Ponts
JACQUES CARTIER +
CHAMPLAIN
Bridges

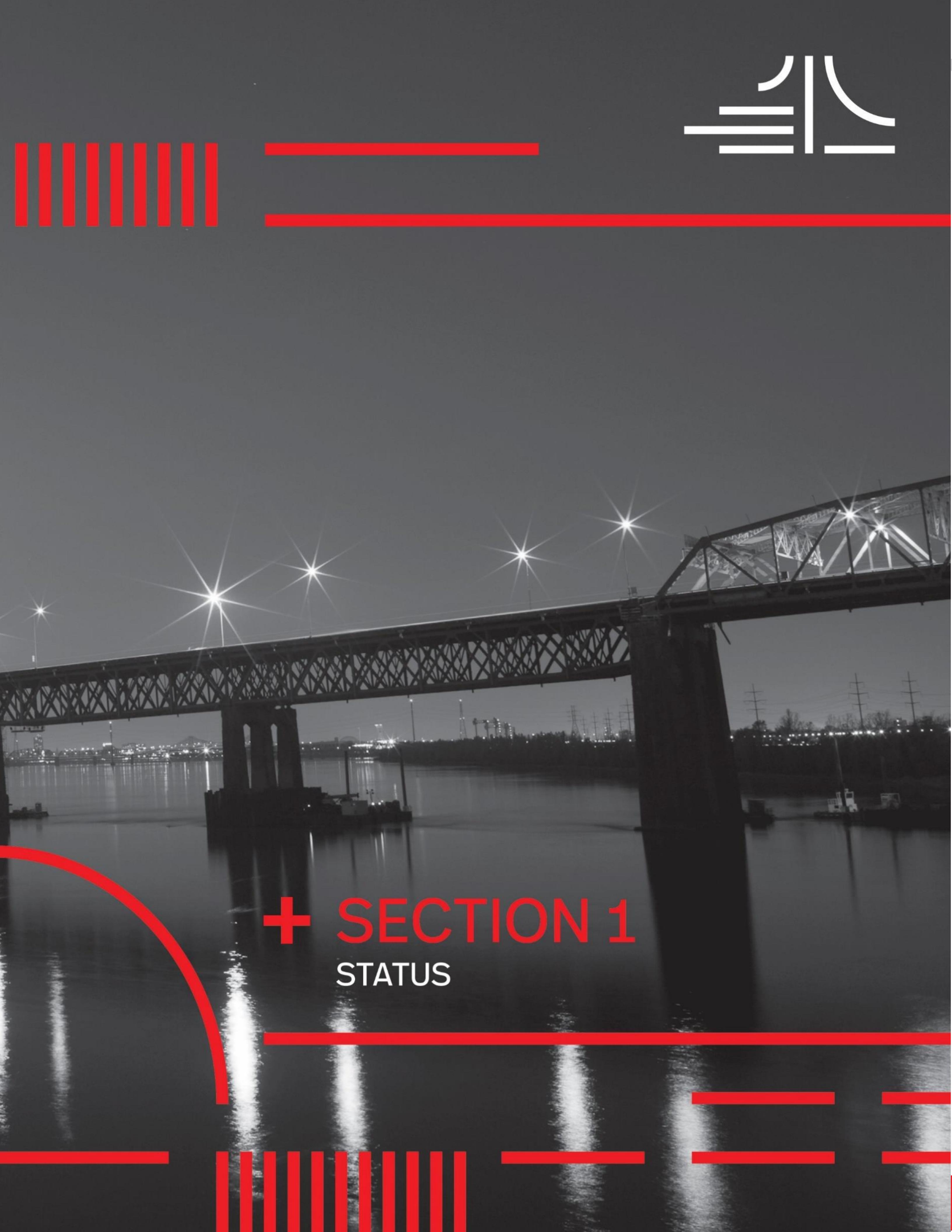
Canada

QUARTERLY FINANCIAL REPORT

2nd QUARTER (Q2)

For six months ended September 30, 2017

TABLE OF CONTENTS



SECTION 1

STATUS

1. STATUS

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 agent Crown Corporation listed under Part I of Schedule III of the Financial Administration Act (FAA).

On February 13, 2014, JCCBI became a parent Crown Corporation listed under Part I of Schedule III of the FAA. As a Crown Corporation, JCCBI is subject to Part X of the FAA.

