor where the Corporation counts on 31 HEP2 coaches representing more than 25 per cent of current Corridor capacity and non-Corridor services, as reliability of the aging fleet will continue to deteriorate, as well as all of the non-Corridor services who depend on HEP equipment to provide services to communities.	↑	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. Furthermore, following the discovery of new structural conditions with the HEP equipment, and the filing of a thorough engineering assessment by a competent third party, the Corporation had to put in place additional safety measures to mitigate the safety concern until a structural reinforcement and repair program of the entire HEP fleet has been undertaken. These measures include, amongst others the teardowns of cars with structural defects to identify potential additional structural conditions as well as structural compressions tests to validate the structural capacity of the HEP cars.

↑ 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 has started on third-party owned infrastructure on which the Corporation operates.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
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 59 per cent this quarter. The deterioration was seen across all the network, including the Corridor where on-time performance decreased from 73 per cent during the first quarter, to 59 per cent this current 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. Furthermore, some infrastructure owners could make changes to their operations as part of their development which could result in longer dwell times and less acceptable terms for the Corporation. Management is working with infrastructure owners to address the situation relating to on-time performance and ensure the Corporation's operations on third-party infrastructure will not be negatively impacted by infrastructure owners' development plans.
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.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
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.
Climate Change		
The Corporation is subject to climate change-related risks. Climate-related physical risks such as the rise in extreme weather events or increase of weather variability could have an impact on the Corporation's operations, assets, staff and external stakeholders. Also, transition risks that arise from the transition to a low-carbon economy such as changes in environmental regulations, including increased in 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 2022, the Corporation initiated the development of its decarbonization plan and completed two important milestones: 1. A thorough review of its GHG emissions; and 2. An assessment of the preliminary upgraded science-based target and supporting improvements needed. Based on these reviews, the Corporation is now developing its detailed decarbonization plan which will identify short, medium and long-term initiatives, as well as major operational, financial and technological challenges in decarbonizing our operations. Furthermore, because climate change impacts can affect various aspects of VIA Rail's operations, the Corporation is assessing its preparedness to react in such cases and will develop emergency plans to minimize the adverse impacts of climate-related events.

↑ Increasing → Stable ↓ Decreasing

8. Outlook

The results of the fourth quarter improved compared to those of the corresponding quarter of 2021 as the Corporation has deployed its maximal 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 will increase the Corporation's deficit and could result in a funding shortfall for the next Government fiscal years (2022-23 and years beyond). Management continues to closely monitor the situation and is in communication with Transport Canada concerning potential additional funding requirements during this unprecedented situation.

In the meantime, work continues to pursue initiatives to minimize operating costs and work with third-party infrastructure owners to improve on-time performance and protect the Corporation's operations on their network. In parallel, strategic projects such as the Corridor Fleet Replacement Program, Heritage Program, High Frequency Rail (HFR) and the new reservation system are progressing.

In addition to working on its transformation, and pursuant to the P.C. directive 2022-259 issued on March 24, 2022, the Corporation has worked closely with the Government of Canada towards the creation of a wholly owned subsidiary with the mandate to develop and implement HFR project as well as to provide all necessary support to facilitate the subsidiary's role and fulfillment of its mandate. The subsidiary was created in November 2022 and the Corporation will continue to provide ongoing administrative and technical support.

FINANCIAL STATEMENTS

Management's Responsibility Statement

Year ended December 31, 2022

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) 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. The external auditor, the Auditor General of Canada, has audited the Corporation's financial statements for the year ended December 31, 2022, and her report indicates the scope of her audit and her opinion on the financial statements.

The Audit & Pension Investment Committee of the Board of Directors, consisting of independent Directors, 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. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit & Pension Investment Committee.

Martin R Landry
Interim President and Chief Executive Officer

Marie-Claude Cardin, CPA
Chief Financial Officer

Montréal, Canada
March 22, 2023

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 2022, 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 a summary of significant accounting policies.

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 2022, 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. and its wholly-owned subsidiary 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* described in Note 1 to the financial statements.

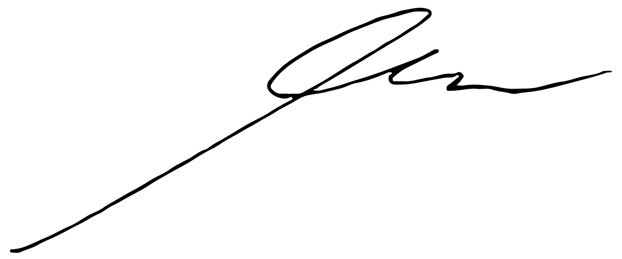
In our opinion, the transactions of VIA Rail Canada Inc. and its wholly-owned subsidiary that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration 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. and its wholly-owned subsidiary's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable VIA Rail Canada Inc. and its wholly-owned subsidiary 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.



Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
22 March 2023

Statement of Financial Position

As at December 31 *(in thousands of Canadian dollars)*	**2022**	2021
CURRENT ASSETS		
Cash	**$ 9,741**	$ 4,400
Trade and other receivables *(Note 9)*	**154,189**	71,186
Other assets *(Note 10)*	**7,838**	4,924
Derivative financial instruments *(Note 11)*	**765**	2,341
Materials *(Note 12)*	**25,655**	30,191
Asset Renewal Fund *(Note 13)*	**1,969**	1,969
	200,157	115,011
NON-CURRENT ASSETS		
Advances on contracts *(Note 14)*	**51,140**	52,405
Property, plant and equipment *(Note 15)*	**1,473,578**	1,285,893
Right-of-use assets *(Note 18)*	**94,972**	87,834
Intangible assets *(Note 16)*	**387,958**	356,119
Employee benefit assets *(Note 22)*	**383,522**	280,231
	2,391,170	2,062,482
Total Assets	**$ 2,591,327**	$ 2,177,493

Statement of Financial Position (cont'd)

As at December 31 *(in thousands of Canadian dollars)*	**2022**	2021
CURRENT LIABILITIES		
Trade and other payables *(Note 17)*	**$ 234,498**	$ 161,637
Lease liabilities *(Note 18)*	**3,971**	3,681
Provisions *(Note 19)*	**3,983**	5,214
Derivative financial instruments *(Note 11)*	**183**	113
Deferred revenues *(Note 20)*	**37,680**	21,999
	280,315	192,644
NON-CURRENT LIABILITIES		
Other payables *(Notes 21 and 26)*	**29,543**	22,206
Deferred income tax *(Note 23)*	**48,038**	22,580
Lease liabilities *(Note 18)*	**99,934**	86,316
Employee benefit liabilities *(Note 22)*	**31,234**	41,629
	208,749	172,731
Deferred capital funding *(Note 24)*	**1,867,080**	1,658,109
SHAREHOLDER'S EQUITY		
Share capital *(Note 25)*	**9,300**	9,300
Accumulated surplus	**225,883**	144,709
	235,183	154,009
Total Liabilities and Shareholder's equity	**$ 2,591,327**	$ 2,177,493

Commitments and Contingencies (Notes 29 and 32, respectively)

The notes are an integral part of the financial statements.

