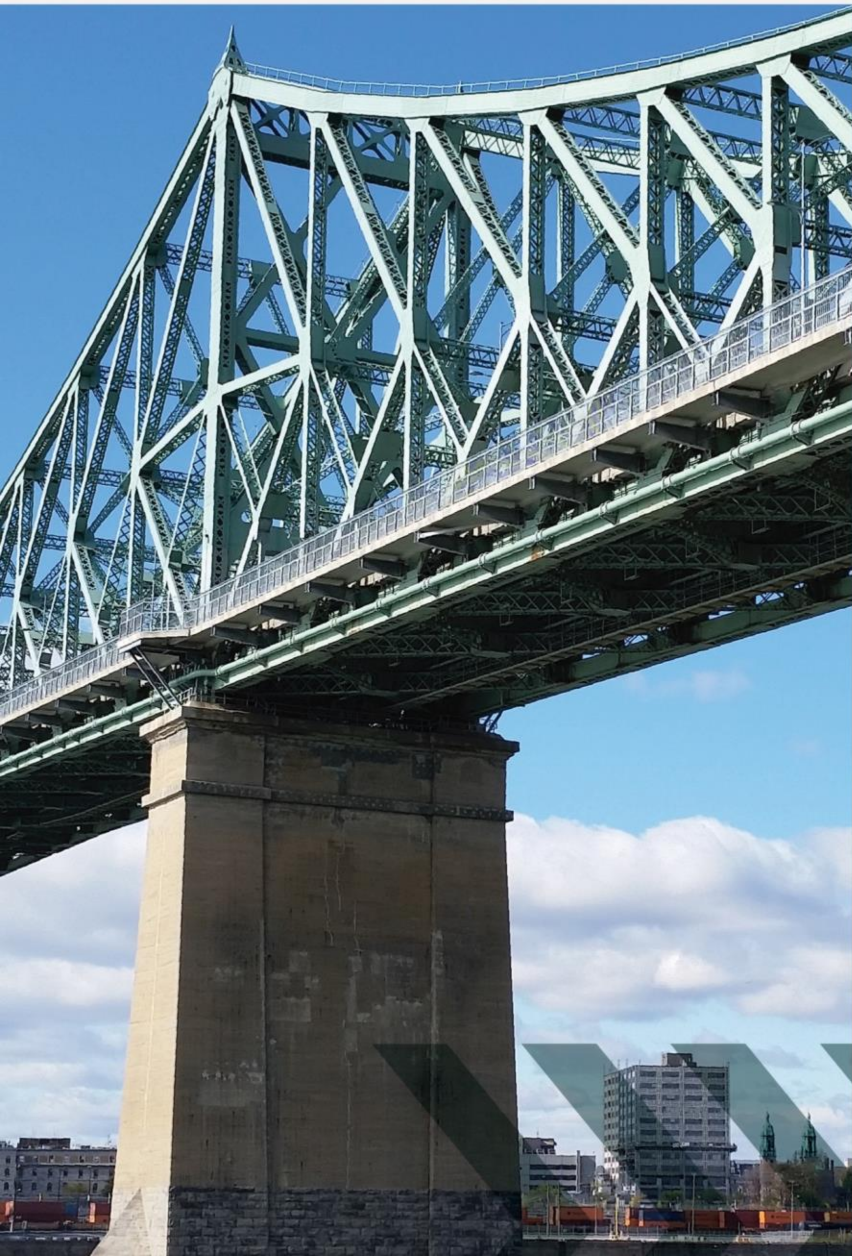
Les Ponts Jacques Cartier et Champlain Incorporée
The Jacques Cartier and Champlain Bridges Incorporated

Canada



2nd Quarter (Q2) For Six Months Ended September 30, 2015

QUARTERLY
FINANCIAL
REPORT

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SECTION 1

STATUS

1. STATUS

The Jacques Cartier and Champlain Bridges Incorporated (the Corporation or JCCBI) was incorporated on November 3, 1978, under the *Canada Business Corporations Act*. JCCBI was, until September 30, 1998, a Crown corporation wholly owned by the St. Lawrence Seaway Authority (SLSA).

On October 1, 1998, it became a wholly owned subsidiary of the Federal Bridge Corporation Limited (FBCL), a parent Crown corporation registered under Part I of Schedule III of the *Financial Administration Act* (FAA).

On February 13, 2014, JCCBI became a parent Crown corporation registered under Part I of Schedule III of the FAA.

JCCBI is an agent Crown corporation of Her Majesty under *The Jacques Cartier and Champlain Bridges Inc. Regulations* (SOR/98-568). It is subject to Part X of the FAA.

1.1. Mandate

JCCBI manages all bridges, roads and tunnels under federal jurisdiction located in the Greater Montreal Area: the Champlain and Jacques Cartier Bridges, the federal portion of the Honoré Mercier Bridge and approaches thereto, and three related infrastructures, namely the federal portion of the Bonaventure Expressway, the Champlain Bridge Ice Control Structure and the Melocheville Tunnel.

For each of these infrastructures, JCCBI assumes responsibility for:

- operations;
- inspections;
- maintenance;
- repairs;
- safety;
- coordination with municipal and provincial stakeholders;
- management of contaminated sites.

1.2. Mission, Vision and Values

» Our Mission

Ensure a safe passage for users through the management, maintenance and rehabilitation of the infrastructures by optimizing traffic flow and respecting the environment.

» Our Vision

JCCBI pursues its development so as to consolidate its position as a manager of major infrastructure works, a leader in its field through responsible, preventive and systemic management.

» Our Values

Teamwork, transparency, thoroughness, innovation, and commitment are the values JCCBI has adopted to accomplish its mission.

1.3. Administrative Profile and Funding

JCCBI's activities are distributed between two sectors:

» Planning, Engineering and Construction

It plans and manages the activities connected with major projects for the construction, rehabilitation and repair of civil engineering and road structure components (such as piers, girders, decks, steel structures, foundations, paving and painting).

» Operations and Maintenance

It oversees and manages the contracts for snow removal, towing and road cleaning, maintenance of the network and landscaping. It also maintains the lane signal control systems and surveillance cameras, the electrical distribution and the road lighting.

Administrative departments such as Legal Counsel, Procurement, Finances, Information Technology, Human Resources, Environment and Communications support these sectors.

The specialized professionals on JCCBI's team have extensive know-how and experience in bridge and highway infrastructures as well as in the engineering and management of bridges and structures. The strong partnerships JCCBI has established over the years play a key role in the management of its infrastructures and execution of its projects.