Furthermore, JCCBI is an agent Crown Corporation of Her Majesty under The Jacques Cartier and Champlain Bridges Inc. Regulations (SOR/98-568).

1.1 MANDATE

JCCBI manages all bridges and tunnels under federal jurisdiction located in the Greater Montreal metropolitan Area, namely the Champlain Bridge, the Jacques Cartier Bridge, Nuns' Island bypass bridge, the federal portion of the Honoré Mercier Bridge as well as their approaches, the Melocheville Tunnel and two related infrastructures, namely the federal portion of the Bonaventure Expressway and the Champlain Bridge Ice Control Structure.

For each of these infrastructures, JCCBI assumes responsibility for:

+ operations;
+ inspections;
+ maintenance;
+ repairs and/or rehabilitation;
+ safety;
+ coordination with municipal and provincial stakeholders;
+ Management of contaminated sites.

1.2 MISSION, VISION AND VALUES

Our mission

Use systemic management and a sustainable development approach to ensure the safety and longevity of the major infrastructure under its responsibility.

Our vision

Become a leader in major infrastructure management as an innovative expert, a mobility leader and a social and urban contributor.

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 main activities are divided into two (2) specific areas, namely the operations and the administrative departments. The operations include planning, engineering, environment, the Champlain Project Office, construction, and operations and maintenance. These groups are supported by a project management expert and by an occupational health and safety advisor. The Champlain Project Office is responsible for carrying out the major maintenance program for the existing Champlain Bridge, and provides INFC with support as part of the NCBC project. Administrative departments such as Legal Affairs, Procurement, Finance, Information Technology, Human Resources and Communications support these sectors.

The Planning, Environment, Engineering and Construction departments plan and manage the activities pertaining to asset management and major construction, rehabilitation and repair projects related to the components of civil and road engineering structures, such as piers, girders, decks, steel structures, tunnel, foundations, paving and painting as well as the mechanical and electrical components associated with these structures.

The Operations and Maintenance department oversees and manages contracts for snow removal and spreading of abrasives, road cleaning and maintenance, landscaping, replacement of guardrails, sealing cracks and lubricating bearings, repairing potholes in the pavement and bridge decks, as well as maintenance and operations of lane control signal systems and surveillance cameras, electrical distribution and road lighting.

The specialized professionals on JCCBI's team have extensive know-how and experience in bridge and highway infrastructure management as well as in engineering. The strong partnerships JCCBI has established over the years play a key role in the management of its infrastructures and in the 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 also contributes very minimally to its funding. JCCBI must optimize the maintenance and rehabilitation of ageing infrastructures in order to maximize their lifespan and safety.

1.4 CENTRE FOR INFRASTRUCTURE INNOVATION

Since its creation in August 2015, the Centre for Infrastructure Innovation (CII) has been working with JCCBI's various departments as well as in partnership with the academic research groups to develop tools that will enable JCCBI to develop and promote its expertise to ensure the sustainability of its structures.

As a matter of fact, the CII assists JCCBI develop and integrate innovative solutions in terms of innovative construction materials and techniques, building on strong expertise and comprehensive and sustainable strategies related to the management and maintenance of major infrastructures, with the objective to extend their useful life.

The Work

During the second quarter of the current fiscal year, CII's activities have continued to progress. The CII's projects currently under way are divided into two parts:

1. Research Projects

In collaboration with École Polytechnique de Montréal and McGill University, three projects are under way on innovative ultra-high-performance concrete (UHPC) and composite (FRP) material bonding, to sustainably reinforce and rehabilitate bridge piers, girders and slabs. In collaboration with École Polytechnique de Montréal, a project to develop new techniques to reinforce bridge girders with UHPC as well as a preliminary analysis of the sensitive elements of the Jacques Cartier Bridge's main span are also under way.

In addition, in collaboration with Université de Laval, a research project on the environmental monitoring of the lighting of the Jacques Cartier Bridge is under way.

2. Technical Development Projects

The Jacques Cartier Bridge and Clement Bridge seismic performance evaluation studies and the earthquake-resistant retrofit preliminary design study have begun.

The contract for a wind tunnel study of the load capacity of the Jacques Cartier Bridge's main span is well underway.

Three internal studies are underway on the opportunities of service life extension, on the improvement of the structural protection systems and on alternatives to de-icing salts.

The CII has refined its orientations and gradually undertaken its operating plan so as to identify the needs to innovate JCCBI's various departments and develop a plan to promote its expertise.