Approved on behalf of the Board,

Françoise Bertrand
Chairperson of the Board of Directors

Martin R Landry
Interim President and Chief Executive Officer

Statement of Comprehensive Income

Year ended December 31 *(in thousands of Canadian dollars)*	**2022**	2021
REVENUES *(Note 6)*		
Passenger	**$ 316,994**	$ 118,173
Other	**17,166**	15,283
	334,160	133,456
EXPENSES		
Compensation and employee benefits	**339,490**	273,347
Train operations and fuel	**162,043**	90,274
Stations and property	**41,079**	42,248
Marketing and sales	**32,921**	17,189
Maintenance material	**35,448**	26,469
On-train product costs	**31,615**	15,785
Operating taxes	**14,267**	10,662
Professional services	**16,181**	15,291
Telecommunications	**27,185**	23,067
Depreciation of property, plant and equipment *(Note 15)*	**81,401**	78,117
Amortization of intangible assets *(Note 16)*	**19,418**	20,639
Depreciation of right-of-use assets *(Note 18)*	**4,713**	3,052
Loss on disposal of property, plant and equipment *(Note 15)*	**8,731**	8,539
Loss on disposal of intangible assets *(Note 16)*	**62**	396
Unrealized net loss (net gain) on derivative financial instruments	**1,646**	(5,487)
Realized net gain on derivative financial instruments	**(11,029)**	(2,402)
Interest expense on lease liabilities	**2,440**	899
Other	**15,779**	6,882
	$ 823,390	$ 624,967

Statement of Comprehensive Income (cont'd)

Year ended December 31 *(in thousands of Canadian dollars)*	**2022**	2021
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**$ (489,230)**	$ (491,511)
Operating funding from the Government of Canada *(Note 7)*	**354,307**	370,521
Amortization of deferred capital funding *(Note 24)*	**109,225**	107,013
Net loss before income taxes	**(25,698)**	(13,977)
Income tax recovery (expense) *(Note 23)*	**10,457**	(12,312)
NET LOSS FOR THE YEAR	**(15,241)**	(26,289)
Other comprehensive 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 22)*	**132,330**	349,454
Income tax expense *(Note 23)*	**(35,915)**	(10,268)
	96,415	339,186
COMPREHENSIVE INCOME FOR THE YEAR	**$ 81,174**	$ 312,897

The notes are an integral part of the financial statements.

Statement of Changes in Shareholder's Equity

Year ended December 31 *(in thousands of Canadian dollars)*	**2022**	2021
SHARE CAPITAL	**$ 9,300**	$ 9,300
Accumulated surplus		
Balance, beginning of year	**144,709**	(168,188)
Net loss for the year	**(15,241)**	(26,289)
Other comprehensive income for the year	**96,415**	339,186
Balance, end of year	**225,883**	144,709
Total Shareholder's equity	**$ 235,183**	$ 154,009

The notes are an integral part of the financial statements.

Statement of Cash Flows

Year ended December 31 *(in thousands of Canadian dollars)*	**2022**	2021
OPERATING ACTIVITIES		
Net loss for the year	**$ (15,241)**	$ (26,289)
Adjustments to determine net cash (used in) provided by operating activities:		
Depreciation of property, plant and equipment *(Note 15)*	**81,401**	78,117
Amortization of intangible assets *(Note 16)*	**19,418**	20,639
Depreciation of right-of-use assets *(Note 18)*	**4,713**	3,052
Loss on disposal of property, plant and equipment *(Note 15)*	**8,731**	8,539
Loss on disposal of intangible assets *(Note 16)*	**62**	396
Lease inducement	**6,349**	–
Other payables variations	**80**	508
Advances on contracts variations	**(2,442)**	(484)
Amortization of deferred capital funding *(Note 24)*	**(109,225)**	(107,013)
Income tax (recovery) expense	**(10,457)**	12,312
Interest income	**(1,128)**	(315)
Interest paid	**(2,440)**	(899)
Unrealized net loss (net gain) on derivative financial instruments	**1,646**	(5,487)
Post-employment and other employee benefit expenses *(Note 22)*	**31,994**	40,196
Employer post-employment and other employee benefit contributions *(Note 22)*	**(13,350)**	(25,124)
Interest expense on lease liabilities	**2,440**	899
Net change in working capital items *(Note 26)*	**5,713**	16,245
Net cash provided by operating activities	**$ 8,264**	$ 15,292

Statement of Cash Flows (cont'd)

Year ended December 31 *(in thousands of Canadian dollars)*	**2022**	2021
INVESTING ACTIVITIES		
Government funding received related to acquisition of property, plant and equipment and intangible assets *(Notes 9, 24 and 26)*	**$ 260,272**	$ 197,319
Government funding received related to an advance on contract *(Note 24)*	**7,996**	–
Acquisition of property, plant and equipment and intangible assets *(Notes 15, 16, 17 and 26)*	**(260,055)**	(218,193)
Payment of an advance on contract *(Note 14)*	**(7,996)**	–
Interest received	**1,128**	315
Proceeds from the disposal of property, plant and equipment and intangible assets	**24**	14
Net cash provided by (used in) investing	**1,369**	(20,545)
FINANCING ACTIVITIES		
Payment of the lease liabilities	**(4,292)**	(2,560)
Net cash (used in) financing activities	**(4,292)**	(2,560)
CASH		
Increase (decrease) during the year	**5,341**	(7,813)
Balance, beginning of year	**4,400**	12,213
Balance, end of year	**$ 9,741**	$ 4,400
REPRESENTED BY:		
Cash	**$ 9,741**	$ 4,400
	$ 9,741	$ 4,400

The notes are an integral part of the financial statements.

Notes to the Financial Statements

Year ended December 31, 2022

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.

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 Quebec 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 22, 2023.

The Corporation has received the additional funding from the Government of Canada and has the adequate resources to continue in operational existence for the foreseeable future. Thus, 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).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except when a specific IFRS standard requires fair value 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. New and Revised IFRS Issued but not yet Effective

Other than those disclosed in Note 4 of the Corporation's financial statements for the year ended December 31, 2022, new standards, amendments and interpretations were issued by the IASB or the Interpretations Committee that could have a possible effect on the Corporation in the future. The IASB issued amendments to the following standards, which are effective for the Corporation's annual periods beginning on January 1, 2023. Early application is permitted.

Amendments to IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements – Disclosure of Accounting Policies*

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Amendments to IAS 12 *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Management has assessed that these changes will have no significant impact on the Corporation's financial statements.

4. Summary of Significant Accounting Policies

The significant accounting policies 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.

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 Significant Accounting Policies (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 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, 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. When points are redeemed, the proceeds are determined by the number of points redeemed in exchange for train tickets.

ii) Other revenues

Investment income and third-party servicing

Investment income are recognized as they are earned. For third-party servicing, the customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs the third-party services.

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 rental services. The change in fair value of financial instruments at FVTPL that are not derivative financial instruments is recognized in other revenues.

4. Summary of Significant Accounting Policies (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.

Maintenance and repair costs are recognized as follows:

i) Rolling stock:

Maintenance expenses incurred during the useful life of equipment (regular maintenance activities to maintain the asset in a good condition) are recorded as operating expenses.

The cost of periodic major overhaul programs is capitalized as a separate component and depreciated over its expected useful life.

ii) Fixed installations:

Maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recorded as operating expenses.