JCCBI must ensure the safety of its infrastructures at all times. The Corporation has implemented inspection programs combined with detailed records and additional investigations, thus ensuring the availability of relevant and up-to-date information for informed decision-making on short-, medium- and long-term maintenance and rehabilitation programs.

JCCBI operates in a complex environment where many external factors can affect its planning. On the financial front, JCCBI continues to be vigilant with regard to the use of public funds.

JCCBI is entirely funded through parliamentary appropriations from the Government of Canada. Revenue from other sources, such as leases and permits, contributes to its funding, but very minimally. JCCBI must optimize maintenance and rehabilitation of aging infrastructures in order to maximize the life and safety thereof.

The Corporation's Board of Directors has approved the creation and start-up of a Centre for Infrastructure Innovation with the following mandate and mission:

» The Mandate

The creation of a Centre for Infrastructure Innovation is intended as a tool to allow JCCBI to develop and promote its expertise in view of ensuring the sustainability of the structures and of the organization.

In parallel to the Corporation's activities, the centre would be seeking the best practices to generate technical applications and business opportunities.

» The Mission

Support JCCBI in developing the implementation of innovative solutions that are based on specific expertise and on comprehensive and sustainable strategies in connection with the management and maintenance of major infrastructures in an effort to extend the useful life thereof.

The Centre for Infrastructure Innovation's business plan was adopted by the Corporation's Board of Directors in August 2015.

SECTION 2

Q2 OF 2015-2016 IN REVIEW

2. Q2 OF 2015-2016 IN REVIEW

This quarterly financial report has been prepared in accordance with the requirements of the FAA and with the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat.

This quarterly financial report provides an assessment of JCCBI's operations and financial position for the quarter ended September 30, 2015 (Q2). It must be read in conjunction with the unaudited Interim Financial Statements and accompanying notes contained in this document, as well as with the audited Annual Financial Statements and supporting notes contained in JCCBI's Annual Report for 2014-2015.

During fiscal year 2014-2015, the Corporation has stopped treating the new investments related to the Champlain Bridge as capital assets. This change has been reflected in the audited Financial Statements for fiscal year 2014-2015. The interim Financial Statements for the same fiscal year have not been the subject of adjustment. Therefore, the expenditures related to major work on this structure are now fully charged to earnings.

All amounts are in Canadian dollars and are mainly derived from the Corporation's unaudited Interim Financial Statements, which were prepared in accordance with the Canadian Public Sector Accounting Standards (CPSAS).

On July 16, 2015, by Order in Council P.C. 2015-1112, His Excellency the Governor General in Council instructs JCCBI, under section 89 of the *Financial Administration Act*:

a) to harmonize its travel, hospitality, conference and event expense policies, guidelines and practices with the Treasury Board's related travel, hospitality, conference and event expense policies, guidelines and tools in a manner that complies with its legal obligations;

b) to report on the implementation of these instructions in its next business plan.

The Corporation has thus undertaken to modify its policies and practices related to the travel, hospitality, conference and event expenses in order to harmonize them with the Treasury Board's applicable tools.

2.1. Summary

JCCBI declares a surplus of $16.5 M for the six (6) months ended September 30, 2015 ($38.5 M in 2014). The deficit before public funding was $112.5 M as at September 30, 2015 ($75.3 M in 2014).

For the current fiscal year, the combined total revenue was $1.3 M ($2.1 M in 2014). As a whole, the revenue remained stable, with the exception of a decrease in revenue related to the cessation of billboard operations.

During the same period, the net debt increases by $0.4 M to total $30.2 M. Financial assets increased by $15.3 M. It is mainly changes in the amounts received and those due from the federal government that are responsible for this change.

Capital asset acquisitions in the second quarter of the current fiscal year totalled $31 M ($46.2 M in 2014, including the acquisitions for the Champlain Bridge amounting to $2.8 M). They mainly consist of expenses of $1.7 M for Nuns' Island Bypass Bridge, $13.5 M for the Honoré Mercier Bridge, $2.6 M for the Jacques Cartier Bridge, $2.9 M for Highway 15, $8.2 M for the Bonaventure Expressway, $1.8 M for the Ice Control Structure and $0.3 M for various other projects.

2.2. Outlook

The expenses to maintain the bridges and related infrastructure remain at historical highs. Repairs to the Champlain Bridge are increasing significantly in order to address the conclusions of the latest inspection reports. Other government-funded projects are ongoing, including the rehabilitation currently underway at the Honoré Mercier Bridge, at the Ice Control Structure and at the Jacques Cartier Bridge.

Future maintenance and rehabilitation work is still important with the ongoing rehabilitation or construction of major projects:

1. In order to extend the Jacques Cartier Bridge's service life in a long-term perspective, JCCBI has developed a major rehabilitation plan for the various components of the structure;
2. For the Champlain Bridge, the repairs planned in the Ten-Year Program will continue to be required. Moreover, additional investments in the order of $389 M could be required during the period of 2014-2015 to 2017-2018 to mitigate the risks associated with the condition of the edge girders;
3. Work, both required and necessary to maintain the assets, is planned on the Bonaventure Expressway sector, the Honoré Mercier Bridge and the Champlain Bridge Ice Control Structure;
4. Important environmental mitigation measures are required to contain and treat contaminated groundwater on lands owned by JCCBI in the Bonaventure Expressway Sector (East and West Sectors);
5. Given the eventual demolition of the Champlain Bridge plaza as part of the New Champlain Bridge Corridor Project and the condition of the Jacques Cartier plaza and adjoining buildings, JCCBI is considering a new building for the Operations and Maintenance department at the location and in replacement of the Jacques Cartier plaza.

JCCBI is proud of its workforce, whose strength lies in its absolute commitment to the achievement of its strategic outcome. The long-term funding provided by the government makes it possible to maintain the infrastructures that play a vital role for the population and the economy.

SECTION 3

ANALYSIS OF FINANCIAL RESULTS

3. ANALYSIS OF FINANCIAL RESULTS

3.1. Results of Operations

3.1.1. Statement of Financial Position

Financial Assets

During the six (6) months ended September 30, 2015, the total financial assets increased by $15.3 M, to amount to $104.6 M, compared to $89.3 M as at March 31, 2015. As in previous fiscal years, a determining factor in the increase in financial assets is the date on which the federal appropriations, which include the funding for the major capital projects and the operating expenses, will be received.

JCCBI's net cash position decreased by $12.4 M during Q2, to amount to $52.7 M as at September 30, 2015 ($65.1 M as at March 31, 2015). This decrease during the quarter is due, notably, to the payment of current operations.