SECTION 2

Q2 OF 2017-2018 IN REVIEW

2. Q2 OF 2017-2018 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. It provides an assessment of JCCBI's operations and financial position for the quarter ended September 30, 2017 (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 2016-2017.

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 instructed JCCBI, under section 89 of the FAA:

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 following table shows the travel, hospitality and conference expenses for the two quarters of fiscal year 2017-2018:

(In thousands of dollars)	3 months Quarter 1	6 months Ended September 30, 2017
Travel	12.5	19.9
Hospitality	3.4	6.5
Conferences	23.4	31.3
TOTAL	39.3	57.7

On October 1, 2016, Revenu Québec changed JCCBI's status with respect to the sales tax partial recovery. JCCBI was thus granted the status of “Not-Profit Organization” (“NPO”), which resulted in a reduction in the recovery rate of the GST paid by JCCBI from 100% (prior to October 1, 2016), to 50%. The treatment of the QST remains unchanged, the Corporation continues to claim a refund of 50% of the amounts paid.

2.1 SUMMARY

JCCBI declares a surplus of $28.3 M for the six (6) months ended September 30, 2017 ($29.3 M in 2016). The deficit before public funding was $68.5 M as at September 30, 2017 ($116.9 M in 2016).

For the current fiscal year, the combined total revenue was $0.6 M ($0.6 M in 2016). Revenue remained stable overall.

During this same period, the net debt decreased by $12.7 M for a total of $32 M. Financial assets decreased by $16.1 M. The change in the amounts received and those due from the federal government is mainly responsible for this change.

Capital asset acquisitions in the second quarter of the current fiscal year totalled $33.2 M ($39.8 M in 2017). They principally consist of expenses of $4.8 M for the Honoré Mercier Bridge, $24 M for the Jacques Cartier Bridge and $4.1 M for the Ice Control Structure.