The costs of periodic major building repair programs are capitalized as a separate component and depreciated over its expected useful life.

4. Summary of Significant Accounting Policies (cont'd)

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.

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)*	**5 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.

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.

4. Summary of Significant Accounting Policies (cont'd)

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.

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 Significant Accounting Policies (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 5**
Rights of access to rail infrastructure	**38**
Other intangible assets	**3 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 utilisation, 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.

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 include 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.

4. Summary of Significant Accounting Policies (cont'd)

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.

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 describe in Note 4 b) Revenue recognition ii) Rental income and other.

4. Summary of Significant Accounting Policies (cont'd)

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.

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.

Contingent liabilities are not recognized in the Statement of Financial Position, unless they meet the criteria of a provision. Contingent liabilities may arise from uncertainty as to the existence of a liability or represent an existing liability in respect of which settlement is not probable or the amount cannot be reliably measured. These contingent liabilities are disclosed in the notes.

When some or all of the expenses required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

The provision for litigations is determined on a case-by-case basis by the legal service group of the Corporation. External consultants are solicited for the most significant and complex litigations.

A restructuring provision is recognized when the Corporation has developed a detailed formal plan for the restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to the affected employees. The measurement of a restructuring provision includes only the direct expenditures, mainly severance costs, arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

The environmental provision includes estimated costs to meet Government standards and regulations when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation work are based on the Corporation's prior experience.

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 Significant Accounting Policies (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 CIA's 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 (loss) 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 (loss) in the year they are incurred.

4. Summary of Significant Accounting Policies (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 Significant Accounting Policies (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 flow 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Corporation commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost;
- Financial assets at FVTOCI with recycling of cumulative gains and losses;
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition;
- Financial assets at FVTPL.

4. Summary of Significant Accounting Policies (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.

The Corporation's financial assets at amortized cost includes cash, trade and other receivables, current advances to third parties and Asset Renewal Fund.

Financial assets at FVTOCI

The Corporation measures a financial asset at FVTOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling 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.

For financial assets at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in net income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to net income.

In the current period, the Corporation has no financial assets at FVTOCI.

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. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for financial assets to be classified at amortized cost or at FVTOCI, as described above, financial assets may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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.

The Corporation's financial assets at FVTPL includes derivative financial instruments.

4. Summary of Significant Accounting Policies (cont'd)

Derecognition

A financial asset is primarily derecognized i.e. removed from the Corporation's Statement of Financial Position when:

- The rights to receive cash flows from the asset have expired, or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Corporation has transferred substantially all the risks and rewards of the asset, or the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 need not 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 does not track changes in credit risk, but instead 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 Significant Accounting Policies (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.

The Corporation financial liabilities include trade and other payables, lease liabilities, derivative financial instruments and other payables.

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 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.

The Corporation's liabilities at amortized cost includes trade and other payables, lease liabilities and other payables.

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.

Financial liabilities classified as FVTPL also includes derivative financial instruments entered by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as FVTPL unless they are designated as effective hedging instruments.

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

The Corporation's financial liabilities at FVTPL include derivative financial instruments.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net income.

4. Summary of Significant Accounting Policies (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. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any resulting fair value changes are recognized in net income immediately under "Unrealized net loss (net gain) on derivative financial instruments" unless the derivative is a designated and effective hedging instrument, in which case the timing of recognition in the Statement of Comprehensive Income depends on the nature of the hedging relationship. In the current period, the Corporation had not designated these derivative financial instruments hedging instruments.

Classification – Subsequently measured at	Applicable to	Initial measurement	Subsequent measurement	Recognition of income/expense and gain/loss on remeasurement, if any
Amortized cost	o Cash o Trade and other receivables o Current advances to third parties o Asset Renewal Funds o Trade and other payables o Lease liabilities o 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	Fair value	Fair value	Net income

n) Non-monetary transactions

Non-monetary transactions are recorded at the estimated fair value of the goods or services received. When the fair value of the goods and services received cannot be measured reliably, the transactions are recorded at the estimated fair value of the goods or services given. Revenues from non-monetary transactions are recognized when the related services are provided which is over time. Expenses resulting from non-monetary transactions are recognized during the year when goods or services are provided by third parties.

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 28).

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 applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Corporation reassesses the lease term 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. As such, a change in the assumption 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.

Refer to Note 18 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

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 in progress. Management reviews progress of these projects 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. Differences from estimates and actual amount is eliminated once projects in progress are completed and transferred to property, plant and equipment as actual completion would be known.

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 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, 2022, 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.

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, 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 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 behavior 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.

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 22.

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

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.

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) Provisions

Determining whether a past event should be recognized as a provision requires management to exercise judgment. The Corporation must determine if a present obligation arises from past events, if it is probable that the Corporation will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. The decision is based on management's experience and judgment. If the Corporation considers that one of the three conditions is not satisfied, it must still determine if a contingent liability should be disclosed in the notes, unless the possibility of any outflow in settlements is remote.

g) 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 Corporation cannot readily determine the interest rate implicit in its leases, therefore, it uses its incremental borrowing rate to measure lease liabilities. The IBR is the rate of interest that the Corporation would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. 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. Revenues

The following table disaggregates the revenue by major sources:

(in millions of Canadian dollars)	**2022**	**2021**
REVENUES		
Transportation and accommodation	**308.7**	114.6
On-train food and beverages	**7.4**	3.1
Other revenues *(Note 1)*	**0.9**	0.5
Revenues from passengers	**317.0**	118.2
Investment income	**1.1**	0.3
Third-party servicing	**7.9**	6.8
Rental income and other *(Note 18)*	**8.2**	8.2
Revenues from other sources	**17.2**	15.3
Total revenues	**334.2**	133.5

Note 1: includes sales commissions and baggage revenues.

7. Reconciliation of Operating Loss to Government Funding

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the Statement of Comprehensive Income in one year may be funded by the Government of Canada in different years. Accordingly, the Corporation has different net results of operations for the year on a government funding basis than on an IFRS basis. These differences are outlined below:

(in millions of Canadian dollars)	**2022**	2021
Operating loss before funding from the Government of Canada and income taxes	**489.2**	491.5
Items (not requiring) not providing operating funds:		
Depreciation of property, plant and equipment	**(81.4)**	(78.1)
Amortization of intangible assets	**(19.4)**	(20.6)
Depreciation of right-of-use assets	**(4.7)**	(3.1)
Loss on disposal of property, plant and equipment	**(8.7)**	(8.5)
Loss on disposal of intangible assets	**(0.1)**	(0.4)
Post-employment and other employee benefit expenses in excess of contributions	**(18.6)**	(15.1)
Unrealized (net loss) net gain on derivative financial instruments	**(1.6)**	5.5
Non-cash transactions relating to lease liabilities	**6.7**	3.5
Interest expense on lease liabilities	**(2.4)**	(0.9)
Adjustment for accrued compensation	**(3.6)**	(3.2)
Adjustment for VIA Préférence loyalty program	**0.4**	0.3
Other	**(1.5)**	(0.4)
Operating funding from the Government of Canada	**354.3**	370.5

8. Classification of Financial Instruments

The financial instruments held by the Corporation are classified as follows:

	2022		
	Carrying value		Fair value*
(in millions of Canadian dollars)	FVTPL	Amortized cost	
Financial assets:			
Cash	–	9.7	9.7
Trade and other receivables	–	13.9 (1)	13.9
Derivative financial instruments	0.8 (2)	–	0.8
Asset Renewal Fund	–	2.0	2.0
Total	0.8	25.6	26.4
Financial liabilities:			
Trade and other payables	–	225.2 (3)	225.2
Current lease liabilities	–	4.0	4.0
Derivative financial instruments	0.2 (2)	–	0.2
Other payables	–	29.5	29.5
Non-current lease liabilities	–	99.9	99.9
Total	0.2	358.6	358.8

FVTPL – Fair value through profit or loss.