Liability

Accounts payable and accrued liabilities increased by $15.5 M, from $75.1 M as at March 31, 2015 to $90.6 M as at September 30, 2015. This increase is largely due to the activities of the various ongoing construction projects.

To carry out its major projects, JCCBI entered into construction contracts which provide for the withholding of a portion of the payment until the completion of certain work and the contractual warranties have expired in compliance with the performance requirements. These contractual holdbacks have increased by $0.7 M to amount to $12 M as at September 30, 2015 ($11.3 M as at March 31, 2015). These amounts will become payable when the work is completed and the warranties have expired.

During the last quarter, JCCBI has reviewed the assumptions underlying the environmental obligations. Following this revision, a decrease of $0.2 M in the liability was recorded.

Non-Financial Assets

Tangible capital assets increased by $16 M to total $490.4 M relative to the March 31, 2015 Financial Statements ($474.4 M). This total comprises $31 M in capital asset acquisitions, less charges for amortization of $15 M. The major works concerned by these acquisitions include those of Nuns' Island Bypass Bridge ($1.7 M), the Honoré Mercier Bridge ($13.5 M), the Jacques Cartier Bridge ($2.6 M), Highway 15 ($2.9 M), the Bonaventure Expressway ($8.2 M) and various other works totalling $2.1 M.

Prepaid expenses during the period increased by $0.9 M. This increase is due to a small variance in the periodic settlement of advances to suppliers.

Government Funding

The following table summarizes the public funding for the second quarter of the current fiscal year and that of the previous fiscal year:

(In thousands of dollars)	Second Quarter		Cumulative (6 Months)	
	2015-16	2014-15	2015-16	2014-15
Public funding for operating expenses	54,520	42,639	97,973	67,579
Public funding for tangible capital assets	20,355	18,590	31,036	46,207
TOTAL	**74,875**	**61,229**	**129,009**	**113,786**

Section 3.4 presents the results of the use of parliamentary appropriations.

3.1.2. Expenses

Maintenance

Maintenance charges during the second quarter represent 92.8% (89.3% in Q2 2014) of the total expenses for the quarter, amounting to $105.7 M ($69.1 M in Q2 2014).

For the six (6) months ended September 30, 2015, the maintenance charges are mainly distributed as follows:

- $6.6 M for Nuns' Island Bypass Bridge
- $1.7 M for the Honoré Mercier Bridge
- $59.3 M for the Champlain Bridge
- $17.6 M for the Jacques Cartier Bridge
- $7.2 M for the Bonaventure Expressway
- $1.3 M for Highway 15

- $1.7 M for the Melocheville Tunnel
- $3.9 M for the Ice Control Structure
- $5.1 M in salaries and employee benefits; or
- $1.3 M for various other projects and for equipment.

Operations

Operating expenses during the second quarter totalled $2.1 M ($2.1 M in Q2 2014). These figures represent 1.8% of the total expenses (2.7% in Q2 2014).

Administration

The administrative expenses for the first six (6) months total $6.3 M and represent a $0.6 M increase over Q2 of the previous fiscal year ($5.7 M in Q2 2014). During the quarter, administrative expenses represented 4.7% (5.6% in Q2 2014) of the total expenses. Cash Flow

Compared to March 31, 2015, the cash balance decreased by $12.4 M, to amount to $52.7 M.

3.2. Strategic Issues and Risks

As a parent Crown corporation, JCCBI must meet the requirements of and comply with the obligations set out in the various legislations applicable to all Crown corporations.

3.2.1. Bridge Safety

JCCBI's priority is to ensure, at all times, the safety of all its structures. JCCBI judiciously administers its programs for bridges in order to extend their useful life as much as possible.

The bridges are old and have been subjected to years of heavy traffic, climatic conditions and abundant use of road salt. In addition to rehabilitation work completed or underway, these structures will require major work over the next decade. Traffic congestion on all Montreal South Shore bridges has an impact on JCCBI's ability to carry out major work during regular working hours, which has a direct impact on the planning, execution and cost of work. Major rehabilitation work is planned or underway on all structures where signs of degradation increase safety risks. Long-term planning, as well as communication and sharing of information on the issues, are ongoing.

3.2.2. Sustainable Funding

In its decision making, JCCBI must constantly consider how best to use available resources in order to protect the property under its management and fulfill its mission to ensure safe passage on its structures.

In Budget 2014, the Government of Canada approved funding to JCCBI for the next five (5) years. JCCBI prioritizes work always bearing in mind, first, the safety of users and, second, the implementation of risk mitigation measures.

For the projects relating to the Bonaventure Expressway sector contaminated groundwater, JCCBI has received funding from Budget 2014 for the next five (5) years. JCCBI has also received funding from the Federal Contaminated Sites Action Plan (FCSAP), which was renewed in 2011 for a four-year period. This program was not structured to accommodate the needs of long-term projects, as the FCSAP only allows projects of a maximum duration of four (4) years. This poses a real challenge, as the projects concerning the contaminated groundwater require a long-term action plan. Despite the funding received for years 2014-2015 to 2018-2019, the need for long-term funding over a fifteen-year period is therefore imperative. This period corresponds to the scheduled operating term of the design-build-finance-maintain-operate contract for the West Sector.

3.2.3. Human Resources Management

Given the size and rapid growth of its major maintenance program budget, JCCBI added positions within certain departments in order to provide an increased capacity to achieve its strategic outcome. Furthermore, JCCBI has revised its business model in order to implement project-based management.

In order to overcome the expertise vulnerabilities caused by an actual or announced departure of a key resource of the organization, JCCBI has developed learning activities and performance support to capture and document the expertise.

JCCBI must also be sure to keep its employees' and managers' successors and continuous development plans up to date.

3.2.4. Information Technologies

In order to generate timely and reliable financial and management information, JCCBI's operations must be supported by tools which are effective and tailored to meet its realities. For these reasons, the implementation of an Enterprise Resource Planning (ERP) system is underway. The Finances and Procurement functions have been operational since July 2014. The geomatics system has been operational since the fall of 2014. JCCBI is currently in the process of completing the implementation of the integrated management information module for the main functions of project-based management.

With the help of specialized firms, JCCBI has targeted the most appropriate solutions to support its processes and ensure that all information technology components (technology infrastructures, systems and data) are implemented in order to ensure the achievement of its strategic outcome.