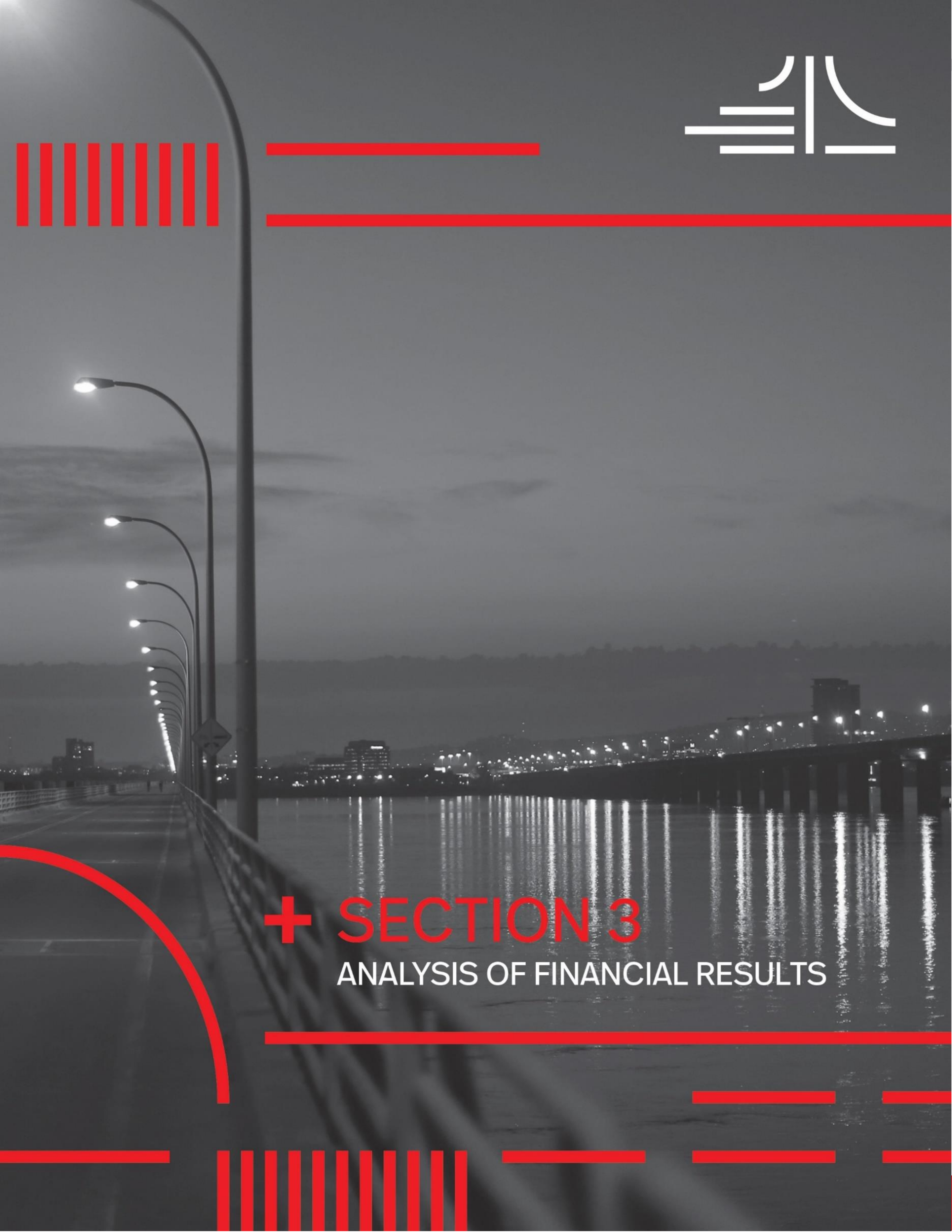
2.2 OUTLOOK

The expenses to maintain the bridges and related infrastructures remain high. Repairs to the Champlain Bridge continue to mobilize significant expenditures with a view to addressing the conclusions of the latest inspection reports and the monitoring results. Other government-funded projects are ongoing, including the rehabilitation currently underway at the Honoré Mercier Bridge, the Bonaventure Expressway, the Ice Control Structure and the Jacques Cartier Bridge.

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

1. In order to maintain the Jacques Cartier Bridge over the long term, JCCBI has developed a major rehabilitation plan to reinforce various components of the structure as well as its urban integration;
2. For the Champlain Bridge, the repairs planned in the Ten-Year Program will continue to be required. To date, all edge girders have been reinforced to mitigate the risks associated with their condition. With regard to the piers and joints, the work will continue until 2018-2019;
3. Work, both required and necessary to maintain the assets, is planned on the Bonaventure Expressway structures, the Honoré Mercier Bridge, the Melocheville Tunnel and the Champlain Bridge Ice Control Structure;
4. In collaboration with the City of Montreal, the reconstruction of the non-elevated lanes on a section of the boulevard is being planned;
5. Important environmental mitigation measures are required to contain and treat contaminated groundwater on lands managed by JCCBI in the Bonaventure Expressway sector (East and West Sectors). In the West Sector, the construction of the hydraulic barrier and the treatment plant has been completed. The running-in of this pumping and treatment system is under way and will be completed in the fall of 2017. The East Sector Project is in the construction phase and is scheduled to be completed in the spring of 2018.

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, 2017, the total financial assets decreased by $16.1 M, to amount to $85 M, compared to $101.1 M as at March 31, 2017. As in previous fiscal years, a determining factor in the variation in financial assets is the date on which the federal appropriations, which include the funding for the major capital projects and the operating expenses, are received.

JCCBI's net cash position has increased by $14.3 M during Q2, to amount to $54.7 M as at September 30, 2017 ($40.4 M as at March 31, 2017). This increase during the quarter is notably due to the collection of accounts receivable.

Liability

Accounts payable and accrued liabilities decreased by $10.1 M, from $79.2 M as at March 31, 2017 to $69.1 M as at September 30, 2017. This decrease is largely due to the variation of 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 decreased by $6 M, amounting to $13.1 M as at September 30, 2017 ($19.1 M as at March 31, 2017). These amounts will become payable when the work is completed, and the warranties have expired.

In the past quarter, JCCBI reviewed the assumptions underlying environmental obligations. A $0.4 M increase in liability related to the review of assumptions was recognized. In addition, the work planned in the West and East Sectors of the Bonaventure Expressway has generated expenditures in the order of $12.2 M, reducing the environmental liability by the same amount. As a result of these charges and reviews, the environmental obligations decreased by $12.6 M amounting to $34.1 M as at September 30, 2017 ($46.7 M as at March 31, 2017).

Non-Financial Assets

Tangible capital assets increased by $15.8 M to total $577.6 M relative to the March 31, 2017 financial statements ($561.8 M). This total includes $33.2 M of gross purchases of capital assets, less charges for amortization of $17.4 M. The major works concerned by these acquisitions include those of the Honoré Mercier Bridge ($4.8 M), the Jacques Cartier Bridge ($24 M) and the Ice Control Structure ($4.1 M).