(1) See detail in Note 9.

(2) Comprised of derivative financial instruments not designated in a hedging relationship.

(3) See detail in Note 17.

** Fair value approximates carrying value due to the short deadline.*

8. Classification of Financial Instruments (cont'd)

The financial instruments held by the Corporation are classified as follows:

	2021		
	Carrying value		Fair value*
(in millions of Canadian dollars)	FVTPL	Amortized cost	
Financial assets:			
Cash	–	4.4	4.4
Trade and other receivables	–	7.6 (1)	7.6
Current advances to third parties	–	1.2	1.2
Derivative financial instruments	2.3 (2)	–	2.3
Asset Renewal Fund	–	2.0	2.0
Total	2.3	15.2	17.5
Financial liabilities:			
Trade and other payables	–	151.7 (3)	151.7
Current lease liabilities	–	3.7	3.7
Derivative financial instruments	0.1 (2)	–	0.1
Other payables	–	22.2	22.2
Non-current lease liabilities	–	86.3	86.3
Total	0.1	263.9	264.0

FVTPL – Fair value through profit or loss.

(1) See detail in Note 9.

(2) Comprised of derivative financial instruments not designated in a hedging relationship.

(3) See detail in Note 17.

** Fair value approximates carrying value due to the short deadline.*

9. Trade and Other Receivables

The trade and other receivables balance includes the following:

(in millions of Canadian dollars)	**2022**	**2021**
Trade	**4.5**	2.8
Other receivables	**9.8**	5.3
Loss allowance	**(0.4)**	(0.5)
Trade and other receivables classified at Amortized cost	**13.9**	7.6
Amount receivable from the Government of Canada – Operating funding	**91.0**	63.3
Amount receivable from (payable to) the Government of Canada – Capital funding *(Note 26)*	**42.5**	(7.4)
Total receivable from the Government of Canada	**133.5**	55.9
Sales taxes	**6.8**	7.7
Total trade and other receivables	**154.2**	71.2

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 these receivables is detailed in the following table:

(in millions of Canadian dollars)	**2022**	**2021**
31 to 60 days	**1.2**	0.4
61 to 90 days	**0.3**	0.4
Over 90 days	**–**	0.1
Total	**1.5**	0.9

The Corporation has recognized in the current year an amount of $0.3 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, 2021: $0.3 million).

10. Other Assets

The other assets balance includes the following:

(in millions of Canadian dollars)	2022	2021
Prepaids	**7.8**	3.7
Advances to third parties	**–**	1.2
Total other assets	**7.8**	4.9

11. Derivative Financial Instruments

The Corporation uses commodity swaps where it exchanges cash payments based on variations in the price of a commodity (i.e. heating oil) compared to the agreed benchmark price.

At the end of the year, the fair values of the derivative financial instruments are as follows:

	2022		2021	
Commodity swaps	**Notional quantity** (000's of U.S. gallons)	**Fair value CAD** (millions)	**Notional quantity** (000's of U.S. gallons)	**Fair value CAD** (millions)
Assets	**4,032**	**0.8**	4,032	2.3
Liabilities	**2,016**	**0.2**	1,008	0.1

	Commodity swaps fixed price per U.S. gallon in CAD	
	December 31, 2022	**December 31, 2021**
	Minimum: 3.617	Minimum: 1.950
	Maximum: 4.098	Maximum: 2.978

The maturity dates are in 2023 (December 31, 2021: 2022). These financial instruments have a monthly settlement schedule.

12. Materials

The materials balance includes the following:

(in millions of Canadian dollars)	**2022**	**2021**
Spare parts	**30.5**	33.3
Provision for obsolete inventory	**(5.7)**	(4.3)
Net spare parts	**24.8**	29.0
On-train products	**0.4**	0.9
Fuel	**0.5**	0.3
Total materials	**25.7**	30.2

The cost of materials recorded as an expense during the year amounted to $36.3 million, including an amount of $4.8 million that were transferred to property, plant and equipment (December 31, 2021: $33.3 million, including an amount of $11.1 million that were transferred to property, plant and equipment). The Corporation has recorded an expense of $1.8 million related to write-down of the value of its materials for 2022 (December 31, 2021: $0.5 million).

13. Asset Renewal Fund

The Corporation has been authorized by the Treasury Board of Canada Secretariat to set aside funds in a manner which ensures that these funds are retained for future capital projects. However, during the year 2021, the Treasury Board of Canada Secretariat approved the use of $0.9 million of the Asset Renewal Fund to finance operating deficits in the future.

The Treasury Board of Canada Secretariat has authorized the Corporation to use up to $2.0 million (December 31, 2021: $2.0 million) of the Asset Renewal Fund. This amount is presented in the current portion of the Asset Renewal Fund. There is no remaining balance to be presented in the non-current portion of the Asset Renewal Fund.

The Asset Renewal Fund is invested in an interest-bearing account.

Liquidities in the Asset Renewal Fund are not considered to be cash for the purpose of the Statement of Cash Flows since they can only be used for specific purposes.

14. Advances on Contracts

As at December 31, 2022, there is a $51.1 million (December 31, 2021: $52.4 million) advance on contract which includes an amount of $48.2 million (December 31, 2021: $51.9 million) that will be transferred to property, plant and equipment in the future years according to the progress of work and an amount of $2.9 million (December 31, 2021: $0.5 million) that will be transferred to operating expenses in the future years.

15. 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, 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.

15. 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, 2021	17.0	976.3	174.7	186.2	319.0	97.3	37.8	52.3	9.8	334.4	2,204.8
Additions	–	–	–	–	–	–	–	–	–	195.7	195.7
Disposals	–	(90.9)	(4.6)	(3.0)	(1.5)	(2.6)	(1.6)	(16.6)	(0.1)	(0.6)	(121.5)
Transfers	0.6	52.9	7.8	9.4	5.7	3.9	2.2	4.8	0.4	(87.7)	–
Total cost	17.6	938.3	177.9	192.6	323.2	98.6	38.4	40.5	10.1	441.8	2,279.0
Accumulated depreciation and impairment:											
January 1, 2021	–	626.4	109.8	61.0	113.6	57.0	21.5	34.7	3.9	–	1,027.9
Additions	–	43.5	2.9	8.1	10.2	4.1	2.3	6.3	0.7	–	78.1
Disposals	–	(84.1)	(4.4)	(2.6)	(0.9)	(2.6)	(1.6)	(16.6)	(0.1)	–	(112.9)
Total accumulated depreciation and impairment	–	585.8	108.3	66.5	122.9	58.5	22.2	24.4	4.5	–	993.1
Total carrying amount	**17.6**	**352.5**	**69.6**	**126.1**	**200.3**	**40.1**	**16.2**	**16.1**	**5.6**	**441.8**	**1,285.9**

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 $3.4 million (December 31, 2021: $2.6 million) of materials used in the refurbishing of rail cars.