All previously mentioned risks or issues are interrelated. JCCBI assesses the risks related to the safety of the structures and to sustainable funding as very high. Therefore, in order to ensure the safety of the infrastructures, JCCBI must have sustainable funding available to enable it to develop a solid corporate structure supported by high-level human and information resources.

3.2.5. Environmental Obligations

JCCBI participates in the FCSAP, administered by Environment Canada, for the implementation of the mitigation measures required to contain and treat the contaminated groundwater on lands in the Bonaventure Expressway sector (East and West Sectors) in Montreal along the St. Lawrence River. JCCBI works in partnership with owners and stakeholders to study the groundwater contamination in that sector and implement mitigation plans. The Environmental Plan for the East and West Sectors is prepared with these partners:

- For the West Sector, it is a joint project with the Quebec government (*ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques* (MDDELCC)).

- For the East Sector, JCCBI coordinates its efforts with the MDDELCC and the City of Montreal.

3.2.6. Major Projects

JCCBI is currently carrying out major work on the bridges and related structures under its responsibility. Below is a description of the main achievements in Q2:

The Jacques Cartier Bridge

The bridge, now 85 years old, is in relatively good condition. Several components, including the piers and the steel structure, will, however, require repairs in the next few years. Some bearings must be replaced, a portion of the pavement must be resurfaced, and painting work must be performed. A study on the bearing capacity of the structure confirms the existence of other risks related to the structural capacity of the bridge, which requires steel reinforcement.

Work, in the order of $11.8 M, has been carried out in the last quarter, particularly to rehabilitate the piers and reinforce the steel. In addition, during the second quarter, a new project to illuminate the bridge was launched in collaboration with the Society for the Celebration of Montréal's 375th Anniversary.

The Honoré Mercier Bridge

A major deck rehabilitation and replacement project is underway on the federal portion of the bridge. The work is carried out by a Mohawk contractor and by Mohawk workers from the Reserve of Kahnawake. In addition to the deck replacement, major maintenance work on the steel structure is currently underway in the Maline island section. This work will have to be pursued on other components of the bridge, notably on piers and on the steel structure, in order to maintain the structure in an acceptable condition.

During the second quarter, work related to the deck replacement, in the order of $9.6 M, was carried out, particularly to finalize the platforms and strengthen the steel structure. During the second quarter, the concrete deck in the Seaway section was completely replaced. The steelwork will continue in the next quarter.

The Champlain Bridge

The Champlain Bridge is aging prematurely. JCCBI is considering various risk mitigation strategies for the existing bridge. In order to establish an overall maintenance strategy of the bridge until decommissioning thereof, JCCBI, on a continuous basis, carries out inspections and performs real-time monitoring of critical components and analyses of the entire structure's bearing capacity. This strategy must ensure that the crossing between the South Shore and the Island of Montreal remains safe until the new bridge is in operation. Major repairs to the structure on components such as the girders, slab, pier caps, pier shafts and pier footings are being carried out as part of a ten-year overall strategy. In addition, repairs to the main span structure steel components and other major repairs, such as the replacement of the expansion joints, must be carried out on an ongoing basis.

In 2015-2016, the ten-year major bridge repair program enters its seventh year, and, not surprisingly, signs of deterioration continue to appear, as the deterioration of an end-of-life structure tends to follow an exponential curve. The replacement of the bridge by the end of 2018 requires that the maintenance program continue until the replacement is completed, given the increase in the risks to mitigate, which increase is related to that of the corrosion of the pre-stressing cables inside the pre-stressed concrete girders.

This aging structure requires a detailed inspection program whose frequency is much more important than for the other structures. In addition, as part of the risk mitigation strategy, sophisticated measuring instruments and analysis tools are in place to monitor, in real time, the behaviour of certain major components of the bridge. Over 300 high-precision sensors were installed to monitor, in real time, the deformations of certain girders. In August 2015, JCCBI has acquired a software specially designed for the automation of the monitoring data acquisition. Furthermore, load tests are conducted on a monthly basis in order to detect variations in the behaviour of girders.

In order to more effectively manage all activities related to the Champlain Bridge, the Champlain Bridge Project Office was set up in early 2015. The main objective is to regroup all activities related to the maintenance of the Champlain Bridge: the engineering, inspection, monitoring of the structural behaviour and management of the construction contracts. The Champlain Bridge Project Office regroups:

- JCCBI's resources in charge of the overall contract management
- The structural consultants in charge of the structural integrity of the bridge: Buckland & Taylor Ltd. and Stantec Inc.
- A consortium in charge of supervising the construction work or
- A consortium in charge of the bridge inspection.

The engineering firm Buckland & Taylor Ltd., expert in bridge design, has, in 2013, conducted an assessment study of the structural condition of the bridge. The report of this assessment has identified that the work planned in the Corporation's Ten-Year Plan must be significantly accelerated in order to mitigate the risk associated with the uncertainty about the condition of the bridge edge girders. The firm has identified that additional investments in the order of $389 M will be required during the period extending from 2014-2015 to 2017-2018 in order maintain the structure in an acceptable condition.

As partner of the Champlain Bridge Project Office, the firm Buckland & Taylor Ltd. works, on a continuous basis, at reviewing the analyses of the bearing capacity in light of the information from the most recent inspections, all in order to prioritize the future interventions.

The work of contracts underway will, among other things, allow the strengthening of all 100 edge girders of the bridge by means of various strengthening systems. In the second quarter, work related to the strengthening of the bridge, in the order of $28 M, was performed. As part of the risk mitigation strategy, JCCBI will, by the end of 2015, complete the strengthening of the 38 edge girders considered most at risk.

In October 2011, the federal government announced the New Bridge for the St. Lawrence Corridor Project and entrusted it to Infrastructure Canada. On December 1, 2013, the federal government announced that the new bridge would be in place in 2018

An important coordination between the responsible authorities is required to ensure the safety and flow of traffic at all times. Moreover, this coordination will be crucial for the mobilization areas and to access the Ice Control Structure. An important contract is currently being carried out by JCCBI on the Champlain Bridge Ice Control Structure for the strengthening of the deck and the construction of a dedicated bike path.

The Bonaventure Expressway

The Bonaventure Expressway, built during the 60s, is undergoing a major rehabilitation program for the complete replacement of all deck sections of the elevated lanes. The work also includes the repair of the piers, pier caps, girders, bearings and pavement. This program, which began during fiscal year 2009-2010, must be completed in 2015-2016. The value of work performed in the last quarter amounts to $8.8 M.