Prepaid expenses during the period decreased by $0.1 M. This decrease is notably due to the materialization of expenses paid during the previous period.

Government Funding

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

(in thousands of dollars)	Second quarter		Cumulative (6 months)	
	2017-18	2016-17	2017-18	2016-17
Public funding for operating expenses	33,070	70,205	63,671	106,345
Public funding for tangible capital assets	13,261	19,626	33,162	39,817
TOTAL	**46,331**	**89,831**	**96,833**	**146,162**

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

3.1.2 Expenses

Maintenance

Maintenance costs during the second quarter represent 87.1% (89% in Q2 2017) of the total expenses for the quarter.

For the six (6) months ended September 30, 2017, the maintenance costs, which include amortization, totalled $60.2 M and are mainly distributed as follows:

- $6.3 M for Nuns' Island bypass Bridge;
- $4.4 M for the Honoré Mercier Bridge;
- $18.1 M for the Champlain Bridge;
- $9.7 M for the Jacques Cartier Bridge;
- $1.5 M for the Bonaventure Expressway;
- $1.6 M for the Melocheville Tunnel;
- $12 M for the Ice Control Structure;
- $5.5 M for salaries and employee benefits; and;
- $1.1 M for various other projects and for equipment.

Operations

Operating expenses during the last six (6) months totalled $1.5 M ($1.5 M in Q2 2017). These figures represent 2.2% of total expenses (1.3% in Q2 2017).

Administration

The administrative expenses for the first six (6) months total $6.6 M and represent a $0.3 M decrease compared to the same period in the previous fiscal year ($6.9 M in Q2 2017). During the first two (2) quarters, administrative expenses represented 6.5% of total expenses (including capital asset acquisitions). The objective of JCCBI is a maximum of 6%.

3.2 CASH-FLOW

Compared to March 31, 2017, the cash balance increased by $14.3 M, amounting to $54.6 M ($40.3 M as at March 31, 2017).

3.3 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.

3.3.1. Bridge Safety

JCCBI's priority is to ensure, at all times, the safety and sustainability of all its structures. JCCBI judiciously administers its programs for bridges in order to extend their useful life as much as possible. To this end, a comprehensive inspection program is in place to monitor the condition of these infrastructures on a continuous basis and establish the intervention priorities. In recent years, load capacity studies have been undertaken to identify the structural elements which require special attention, whether or not they show visible degradation during inspections.

The bridges and other structures managed by the Corporation are old and have been subjected to years of heavy traffic, climatic conditions and the abundant use of road salt. In addition to rehabilitation work completed or underway, these structures will require major work over the next few years. Traffic congestion on all Montreal South Shore bridges does not make it possible for major work to be carried out during increasingly long peak periods, which has a direct impact on the planning, execution and cost of repairs. Major rehabilitation work is planned or underway on all structures so that they remain in acceptable condition and to ensure their sustainability as well as user safety. Inspections, load capacity studies and long-term planning, as well as communication and sharing of information on the issues, continue on an ongoing basis in order to mitigate the risks of infrastructures.

3.3.2. Sustainable Funding

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

In its 2014 Budget, the Government of Canada approved funding to JCCBI for the following five (5) years, or from 2014-2015 to 2018-2019. 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 the 2014 Budget for the following five (5) years. JCCBI also received funding from the Federal Contaminated Sites Action Plan (FCSAP), which was renewed in February 2016 for a four-year period with FCSAP3. FCSAP only allows projects that last a maximum of four (4) years, covering the period up to 2019-2020. 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 and the FCSAP funding, the need for long-term funding over a 14-year period, starting in 2017-2018, is therefore imperative.

3.3.3. Human Resources Management

Given the scale of its major maintenance program, JCCBI works in partnership with all employees and managers to optimize its performance. The realization of several initiatives related to project-based management, asset management, risk management and standardized process management are ongoing to optimize organizational performance, and thus allow JCCBI to develop an increased capacity to achieve its strategic objectives.

In collaboration with a firm specializing in organizational development management, PJCCI has, for the third consecutive year, identified action learning strategies that make it possible to develop and support the teams in the execution of their operational plan. A training program makes it possible to support the development of managers in the application of good human resources management practices and to continue to develop the skills of all employees by promoting training adapted to JCCBI's needs.