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

As of October 31, 2022, the Corporation has revised and modified the useful lives of certain of its rolling stock to better align the depreciation expense with future benefits that will be obtained from these assets. The impact of these changes on the actual and expected depreciation expense and on the amortization of deferred capital funding is as follows:

(in millions of Canadian dollars)	2022	2023	2024	2025	2026	2027	2028 and after
Increase (decrease) in depreciation expense	0.5	2.1	2.1	2.1	2.1	2.1	**(11.0)**
Increase (decrease) in amortization of deferred capital funding	0.5	2.1	2.1	2.1	2.1	2.1	**(11.0)**

16. 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, 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**

16. 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, 2021	114.0	7.8	438.3	5.4	15.7	581.2
Additions	–	–	–	–	41.1	41.1
Disposals	(4.0)	–	(0.1)	(0.9)	(0.2)	(5.2)
Transfers	3.6	–	0.1	–	(3.7)	–
Total cost	113.6	7.8	438.3	4.5	52.9	617.1
Accumulated amortization and impairment:						
January 1, 2021	97.6	7.8	136.2	3.6	–	245.2
Additions	8.7	–	11.7	0.2	–	20.6
Disposals	(4.0)	–	(0.1)	(0.7)	–	(4.8)
Total accumulated amortization and impairment	102.3	7.8	147.8	3.1	–	261.0
Total carrying amount	**11.3**	**–**	**290.5**	**1.4**	**52.9**	**356.1**

17. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)	**2022**	**2021**
Wages payable and accrued	**51.8**	44.1
Accounts payable and accruals – Trade	**69.3**	53.6
Accounts payable and accruals – Capital assets	**104.1**	54.0
Trade and other payables classified at Amortized cost	**225.2**	151.7
Capital tax and other taxes payable	**6.1**	7.1
Deductions at sources	**3.2**	2.8
Total trade and other payables	**234.5**	161.6

18. Leases

The Corporation as a lessee:

The Corporation leases several assets including land, office spaces, stations and facilities and information technology equipment. Lease of land has lease terms of 29 years, leases of office spaces have lease terms between 5 years and 12 years, leases of stations and facilities have lease terms between 3 and 40 years, while information technology equipment have lease terms between 2 and 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, 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**

18. Leases (cont'd)

(in millions of Canadian dollars)	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost:					
January 1, 2021	0.5	14.7	23.5	1.7	40.4
Additions	–	–	57.5	–	57.5
Disposals	–	(0.4)	(0.6)	(0.9)	(1.9)
Total cost	0.5	14.3	80.4	0.8	96.0
Accumulated depreciation:					
January 1, 2021	0.1	3.5	2.2	1.2	7.0
Additions	–	1.8	1.1	0.2	3.1
Disposals	–	(0.4)	(0.6)	(0.9)	(1.9)
Total accumulated depreciation	0.1	4.9	2.7	0.5	8.2
Net carrying amount	**0.4**	**9.4**	**77.7**	**0.3**	**87.8**

Amount recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**
Expense relating to short-term leases	**0.2**	1.3
Expense relating to low-value assets	**0.2**	0.2

Total cash outflow is $7.1 million (December 31, 2021: $5.0 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.

18. Leases (cont'd)

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

(in millions of Canadian dollars)	**2022**	**2021**
Balance, beginning of year	**90.0**	35.1
Additions	**18.2**	57.5
Accretion of interest	**2.4**	0.9
Payments	**(6.7)**	(3.5)
Balance, end of period	**103.9**	90.0
Current	**4.0**	3.7
Non-current	**99.9**	86.3
Total lease liabilities	**103.9**	90.0

There are several lease contracts that include extension options. Management exercised significant judgment in determining whether these extension options are reasonably certain to be exercised.

18. Leases (cont'd)

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within 5 years	Total
Extension options expected not to be exercised	**0.2**	**0.2**

December 31, 2022	Lease contracts number	Fixed payments (%)	Variable payments (%)
Land leases with payments linked to inflation	1	–	0.4
Office space leases with fixed payments	3	22.8	–
Stations and facilities leases with payments linked to inflation	3	–	55.1
Stations and facilities leases with fixed payments	8	21.4	–
Information technology equipment leases with fixed payments	3	0.3	–
Total	**18**	**44.5**	**55.5**

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 $7.6 million (December 31, 2021: $6.8 million).

18. Leases (cont'd)

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2022 are as follows:

(in millions of Canadian dollars)	
Year 1	**2.9**
Year 2	**1.7**
Year 3	**1.3**
Year 4	**1.1**
Year 5	**1.1**
Year 6 and over	**1.4**
Total	**9.5**

19. Provisions

The provisions balance includes the following:

(in millions of Canadian dollars)	January 1, 2022	Additional provisions recognized	Provisions utilized	Unused amounts reversed	December 31, 2022
Environmental costs	0.3	1.5	(0.8)	–	**1.0**
Litigation and equipment repairs *(Note 1)*	4.9	4.5	(5.8)	(0.6)	**3.0**
Total provisions	5.2	6.0	(6.6)	(0.6)	**4.0**

Note 1: 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.

20. Deferred Revenues

Deferred revenues are comprised of the following:

(in millions of Canadian dollars)	**2022**	**2021**
Advance ticket sales	**21.4**	6.4
VIA Préférence loyalty program	**10.8**	11.2
Non-monetary transactions	**1.2**	1.5
Gift cards	**1.8**	1.7
Other	**2.5**	1.2
Total deferred revenues	**37.7**	22.0

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 $1.2 million of revenue was recognized relating to advance ticket sales (December 31, 2021: $0.5 million). Management expects that 100 per cent of the advance ticket sales will be recognized as revenue during the next reporting period.

In the current period, an amount of $8.2 million of revenue was recognized relating to VIA Préférence loyalty program performance obligations that were honored in the current period and which were included in the deferred revenues balance at the beginning of the period (December 31, 2021: $3.7 million). Management expects that 70 per cent of the VIA Préférence loyalty program unsatisfied performance obligations will be recognized as revenue during the next reporting period.

In the current reporting period, an amount of $0.4 million of revenue was recognized relating to gift card obligations that were honored in the current period and which were included in the deferred revenues balance at the beginning of the period (December 31, 2021: $0.2 million). Management expects that 15 per cent of gift card performance obligations will be recognized as revenue during the next period.

21. Other Payables

The balance of other payables includes an amount of $29.0 million (December 31, 2021: $21.7 million) related to a project in progress which is not due to the supplier as at December 31, 2022. The Corporation will therefore request the funding from the Government of Canada in the year in which the payable will be paid out. The balance also includes an amount of $0.5 million (December 31, 2021: $0.5 million) related to operating expenses that will be paid in the future years.

22. 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.

Benefits increase annually by 50 per cent of the increase in the Consumer Price Index in the 12 months ending in December subject to a maximum increase of 3 per cent in any year.