The Melocheville Tunnel

In the second quarter of 2015-2016, work to secure rock walls and rehabilitate mechanical and electrical equipment was carried out. This work amounts to $1.7 M. For this quarter, the efforts were concentrated on the design and issuance of the drawings and specifications for the signage, intelligent transportation system, remote monitoring and major concrete rehabilitation. This construction work has begun in the second quarter and will continue more intensively in the third quarter.

3.3. Report on the Use of Appropriations

According to planning, appropriations available for the current fiscal year are $426.8 M.

In thousands of dollars	As at the September 30, 2015 Quarter			As at the September 30, 2014 Quarter		
	Operations	Capital	Total	Operations	Capital	Total
▪Main Estimates	270,992	155,808	426,800	248,960	150,860	399,820
Available Funding	**270,992**	**155,808**	**426,800**	**248,960**	**150,860**	**399,820**
▪Parliamentary Appropriations (1)						
— Used	97,973	31,036	129,009	67,579	46,207	113,786
— Required	173,019	124,772	297,791	181,381	104,653	286,034
Total Parliamentary Appropriations	**270,992**	**155,808**	**426,800**	**248,960**	**150,860**	**399,820**

(1) Generally, JCCBI receives its funding only once the expenses have been incurred.

SECTION 4

JCCBI'S UNAUDITED INTERIM FINANCIAL STATEMENTS

4. JCCBI's Unaudited Interim Financial Statements

For the six (6) months ended September 30, 2015, JCCBI's unaudited Interim Financial Statements have been prepared by management, reviewed by the Audit Committee, and approved by JCCBI's Board of Directors. JCCBI's external auditors have not audited or reviewed these unaudited Interim Financial Statements.

4.1. Management's Responsibility for Financial Information

Management of the Corporation is responsible for preparing the unaudited Interim Financial Statements, in accordance with the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat. This responsibility requires the selection of appropriate accounting principles and the ability to exercise judgment in establishing reasonable estimates.

Management maintains appropriate financial systems and internal controls. These systems and practices are designed to provide reasonable assurance as to the reliability of financial information and to ensure that (a) the Corporation's assets are adequately safeguarded; (b) its resources are managed economically and efficiently; and (c) its transactions are conducted efficiently. These systems and practices are also designed to provide reasonable assurance that the Corporation's transactions are duly authorized and conducted in accordance with Part X of the FAA and regulations, the *Canada Business Corporations Act*, *The Jacques Cartier and Champlain Bridges Inc. Regulations*, the *Canada Marine Act*, as well as the Corporation's articles and by laws.

The Board of Directors is made up of Directors and of the Chief Executive Officer of the Corporation. Through the Audit Committee, the Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal controls. The Financial Statements are reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

Glen P. Carlin, Eng.
Chief Executive Officer

Claude Lachance, CPA, CMA, MBA, ASC
Senior Director, Administration

December 3, 2015

4.2. Statement of Financial Position as at September 30, 2015

(Unaudited – In Canadian dollars)

	September 30, 2015	March 31, 2015
Financial Assets		
Cash Flow	*52,718,990*	*65,137,984*
Accounts Receivable		
Due from the Government of Canada	*39,998,481*	*14,301,889*
Other	*11,923,571*	*9,910,866*
Total Financial Assets	*104,641,042*	*89,350,739*
Liabilities		
Accounts Payable and Accrued Liabilities	*90,588,873*	*75,052,145*
Employee Future Benefits	*1,261,299*	*1,421,784*
Contractual Holdbacks (Note 4.6.5)	*12,004,150*	*11,282,744*
Deferred Revenue	*112,488*	*281,893*
Environmental Obligations (Note 4.6.6)	*30,900,000*	*31,100,000*
Total Liabilities	*134,866,810*	*119,138,566*
Net Debt	*(30,225,768)*	*(29,787,827)*
Non-Financial Assets		
Tangible Capital Assets (Note 4.6.7)	*490,396,209*	*474,350,477*
Prepaid Expenses	*1,738,599*	*851,133*
Total Non-Financial Assets	*492,134,808*	*475,201,610*
Accumulated Surplus	*461,909,040*	*445,413,783*

The accompanying notes form an integral part of the unaudited Interim Financial Statements.

Approved by the Board of Directors:

Director

Director

Mis en forme : Police :

4.3. Statement of Operations for the Six Months Ended September 30, 2015

(Unaudited – In Canadian dollars)

	Twelve Months Ended	Six Months Ended			
	March 31, 2016	**September 30, 2015**		**September 30, 2014**	
	Budget	**Actual Quarter**	**Actual Cumulative**	**Actual Quarter**	**Actual Cumulative**
	$	**$**	**$**	**$**	**$**
Revenue					
Leases and Permits	2,559,000	201,546	882,380	951,468	1,896,242
Interest	200,000	181,646	456,761	150,813	206,618
Other Sources		3,261	8,730	863	13,365
Total Revenue	2,759,000	386,453	1,347,871	1,103,144	2,116,225
Expenses (Note 4.6.10)					
Maintenance	290,694,000	57,718,733	105,668,656	43,569,105	69,111,200
Operations	4,354,000	1,032,603	2,094,928	1,084,362	2,128,819
Administration	14,711,000	2,910,212	6,298,102	2,626,752	5,702,492
Environmental Obligations	(6,095,000)	(200,000)	(200,000)	(229,666)	442,762
Total Expenses	303,664,000	61,461,548	113,861,686	47,050,553	77,385,273
Deficit before Government of Canada Funding	(300,905,000)	(61,075,095)	(112,513,815)	(45,947,409)	(75,269,048)
Portion of Transfer Payments for Operating Expenses	270,992,000	54,519,649	97,973,216	42,638,779	67,578,707
Portion of Transfer Payments For Tangible Capital Assets	155,808,000	20,354,650	31,035,856	18,590,019	46,206,556
Annual Operating Surplus	125,895,000	13,799,204	16,495,257	15,281,389	38,516,215
Accumulated Operating Surplus, Beginning of the Year	434,961,000		445,413,783		348,548,752
Accumulated Operating Surplus, End of the Year	560,856,000		461,909,040		387,064,967

The accompanying notes form an integral part of the unaudited Interim Financial Statements.

