













**To:** Mark Hunter and the Finance and Labour Relations Committee  
**From:** Alyson Conrad, CFO  
**Re:** Commentary on FHSI Financial Results –  
For the period ended September 30, 2023

The net income for the period was \$19K which is \$7K lower than budget and \$27K lower than at this point last year. Detailed commentary on the balance sheet and income statement activity are noted below:

**Balance Sheet Commentary:**

**A/R & Prepaids** – This balance is lower than Q2 by \$16K. This is lower due to a portion prepaid amount of joint use expenses being recognized in the period. This balance is also \$24K lower than prior year because of decreased shared revenue and fibre ring reimbursement from Wightman.

Outstanding accounts receivable balances are generally held in Festival Hydro as they hit the intercompany account and revenues when they are billed, not when they are collected. They are being monitored through the monitoring of the miscellaneous AR aging in Festival Hydro. We will continue to monitor the aged miscellaneous AR balances regularly to ensure Rhyzome receivables are not impacting Festival's cash flows increasingly.

**Capital Asset Additions** – Additions to the end of September 2023 are \$91K, or 66% of Q3 budget. This includes \$47K in computer hardware additions, \$17K on the data centre building and \$27K on fibre related projects. Details on the capital spend to date are as noted below:

**Computer Hardware and ISP Capital:** Total spend for FHSI on computer hardware and ISP capital YTD is \$47K. Budgeted for 2023 is a replacement of the core routing equipment used by Rhyzome. Costs incurred to date for that project amount to \$47K. Work is ongoing to move the new core routing equipment into production.

**Building Capital:** Building capital has held steady at \$17K. The HVAC improvements have been working reliably and the DC UPS Expansion has been fully operationalized, with costs being recovered through Acronym revenue.

**Fibre Capital:** Total spend on fibre capital YTD is \$27K. This infrastructure will provide capability for downtown expansion. In addition, 2023 fibre asset remediation has kicked off and work will be ongoing for the remainder of the year.

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**Due to Festival Hydro Inc.** – The balance in this account increased from June 30, 2023, moving from a receivable to a payable position of \$20K. The change is due to ongoing work being completed by FHSI staff for FHI.

**Deferred Revenue** – This balance has decreased from the June 2023 balance as a portion of the balance has been recognized into revenue for Q3 2023. No new contributions have been received in the period.

#### **Income Statement Commentary:**

**Revenues** – Revenues are \$33K higher than budget in Q3. ISP revenue is down by \$57K mainly due to the completion of the fibre ring reimbursement with Wightman. The conclusion of this contract was not reflected in the preparation of the budget so this variance will continue throughout the year. Dark fibre is up due to a one year contract for fibre strands with Acronym. Wi-Fi revenue is down \$10K mainly due to a decrease in non-contract Wi-Fi purchases and limited growth in Wi-Fi customers. Consulting revenue is up \$23K due to additional work being completed for FHI, specifically on the new CIS and for EA coverage in the first several months of the year. Lastly, FHSI sold its shares of QR Fibre for a gain of \$50K. This transaction was completed in Q1.

**Operating Expenses** – Operating expenses are above budget by \$40K at the end of Q3. Fibre costs are up due to multiple emergency repairs compared to an average year. This account fluctuates year over year depending on equipment maintenance needs. FHSI has seen an increase over budget in employee costs by \$25K. Employee costs have increased due to some training and development costs that occurred earlier in the year. FHSI also had one network administrator leave in Q2 but the position was quickly filled with a more experienced employee at a higher rate.

#### **Cash Flow Commentary:**

The cash balance has increased to \$34K from the \$15K June 2023 balance. The variances in cash from Q2 are due to the net change in receivables and payables, loan repayments, capital purchases, share sale and working capital items. There were limited capital additions in the quarter which allowed for cash increases.

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# FESTIVAL HYDRO SERVICES INC.

## Statement of Operations

For the period ending September 30, 2023

	YTD as at Sep 30, 2022	YTD as at Sep 30, 2023	YTD Budget at Sep 30, 2023	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
<b>TOTAL REVENUE</b>	<b>989,482</b>	<b>1,076,861</b>	<b>1,043,674</b>	<b>33,186</b>	<b>3%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>629,436</b>	<b>730,510</b>	<b>690,957</b>	<b>39,552</b>	<b>6%</b>
<b>NET INCOME BEFORE DEPRECIATION &amp; INTEREST</b>	<b>360,046</b>	<b>346,351</b>	<b>352,717</b>	<b>(6,366)</b>	<b>(2%)</b>
Depreciation	281,892	280,933	280,933	—	—
Interest Expense	32,293	32,757	35,227	(2,470)	(7%)
Interest Income	161	(1,358)	—	(1,358)	—
<b>NET INCOME FOR THE PERIOD BEFORE TAXES</b>	<b>45,700</b>	<b>34,019</b>	<b>36,556</b>	<b>(2,537)</b>	<b>(7%)</b>
Current Tax Provision	—	15,000	16,125	(1,125)	(7%)
Future Tax Provision	—	—	(6,000)	6,000	(100%)
<b>NET INCOME(LOSS) FOR THE PERIOD</b>	<b>45,700</b>	<b>19,019</b>	<b>26,431</b>	<b>(7,412)</b>	<b>(28%)</b>



# FESTIVAL HYDRO SERVICES INC.

## Statement of Capital

For the period ending September 30, 2023

	YTD as at Sep 30, 2023	YTD Budget at Sep 30, 2023	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
<b>CAPITAL</b>				
Computer Equipment - Hardware	46,887	39,000	7,887	20%
Computer Software	—	750	(750)	(100%)
Buildings	16,592	15,000	1,592	11%
Fibre Capital	27,076	58,875	(31,799)	(54%)
WiFi Capital	—	23,250	(23,250)	(100%)
<b>TOTAL CAPITAL</b>	<b>90,554</b>	<b>136,875</b>	<b>(46,321)</b>	<b>(34%)</b>