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.

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 participants' 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.

22. 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 participants' 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:	**Latest valuation**	**Next valuation**
Pension plans	December 31, 2021	**December 31, 2022**
Supplemental Executive Retirement Plan	December 31, 2022	**December 31, 2023**
Supplemental Retirement Plan for management employees (SRP), with respect to active members	December 31, 2021	**December 31, 2022**
Supplemental Retirement Plan for management employees (SRP), with respect to retired members	December 31, 2022	**December 31, 2023**
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**

22. 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)	**2022**	**2021**	**2022**	**2021**
FAIR VALUE OF PLAN ASSETS				
Balance, beginning of year	**2,800.0**	2,696.6	**–**	–
Interest income	**82.4**	66.3	**–**	–
Return on plan assets (excluding interest income)	**(421.9)**	153.2	**–**	–
Employer contributions	**7.0**	20.0	**0.7**	0.9
Employee contributions	**12.0**	11.0	**–**	–
Benefits paid	**(142.8)**	(145.1)	**(0.7)**	(0.9)
Administration expenses	**(2.5)**	(2.0)	**–**	–
Balance, end of year	**2,334.2**	2,800.0	**–**	–
DEFINED BENEFIT OBLIGATION				
Balance, beginning of year	**2,519.8**	2,746.4	**26.3**	28.1
Service cost	**33.1**	34.3	**0.4**	0.4
Past service cost	**–**	0.1	**–**	–
Interest expense	**74.7**	67.3	**0.8**	0.7
Employee contributions	**12.0**	11.0	**–**	–
Benefits paid	**(142.8)**	(145.1)	**(0.7)**	(0.9)
Effect of change in demographic assumptions	**–**	–	**(0.3)**	–
Effect of change in financial assumptions	**(581.7)**	(180.3)	**(7.2)**	(1.9)
Effect of experience adjustments	**35.6**	(13.9)	**(0.6)**	(0.1)
Balance, end of year	**1,950.7**	2,519.8	**18.7**	26.3
Net defined benefit asset (liability)	**383.5**	280.2	**(18.7)**	(26.3)

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

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

	2022				2021			
Assets categories *(in percentages)*	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and short-term notes	1.8	0.1	–	**1.9**	4.0	0.1	–	4.1
Equity securities	17.3	–	–	**17.3**	22.3	–	–	22.3
Fixed income securities	–	23.1	0.8	**23.9**	–	18.4	0.8	19.2
Mutual fund units	1.7	23.0	32.2	**56.9**	2.0	28.5	23.9	54.4
	20.8	**46.2**	**33.0**	**100.0**	28.3	47.0	24.7	100.0

Expected employer contribution for the next year:

	Defined benefit component of the pension plans	Post-employment benefit plans
(in millions of Canadian dollars)	2023	2023
Expected employer contribution for the next year	**–**	**0.9**

The weighted average duration of the defined benefit obligation is 11.1 years (December 31, 2021: 13.6 years).

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

	Defined benefit component of the pension plans		Post-employment benefit plans	
	2022	**2021**	**2022**	**2021**
WEIGHTED AVERAGE OF SIGNIFICANT FINANCIAL ASSUMPTIONS				
Defined benefit obligation:				
Discount rate	**5.10%**	3.00%	**5.10%**	3.00%
Rate of salary increase	**3.00%**	3.00%	**3.00%***	3.00%*
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
Rate of price inflation	**2.00%**	2.00%	**–**	–
Rate of pension increase	**1.00%**	1.00%	**–**	–
Defined benefit cost:				
Discount rate	**3.00%**	2.50%	**3.00%**	2.60%
Rate of price inflation	**2.00%**	2.00%	**–**	–
Rate of salary increase	**3.00%**	3.00%	**3.00%***	3.00%*
Rate of pension increase	**1.00%**	1.00%	**–**	–
Initial weighted average health care trend rate	**–**	–	**5.70%**	5.80%
Ultimate weighted average health care trend rate	**–**	–	**4.00%**	4.00%
Year ultimate rate reached	**–**	–	**2040**	2040

** Applicable to executive employees only.*

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

Significant demographic assumptions – Post-retirement mortality tables

DEFINED BENEFIT OBLIGATION

Defined benefit component of the pension plans:	
2022	**2021**
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:	
2022	**2021**
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:	
2022	**2021**
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:	
2022	**2021**
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.

22. 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.

22. 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)	**2022**	**2021**
Defined benefit component of the pension plans:		
Inflation rates		
Increase of 25 basis points	**27.0**	44.8
Decrease of 25 basis points	**(26.4)**	(43.9)
Discount rates		
Increase of 25 basis points	**(52.8)**	(82.7)
Decrease of 25 basis points	**55.5**	87.5
Pensions-in-payment		
Increase of 25 basis points	**22.8**	36.6
Decrease of 25 basis points	**(22.3)**	(35.8)
Salary increase rates		
Increase of 25 basis points	**3.0**	6.4
Decrease of 25 basis points	**(3.1)**	(6.5)
Mortality tables		
1 year younger	**47.2**	71.0
1 year older	**(47.8)**	(71.2)
Post-employment benefits plans:		
Discount rates		
Increase of 25 basis points	**(0.6)**	(1.1)
Decrease of 25 basis points	**0.7**	1.2

22. 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, 2022 is $3.0 million (December 31, 2021: $2.2 million). The employer contributions are expected to be $3.5 million in 2023.

22. 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)	**2022**	**2021**
FAIR VALUE OF PLAN ASSETS		
Balance, beginning of year	**–**	–
Employer contributions	**5.6**	4.2
Benefits paid	**(5.6)**	(4.2)
Balance, end of year	**–**	–
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of year	**15.1**	17.6
Service cost	**3.5**	3.5
Interest expense	**0.5**	0.4
Benefits paid	**(5.6)**	(4.2)
Effect of change in demographic assumptions	**1.5**	–
Effect of change in financial assumptions	**(1.3)**	(0.9)
Effect of experience adjustments	**(1.3)**	(1.3)
Balance, end of year	**12.4**	15.1
Net long-term employee benefit liability	**12.4**	15.1

Expected employer contribution for the next year:

(in millions of Canadian dollars)	**2023**
Expected employer contribution for the next year	**4.3**

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

Weighted average of significant assumptions

	2022	**2021**
LONG-TERM EMPLOYEE BENEFIT OBLIGATION		
Discount rate	**5.00%**	2.80%
Rate of salary increase	**2.75% – 3.00%**	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
LONG-TERM EMPLOYEE BENEFIT COST		
Discount rate	**2.80%**	2.20%
Rate of salary increase	**2.75% – 3.00%**	2.75% – 3.00%
Initial weighted average health care trend rate	**4.80%**	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

22. 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)	**2022**	**2021**
Discount rates		
Increase of 25 basis points	**(0.2)**	(0.3)
Decrease of 25 basis points	**0.2**	0.3

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)	**2022**	**2021**
FAIR VALUE OF PLAN ASSETS		
Balance, beginning of year	**–**	–
Employer contributions	**0.1**	0.1
Benefits paid	**(0.1)**	(0.1)
Balance, end of year	**–**	–
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION		
Balance, beginning of year	**0.2**	0.3
Benefits paid	**(0.1)**	(0.1)
Balance, end of year	**0.1**	0.2
Net other long-term employee benefit liability	**0.1**	0.2