4.4. Statement of Change in Net Debt for the Six Months Ended September 30, 2015

	Twelve Months Ended	Six Months Ended			
	March 31, 2016	September 30, 2015		September 30, 2014	
	Budget	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	$		$		$
Annual Operating Surplus	125,895,000	13,799,204	16,495,257	15,281,389	38,516,215
Acquisition of Tangible Capital Assets	(155,809,000)	(20,354,650)	(31,035,856)	(18,590,019)	(46,206,556)
Amortization of Tangible Capital Assets	35,863,000	7,495,035	14,990,124	3,530,708	7,251,342
Total Variation due to Total Tangible Capital Assets	(119,946,000)	(12,859,615)	(16,045,732)	(15,059,311)	(38,955,214)
Acquisition of Prepaid Expenses	-	(1,109,470)	(1,607,549)	(355,961)	(2,703,472)
Acquisition of Prepaid Expenses	-	435,209	720,083	375,855	789,620
Total Variation due to Prepaid Expenses	-	(674,261)	(887,466)	19,894	(1,913,852)
Decrease (Increase) of Net Debt	5,949,000	265,328	(437,941)	241,972	(2,352,851)
Net Debt, Beginning of the Year	(34,600,000)		(29,787,827)		(34,460,059)
Net Debt, End of the Year	(28,651,000)		(30,225,768)		(36,812,910)

The accompanying notes form an integral part of the unaudited Interim Financial Statements.

4.5. Statement of Cash Flow for the Six Months Ended September 30, 2015

	Six Months Ended **September 30, 2015**		Six Months Ended **September 30, 2014**	
	Actual Quarter	**Actual Cumulative**	**Actual Quarter**	**Actual Cumulative**
	$	**$**	**$**	**$**
Operating Transactions				
Annual Operating Surplus	13,799,204	16,495,257	15,281,389	38,516,215
Items not Affecting Cash				
Amortization of Tangible Capital Assets (Note 4.6.7)	7,495,035	14,990,124	3,530,707	7,251,342
Increase (Decrease) in Employee Future Benefits	266,513	(160,485)	(122,869)	34,949
Increase (Decrease) in Environmental Obligations	(200,000)	(200,000)	(200,000)	439,000
Changes in Non-Cash Working Capital Items				
(Increase) Decrease in Accounts Receivable	(25,351,602)	(27,709,297)	31,164,473	3,709,853
Increase in Accounts Payable and Accrued Liabilities	1,372,324	15,536,728	11,236,416	30,864,720
Increase in Employee Future Benefits		-	-	-
(Decrease) Increase in Contractual Holdbacks	873,673	721,406	37,317	(1,607,364)
(Decrease) Increase in Deferred Revenue	(129,769)	(169,405)	(145,234)	(170,137)
(Increase) in Prepaid Expenses	(674,262)	(887,466)	19,894	(1,913,852)
Cash Flow provided by Operating Transactions	**(2,548,884)**	18,616,862	60,802,093	77,124,726
Tangible Capital Investment Activities				
Acquisition of Tangible Capital Assets (Note 4.6.7)	**(20,354,650)**	(31,035,856)	(18,590,019)	(46,206,556)
Cash Flow used in Tangible Capital Investment Activities	**(20,354,650)**	(31,035,856)	(18,590,019)	(46,206,556)
(Decrease) Increase in Cash	**(22,903,534)**	(12,418,994)	42,212,074	30,918,170
Cash, Beginning of the Year		65,137,984		14,273,960
Cash, End of the Year		52,718,990		45,192,130

The accompanying notes form an integral part of the unaudited Interim Financial Statements.

4.6. Notes to Unaudited Interim Financial Statements

4.6.1. Authority and Activities

The Corporation was incorporated on November 3, 1978, under the *Canada Business Corporations Act* as a wholly owned subsidiary of the SLSA. On October 1, 1998, it became a wholly owned subsidiary of FBCL. On February 13, 2014, pursuant to an Order in Council from the Governor in Council, FBCL transferred all its shares in the corporation The Jacques Cartier and Champlain Bridges Incorporated to the Minister of Infrastructure, Communities and Intergovernmental Affairs on behalf of Her Majesty in right of Canada. Since that transfer, the Corporation is a parent Crown corporation listed under Part I of Schedule III of the FAA.

Since December 1, 1978, the Corporation has been responsible for the management, maintenance and control of the Jacques Cartier and Champlain Bridges and of a portion of the Bonaventure Expressway. On October 1, 1998, in accordance with a directive issued by the Minister of Transport under the *Canada Marine Act*, the Corporation became responsible for managing the federal portion of the Honoré Mercier Bridge and the Melocheville Tunnel. The management of the Champlain Bridge Ice Control Structure was transferred to the Corporation from the Minister of Transport on December 2, 1999.

The Corporation is not subject to income tax under the provisions of the *Income Tax Act*.

The Corporation is dependent on the Government of Canada for its funding.

4.6.2. Significant Accounting Policies

These Financial Statements have been prepared by management according to the CPSAS.

The main accounting policies followed by the Corporation are the following:

Government Transfers

Government transfer payments are recognized as revenue when the transfer is authorized and eligibility criteria are met, except to the extent that the stipulations give rise to an obligation that meets the definition of a liability. The transfers are recognized as deferred revenue when stipulations lead to the creation of a liability. The revenue is recognized in the Statement of Operations as the stipulations are met. Any portion of government transfers to which the Corporation is entitled to, but has not yet received, is recognized under "Due from the Government of Canada".

Tangible Capital Assets

Tangible capital assets are recognized at cost. Replacements and major improvements that extend the service life of existing assets are capitalized. Repair and maintenance costs are charged to operations when they are incurred. Costs that increase their service capacity, safety or effectiveness are capitalized.

Amounts related to projects in progress are transferred to the appropriate tangible capital assets category when the project is completed and are amortized in accordance with the Corporation's policy.

Capital assets received as contributions from departments, agencies and Crown corporations within the jurisdiction of the Government of Canada are recognized at their fair market value at the date of transfer.

Tangible capital assets are amortized based on the estimated useful life of the components, on a straight-line basis, over the following periods

- Bridges and roads: from 5 to 48 years;
- Vehicles and equipment: from 3 to 10 years.

When the conditions indicate that a tangible capital asset no longer contributes to the ability of the Corporation to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net carrying value, the cost of the tangible capital asset is reduced to reflect the impairment. Net write-downs on tangible capital assets are recorded as expenses in the Statement of Operations.

Revenue Recognition

Revenue from leases and permits, interest and other sources are recognized in the fiscal year in which they are earned. Revenue from leases and permits collected in advance are recorded as "Deferred Revenue" in the Statement of Financial Position.

Employee Future Benefits

Pension Plan

All employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"). It is a contributory defined benefit plan established by law and sponsored by the Government of Canada. The employees and the Corporation must contribute to the Plan to cover the cost of services rendered during the fiscal year. Under current legislation, the Corporation has no legal or constructive obligation to pay additional contributions to cover past services or to fund deficiencies of the Plan. Consequently, contributions are charged to expenses in the fiscal year during which the employees render the services and they represent the total pension obligation of the Corporation. The Corporation is not required by law to make up the actuarial deficiencies of the Plan.