22. 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)	2022	2021
Assets:		
Defined benefit component of the pension plans	**383.5**	280.2
Liabilities:		
Post-employment benefit plans	**18.7**	26.3
Long-term employee benefit plans	**12.4**	15.1
Other long-term employee benefits	**0.1**	0.2
Total employee benefits liabilities	**31.2**	41.6

Total amounts recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	2022	2021
Operating expenses:		
Defined benefit component of the pension plans	**27.9**	37.4
Post-employment benefit plans	**1.2**	1.1
Long-term employee benefit plans	**2.9**	1.7
Total	**32.0**	40.2

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

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

(in millions of Canadian dollars)	2022	2021
Other comprehensive income:		
Defined benefit component of the pension plans	**124.2**	347.4
Post-employment benefit plans	**8.1**	2.0
Total	**132.3**	349.4

23. Income Taxes

The income tax expense consists of the following:

(in millions of Canadian dollars)	2022	2021
Deferred	**10.5**	(12.3)
Income tax recovery (expense)	**10.5**	(12.3)

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 26.54 per cent (December 31, 2021: 24.63 per cent) to income before taxes. The reasons for the differences are as follows:

(in millions of Canadian dollars)	2022	2021
Net loss before income taxes	**(25.7)**	(14.0)
Computed income tax recovery – statutory rates	**6.8**	3.4
Prior year adjustment	**2.5**	–
Non-deductible accounting expenses and other	**–**	0.5
Effect of unrecognized tax attributes	**2.1**	(15.6)
Effect of tax rate changes on deferred income taxes	**(0.9)**	(0.6)
Income tax recovery (expense)	**10.5**	(12.3)

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.

23. Income Taxes (cont'd)

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

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	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	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 assets (liabilities)	**(22.6)**	**10.5**	**(35.9)**	**(48.0)**

23. Income Taxes (cont'd)

Deferred income tax balances December 31, 2021 *(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	–	20.8	–	20.8
Provisions	–	1.7	–	1.7
Lease liabilities	–	22.2	–	22.2
Employee benefit liabilities	–	10.2	–	10.2
Losses carry-forward	8.8	4.9	–	13.7
Total deferred income tax assets	8.8	59.8	–	68.6
Unrealized net gain on derivative financial instruments	(0.1)	(0.5)	–	(0.6)
Right-of-use assets	(8.2)	(13.4)	–	(21.6)
Employee benefit assets	(0.5)	(58.2)	(10.3)	(69.0)
Total deferred income tax liabilities	(8.8)	(72.1)	(10.3)	(91.2)
Deferred income tax liabilities	**–**	(12.3)	(10.3)	(22.6)

23. Income Taxes (cont'd)

The Corporation has $61.0 million (December 31, 2021: $55.7 million) of unused federal and other provinces and $63.5 million (December 31, 2021: $58.2 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 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. Unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributed to the following:

(in millions of Canadian dollars)	2022	2021
Federal and other provinces:		
Provisions and other liabilities	**87.4**	61.7
Total	**87.4**	61.7
Québec:		
Property, plant and equipment and intangible assets	**194.8**	292.2
Total	**194.8**	292.2

24. 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)	**2022**	**2021**
Balance, beginning of year	**1,658.1**	1,538.7
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**310.2**	226.4
Government funding for an advance on contract	**8.0**	–
Total Government funding for property, plant and equipment, intangible assets and advance on contract	**318.2**	226.4
Amortization of deferred capital funding	**(109.2)**	(107.0)
Balance, end of year	**1,867.1**	1,658.1

25. 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.

26. Supplemental Cash Flows Information

Net change in working capital items:

(in millions of Canadian dollars)	**2022**	**2021**
Trade and other receivables	**(33.1)**	(13.0)
Other assets	**(2.9)**	1.8
Materials	**4.5**	(0.5)
Trade and other payables	**22.7**	30.7
Provisions	**(1.2)**	(5.2)
Deferred revenues	**15.7**	2.4
Total	**5.7**	16.2

The change in trade and other receivables excludes an amount of ($49.9) million (December 31, 2021: ($29.1) 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 $50.1 million (December 31, 2021: $8.2 million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities.

26. Supplemental Cash Flows Information (cont'd)

Investing activities supplemental information:

(in millions of Canadian dollars)	2022	2021
Acquisition of property, plant and equipment and intangible assets	**(329.2)**	(236.9)
Additions to property, plant and equipment and intangible assets not affecting cash as they were previously cash out through the advances on contracts	**11.7**	5.6
Change in accounts payable and accruals – Capital assets	**50.1**	8.2
Change in other payables	**7.3**	4.9
Total cash out for acquisition of property, plant and equipment and intangible assets	**(260.1)**	(218.2)
Government funding invoiced for property, plant and equipment and intangible assets	**310.2**	226.4
Change in amount receivable from (payable to) the Government of Canada – Capital funding	**(49.9)**	(29.1)
Total Government funding received for property, plant and equipment and intangible assets	**260.3**	197.3

The total amount of $329.2 million (December 31, 2021: $236.9 million) of acquisitions of property, plant and equipment and intangible assets exceeds the total amount of $310.2 million (December 31, 2021: $226.4 million) of Government funding received during the year by an amount of $19.0 million (December 31, 2021: $10.5 million). This is because an amount of $7.3 million (December 31, 2021: $4.9 million) of projects in progress relating to the fleet replacement project will be payable and funded in the future years and an amount of $11.7 million (December 31, 2021: $5.6 million) was paid in the previous years.

27. Fair Value of Financial Instruments

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position 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.

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.

28. 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)	**2022**	**2021**
Assets:		
Cash	**0.5**	0.7
Trade and other receivables	**1.0**	0.1
Liabilities:		
Trade and other payables	**1.4**	1.5

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

28. 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 $26.4 million (December 31, 2021: $17.5 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, 2022, approximately 6.0 per cent (December 31, 2021: 12.6 per cent) of trade accounts receivable were over 90 days past due, while approximately 83.0 per cent (December 31, 2021: 76.6 per cent) of trade accounts receivable were current (under 30 days).

As at December 31, 2022, the loss allowance was $0.4 million (December 31, 2021: $0.5 million). The loss allowance is a forward-looking expected credit loss model based on past default experience of the debtor, adjusted as appropriated to reflect current conditions and estimates of future economic conditions.

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.

28. Financial Risks (cont'd)

The reported financial liabilities below totalling $418.4 million (December 31, 2021: $317.4 million) represent the maximum liquidity risk exposure for the Corporation.

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**
Derivative financial liabilities	–	0.1	0.1	–	–	**0.2**
Other payables	–	–	–	29.0	0.5	**29.5**
Total	226.9	1.7	3.2	35.3	151.3	**418.4**

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, 2021:

(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	151.7	–	–	–	–	151.7
Lease liabilities	1.5	1.5	3.1	6.0	131.3	143.4
Derivative financial liabilities	–	–	0.1	–	–	0.1
Other payables	–	–	–	–	22.2	22.2
Total	153.2	1.5	3.2	6.0	153.5	317.4

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, 2022 and December 31, 2021, there was no exposure to interest rate risk as all the Corporation's liquidity were invested in cash accounts.