Post-Employment Benefits and Compensated Absences

Employees are entitled to days of sick leave and compensation for work injuries, as provided for under their conditions of employment. Employees of the Corporation are subject to the *Government Employees Compensation Act*. Every year, managers and non-unionized employees are paid the unused portion of their days of sick leave. These annual payments are recognized directly in current costs for the fiscal year. Unionized employees accumulate the unused days of sick leave, which are redeemable at the end of their employment with the Corporation. The Corporation recognizes the cost of employee future benefits for sick leave as they are earned by the employees. Moreover, the Corporation recognizes the cost of compensation for work injuries payable at the time the event obligating the Corporation occurs. The liability that these benefits represent is determined based on management's best assumptions in terms of salary increases, age of employees, years of service and probability of employees leaving. These assumptions are reviewed annually. Post-employment benefits and compensated absences are recognized at present value.

Environmental Obligations

Whenever the Corporation accepts responsibility for sites where contamination exceeds environmental standards, that it plans to abandon future economic benefits to that effect and when the amount involved can be reasonably estimated, an obligation for the clean-up of the contaminated sites is recognized as a liability in the Statement of Financial Position. The estimated future costs are recognized as liability and are based on the present value of the estimated cash flows of costs that are most likely to be incurred. If it proves impossible to make a reasonable estimate of the amount, the situation will be disclosed through a note to the Financial Statements. Other expenses related to environmental measures are recognized as expenditures as they are incurred.

Financial Instruments

The Corporation identifies, assesses, and manages the financial risks in order to minimize the impact thereof on its results and financial position. The Corporation does not engage in speculative transactions nor does it use derivatives.

The recording of financial instruments depends on their classification as presented in the following table:

CATEGORIES	FINANCIAL INSTRUMENTS	MEASUREMENT
Financial Assets	Cash Accounts Receivable	Cost or Amortized Cost
Financial Liabilities	Accounts Receivable and Accrued Liabilities Contractual Holdbacks	Cost or Amortized Cost

Contingencies

Contingent liabilities are potential liabilities which could become actual liabilities if one or more future events occur. If it is likely that an event could occur, and a reasonable estimate of the liability can be made, a provision is recognized and an expense is recorded. If the likelihood of the event cannot be determined or if the amount involved cannot be reasonably estimated, a contingency is disclosed in the notes to the Financial Statements.

Measurement Uncertainty

In preparing the Financial Statements in accordance with the CPSAS, management must use estimates and assumptions that impact the reported amounts of assets and liabilities and the presentation of assets and contingent liabilities at the date of the Financial Statements, as well as the amounts of the revenue and expenses recorded during the period covered by the Financial Statements. Actual results could differ significantly from those estimates.

The most significant estimates used in the preparation of these Financial Statements relate, in particular, to the useful life of tangible capital assets, accrued liabilities for major rehabilitation work and claims received from suppliers, liability for employee future benefits, expected costs for liabilities arising from environmental obligations as well as contingencies.

Budgetary Data

Budgetary data included in the Financial Statements were provided for comparison and were approved by the Board of Directors.

4.6.3. Adoption of New Accounting Standards

In March 2015, the Public Sector Accounting Board (PSAB) released the final version of standard PS2200. Standard PS2200 defines what constitutes a related party and establishes the information to be provided in relation to related party transactions.

Standard PS2200 applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted. The Corporation does not intend to early adopt Standard SP2200. The impacts of this adoption have not yet been determined.

4.6.4. Contingent Liabilities Related to Tangible Capital Assets

a) The Corporation was granted a permit to install, maintain and use a cable for closed circuit television signals on lands that it does not own. This permit, whose term is listed as "during pleasure", contains a termination clause under which either the owner or the Corporation may, by written notification to the other, terminate the permit at any time. The permit provides that, upon cancellation, the Corporation must, at its own expense, immediately remove its facilities from the lands and properties of the owner, failing which the owner may, at its option, either remove the facilities and return the property to a good condition at the Corporation's expense, or keep the facilities with no compensation to the Corporation. As of September 30, 2015, neither the owner of the lands nor the Corporation has indicated their intention to terminate the permit. As the date of eventual termination of the permit cannot be determined, no contingent liability related to this capital asset has been recognized for the current fiscal year.

b) The Corporation holds structures erected on land it does not own, but whose owner has transferred the management and administration thereof to the Government of Canada. The legal transfer documents provide that, in the event of a change in the use of these structures in relation to the use that was made thereof at the time of the transfer, the owner will regain control of this land, without any indemnity for the structures erected, provided they are in satisfactory condition, at the convenience of the owner. At present, the Corporation has no intention of changing the current use of these structures. Therefore, no liability related to these capital assets has been recognized in the Financial Statements.

4.6.5. Contractual Holdbacks

Contractual holdbacks (including performance holdbacks and warranty holdbacks) represent the total amount that the Corporation temporarily retains on amounts due to contractors during the performance of the work, to guarantee that the latter fulfill their obligations pertaining to the warranties of rectification and correction of defects and poor workmanship in the work performed. The warranty periods applicable to each contract begin following the issuance of the Interim Certificate of Completion for the work concerned. The Corporation then pays the 5% contractual holdback (designated as “performance holdback”) and retains a new amount equal to 2.5% as contractual holdback (designated as “warranty holdback”). The contracts provide that the Corporation will pay the second portion of 2.5% of the performance holdback less, where applicable, any amount owed by the contractor under the terms of the contract once the warranty period has expired.

4.6.6. Environmental Obligations

In the past, the Corporation compiled an inventory of all its properties in order to classify their environmental condition for the purposes of prioritizing interventions. The Corporation counts a number of properties whose soils are contaminated beyond the acceptable criteria. The properties concerned are located under the Jacques Cartier Bridge and along the Bonaventure Expressway. With respect to the lands under the Jacques Cartier Bridge, water and/or soil contaminations were identified in the course of this classification exercise, but additional environmental monitoring work and analyses are required in order to determine whether the water table may be affected and whether a decontamination exercise would be required. Work to that effect will be undertaken during fiscal year 2015-2016. Currently, as the level of contamination, impact and actions to be taken cannot be determined, no environmental liability has been recognized.

As of September 30, 2015, the priority environmental issue for the Corporation remains that of the lands located in the Bonaventure Expressway Sector in Montreal. These lands, managed by the Corporation since 1978, are located on a portion of and close to a former landfill site operated by the City of Montreal between 1866 and 1966. This former landfill site covers several lands belonging to different owners. Since 2003, the Corporation has conducted studies and toxicity tests on the land groundwater in this location. The tests revealed levels of toxicity in the groundwater that violate the *Fisheries Act*. Given the complexity of the issue, the involvement of numerous owners and the significant costs involved, the federal government is seeking an integrated solution to the environmental issues at that site. That site may be divided in two sectors, namely the East Sector and the West Sector.

a) East Sector

The estimate of this liability is based on a preliminary study conducted by an external firm. The Corporation periodically revises certain assumptions as well as this study, on the basis of new aggregated data:

- The project will begin in 2016 with the construction of a confinement barrier;
- The installation of the pumping and treatment system is expected to begin in 2016;
- Decontamination operations are expected to begin in 2017 and extend over an estimated 15-year period. The duration of the project will extend beyond 15 years, but it is impossible to determine the costs beyond 15 years;
- For the East Sector, the portion of the costs attributable to the Corporation is estimated at one-third of the total costs to be incurred;
- There is no residual value to the project.

b) West Sector

The Corporation has awarded a contract for the construction of a hydraulic barrier and of a treatment plant. The assessment of the obligation related to the West Sector is therefore based on the financial terms thereof:

- The project will begin in 2016 with the construction of a hydraulic barrier and of the treatment plant;
- Confinement operations are expected to begin in 2017 and extend over an estimated 15 year period. The duration of the project will extend beyond 15 years, but it is impossible to determine the costs beyond 15 years;
- For the West Sector, the portion of the costs attributable to the Corporation is 50% of the total costs to be incurred;
- There is no residual value to the project.

The Corporation will manage that project.

Main Assumptions As at September 30, 2015 (March 31, 2015)		East Sector	West Sector
Discount rate (note1)**:**			
i) Fiscal years 2016 and 2017	March 31, 2015	0.50%	0.50%
	September 30, 2015	0.55%	0.55%
ii) Long-term	March 31, 2015	1.99%	1.99%
	September 30, 2015	2.33%	2.33%
Inflation rate – NRBCPI (note 2)**:** Non-residential buildings	March 31, 2015	3.21%	3.21%
	September 30, 2015	3.23%	3.23%
Accuracy factor		+/-30%	-
Undiscounted range to which the inflation rate was applied:			
As at March 31, 2015	Minimum	$23,300,000	$12,100,000
	Maximum	$43,200,000	$12,100,000
As at September 30, 2015	Minimum	$23,300,000	$12,100,000
	Maximum	$43,300,000	$12,100,000
Discounted range to which the inflation rate was applied:			
As at March 31, 2015	Minimum	$20,600,000	$10,500,000
	Maximum	$38,300,000	$10,500,000
As at September 30, 2015	Minimum	$20,300,000	$10,600,000
	Maximum	$37,700,000	$10,600,000
Provision for the Environmental Liability		$20,300,000	$10,600,000

For 2015, as the obligation relating to the West Sector is based on the financial terms contained in the contract awarded, there is no range to consider. For the East Sector, the Corporation considers it reasonable to set its assessment of the obligation at the lower range of the total estimated discounted costs.

As of September 30, 2015, the Corporation therefore estimates the environmental obligation at $30,900,000 ($31,100,000 as at March 31, 2015) for the East and West Sectors. This amount was recorded as "Environmental Obligations" in the Statement of Financial Position as at September 30, 2015.

Note 1: Long-Term Government of Canada Bonds

Note 2: Non-Residential Building Construction Price Index

4.6.7. Tangible Capital Assets

(Unaudited – In Canadian dollars)

	Lands	Bridges and Roads	Vehicles and Equipment	Projects in Progress	Total
	$	$	$	$	$
Cost					
April 1, 2014	6,890,863	424,964,116	4,332,604	117,335,658	553,523,241
Acquisitions	-	47,953,797	139,280	66,877,063	114,970,140
Disposals	-	-		-	-
Transfers	-	71,525,622	-	(71,525,622)	-
March 31, 2015	6,890,863	544,443,535	4,471,884	112,687,099	668,493,381
Acquisitions	-	3,133,962	83,569	27,818,325	31,035,856
Disposals	-	-		-	-
Transfers	-	4,129,605	-	(4,129,605)	-
September 30, 2015	**6,890,863**	**551,707,102**	**4,555,453**	**136,375,819**	**699,529,237**
Accumulated Amortization					
April 1, 2014	-	168,647,542	2,654,873	-	171,302,415
Amortization	-	22,153,907	686,582	-	22,840,489
Disposals	-	-		-	-
Write-downs	-	-	-	-	-
March 31, 2015	-	190,801,449	3,341,455	-	194,142,904
Amortization	-	14,668,901	321,224	-	14,990,124
Disposals	-	-		-	-
Write-downs	-	-	-	-	-
September 30, 2015	**-**	**205,470,349**	**3,662,679**	**-**	**209,133,028**
Net Book Value					
March 31, 2015	6,890,863	353,642,086	1,130,429	112,687,099	474,350,477
September 30, 2015	**6,890,863**	**346,236,753**	**892,774**	**136,375,819**	**490,396,209**

4.6.8. Share Capital

The authorized share capital is 50 shares without par value and the Corporation has issued and fully paid one (1) share in the amount of $100.

4.6.9. Contingencies

In the normal course of its operations, the Corporation is subject to claims or lawsuits, the outcome of which cannot be predicted with certainty. Management has made, in the affected accounts, provisions which it deems sufficient, and believes that the resolution of such contingencies should not have any material adverse effect on the Corporation's financial position.

In a project for work that the Corporation had carried out on its behalf and that of a partner and for which expenses are shared with said partner, the Corporation filed a claim against its partner on November 23, 2012, for additional costs incurred or to be incurred by the Corporation and resulting from said partner's decisions. At present, management considers it impossible to estimate the financial impact of this claim.

4.6.10. Expenses by Type

	September 30	
	2015	**2014**
	$	**$**
Regular and Major Maintenance	**82,865,423**	59,236,986
Environmental Obligations	**(200,000)**	442,762
Amortization of Tangible Capital Assets	**14,990,121**	7,251,341
Salaries and Employee Benefits	**8,036,578**	6,179,466
Professional Services	**4,307,597**	2,359,323
Goods and Services	**3,861,967**	1,915,395
Total Expenses	**113,861,686**	77,385,273