29. Commitments

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

	2022				2021
(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	**163.7**	6.0	24.7	133.0	148.8
Technical services	**365.8**	15.6	82.6	267.6	356.0
Usage of tracks	**40.4**	1.4	5.6	33.4	41.8
Total	**569.9**	23.0	112.9	434.0	546.6
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS					
Rolling stock	**551.8**	313.6	238.2	–	700.6
Maintenance buildings	**219.6**	95.2	124.4	–	1.8
Stations and facilities	**15.5**	14.2	1.3	–	2.0
Owned infrastructures	**–**	–	–	–	1.2
Software	**–**	–	–	–	1.7
Computer hardware	**0.5**	0.5	–	–	1.2
Total	**787.4**	423.5	363.9	–	708.5
Total commitments	**1,357.3**	446.5	476.8	434.0	1,255.1

a) As mentioned in Note 1, 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 $22.5 million (December 31, 2021: $24.6 million) to various provincial government workers' compensation boards as security for future payment streams.

30. 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.

This year, 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. There were no significant transactions in 2022.

In 2019, the Corporation and the Canada Infrastructure Bank, a related party, initiated a joint operation on the high-frequency train project.

The expenses incurred for this joint project are as follows:

(in millions of Canadian dollars)	**2022**	**2021**
Compensation and short-term employee benefits	**0.3**	1.3
Total	**0.3**	1.3

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

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)	**2022**	**2021**
Compensation and short-term employee benefits	**4.3**	4.8
Termination benefits	**2.4**	0.8
Post-employment benefits	**0.9**	1.9
Total	**7.6**	7.5

30. Related Party Transactions (cont'd)

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, 2022 and December 31, 2021.

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 22. There were no other significant transactions during the year.

31. Non-Monetary Transactions

The Corporation recorded revenue from non-monetary transactions of approximately $0.6 million for the year ended December 31, 2022 (December 31, 2021: $0.2 million) under "Revenues from passengers" in the Statement of Comprehensive Income. The Corporation also recorded expenses from non-monetary transactions of approximately $0.4 million (December 31, 2021: $0.1 million) mainly under "Marketing and sales" in the Statement of Comprehensive Income. The nature of non-monetary transactions is mainly related to advertising activities.

32. Contingencies

a) Environment

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 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.

When remediation costs can be reasonably estimated, a provision is recorded based on the anticipated future costs (refer to Note 19).

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.

There can thus be no assurance that material liabilities or costs related to environmental matters will not be incurred in the future, or will not have a material adverse effect on the Corporation's financial position.

b) 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.

GOVERNANCE

The Board of Directors

As of December 31, 2022, the Board of Directors consisted of the Chairperson of the Board, the Interim President and Chief Executive Officer and 9 other directors appointed by the Government of Canada. Of the 10 directors (not including the CEO of VIA Rail), 5 are women and 5 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 Omar Alghabra, Minister of Transport. The Board held 24 meetings and the committees met a total of 34 times over the course of 2022. The average overall attendance rate of Board members at these meetings was 95%. Cumulative fees paid to Board members during this time period totalled $406,400.

Françoise Bertrand, Montréal (Quebec)

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

Jonathan Goldbloom, Montréal (Quebec)

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 and member of the Major Projects and Fleet Modernization Committee

Jane Mowat, Toronto (Ontario)

Board Member since September 2013
Member of the Audit and Pension Investment Committee and member of the Stakeholders' Engagement and Communications Committee

Glenn Rainbird, Belleville (Ontario)

Board Member since June 2017
Chairperson of the Major Projects and Fleet Modernization Committee, member of the Audit and Pension Investment 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

Vianne Timmons (St. John's, Newfoundland and Labrador)

Board Member since March 2019
Member of the Stakeholders' Engagement and Communications Committee and member of the Human Resources Committee

Committees of the Board

As of December 31, 2022, the Board and Committee structure was composed of the following committees:

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 Interim President and Chief Executive Officer is also an ex officio member of all committees, except the Audit and Pension Investment Committee.

Audit and Pension Investment Committee

Gail Stephens, Chair, Grant Christoff, Jane Mowat, Kenneth Tan and Glenn Rainbird

Major Projects and Fleet Modernization Committee

Glenn Rainbird, Chair, Miranda Erickson, Kenneth Tan and Jane Mowat

Human Resources Committee

Miranda Erickson, Chair, Jonathan Goldbloom, Daniel Gallivan, Glenn Rainbird, Gail Stephens and Vianne Timmons

Stakeholders' Engagement and Communications Committee

Jonathan Goldbloom, Chair, Grant Christoff, Daniel Gallivan, Jane Mowat and Vianne Timmons

Governance Committee

Daniel Gallivan, Chair, Jonathan Goldbloom and Gail Stephens

Travel, Hospitality and Conference Expenses

The following travel, hospitality and conference expenses were submitted during 2022	
Françoise Bertrand Chairperson of the Board of Directors	$6,269
Cynthia Garneau President and CEO	$2,574
Martin R Landry Interim President and CEO	$29,171
Executive Management committee members (11 members)	$66,069
Board of Directors (11 members)	$155,063
Total VIA Rail (including above expenses)	**$871,644**

Executive Compensation

2022 Executive Compensation Range Disclosure[1]		
Cash Compensation[2,3]	**President and CEO**	**Officers**
Base Salary Range	$293,600 – $345,400	$204,445 – $327,984
Incentive Program Range	13% – 26%	35% – 50%
Total Compensation Range per Calendar Year	$331,770 – $435,200	$311,788 – $573,972

Perquisites Program		
Car Allowance		
Social, Sport Club Memberships		
Health Care Spending Account	$45,000	$24,000
Comprehensive Medical Exams		
Financial Planning Services		

1. On December 31, 2022, Executives were: Interim President and Chief Executive Officer, Chief Business Transformation Officer, Chief Customer Officer, Chief Financial Officer, Chief Employee Experience Officer, Chief Legal and Risk Officer, Vice-President, Mechanical Services, Vice-President, Corporate Controller and Vice-President, Fleet Renewal Program.
2. The Cash Compensation does not report the actual salary and incentives paid to Executives but merely the range for their respective positions.
3. The salary range for the Acting President and CEO is set by order of the Governor in Council and may differ from the standard salary range outlined above.

Annual Public Meeting

VIA Rail's 2022 Annual Public Meeting was pre-recorded and presented on August 9, 2022. During the meeting, Françoise Bertrand, Chairperson of the Board of Directors, Martin R Landry, Interim President and CEO, and Marie-Claude Cardin, Chief Financial Officer, shared and discussed results from 2021 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 and 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).

VIA Rail's 2022 Annual Public Meeting

Access to Information and Privacy

VIA Rail believes that openness and transparency are the starting points in building a relationship of trust with its customers, 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 2022, as per the requirements of the Government of Canada, VIA Rail submitted its 2021-2022 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, 2021, to March 31, 2022, VIA Rail received 36 new requests under the *Access to Information Act* and the *Privacy Act*. This compared to a total of 47 requests received during the corresponding period from April 2020 to March 2021.

VIA Rail Office Locations

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