To ensure the retention of its staff and manage the vulnerabilities of expertise caused by absences or by the actual or announced departure of a key individual, PJCCI continues its process towards a culture of professional development. Talent management is a key part of our staff retention policy. The next steps are to develop learning activities and support performance in order to identify and document the expertise of the targeted positions.

In the fall of 2015, JCCBI carried out an organizational diagnosis through a global employee commitment survey. This year, in order to continue these efforts, the Corporation began work on a second survey in order to measure the indicators since October 2015.

Mental health in the workplace is becoming increasingly important within the Corporation. The 2017-2020 health and wellness three-year program is currently under development and, for a second consecutive year, activities began in September.

During the quarter, JCCBI has initiated the development of a program on the diversity in the workplace for which an implementation plan will be deployed over several years.

A new collective agreement was signed with the Syndicat CSN (blue-collar workers). This new collective agreement will expire on December 31, 2020.

3.3.4. Information Technologies (IT)

Last spring, JCCBI awarded a contract for the provision of professional services by an integrator to assist JCCBI in the implementation of electronic document management (EDM). The implementation began in late August 2017 and is expected to continue over a two-year period, to be completed in the fall of 2019. The aim of this project is to implement collaboration modules, intranet, electronic signature and several tools for the filing and retrieval of electronic documents in the Microsoft SharePoint Online environment.

The department has also begun implementing the Microsoft Office365 suite in view of the migration towards online tools to ensure a greater accessibility to emails and documents, as well as a unique sharing platform with our external collaborators. In addition, PJCCI has put in place new technology solutions to improve the management and monitoring of the network infrastructure, as well as backups. During the next quarter, the environments will be stabilized and the documentation will be finalized. The award of a security verification contract (penetration tests) is planned for the end of 2017.

3.3.5. Health and Safety (OHS)

In line with the strategic orientations for occupational health and safety, the OHS team continues the deployment of its master program in order to pursue the evolution of the Corporation's OHS culture. The monitoring of the OHS performance and the evolution of its prevention activities are now provided via new performance indicators that show the progress of the OHS objectives for 2017-2018.

The main OHS achievements over the last quarter are, among others:

+ The development of a new procedure aimed at controlling and managing visitors and other third parties, in order to standardize the means of control used to stringently control their access to the infrastructures, construction sites and various administrative offices;
+ The creation of a new process for managing incident investigations and non-compliance, as well as corrective and preventive action;
+ The revision of the OHS event communication plan with respect to the level of severity and impacts of each event.

The collaboration of the stakeholders of the different services facilitates the adherence to the ultimate goal of zero injury by choice. This philosophy logically and naturally integrates into the corporation's sustainable development approach.

JCCBI is continuing its efforts to maintain and enhance the contractual requirements for the health and safety resources in surveillance contracts and in the overall health and safety management contract. The OSH team is also working at clarifying the specific expectations associated with managing major risks for these types of contracts.

The members of the local health and safety committee remain involved in order to exert a positive and constructive OHS influence in the Corporation. Their efforts and those of the employees contribute to the improvement of the prevention mechanisms and, ultimately, to the performances.

3.3.6. Environmental Obligations

JCCBI participates in the FCSAP, administered by Environment and Climate Change of Canada, for the implementation of the mitigation measures 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. Hence, it has launched the Solution Bonaventure Project aimed at ensuring environmental groundwater management in the summer of 2016. JCCBI is also working with owners and stakeholders to share the acquired knowledge.

With respect to the East Sector of the project, work is still under way on the construction of the hydrocarbon containment wall, which is expected to be completed by the end of the fall 2017. The running-in and commissioning will follow to ensure that the hydrocarbon recovery will start in 2018. With respect to the environmental plan for the West Sector, it is the subject of a partnership with the Government of Quebec (ministère du Développement durable, de l'Environnement et de la lutte contre les changements climatiques (MDDELCC)) and JCCBI is responsible for the management thereof.

3.3.7. Asset Management

Infrastructure owners are increasingly called upon to proactively and systemically manage their assets and to comply with the notion of sustainable development in their investment choices ensuring the sustainability of their infrastructures. In that spirit, JCCBI mandated an external firm to conduct an initial assessment of its business practices in connection with asset management in relation to standard ISO 55000 with the aim of aligning the organization's business processes with best known practices. It should be noted that to date, only a few organizations in Quebec have had such an assessment conducted, which demonstrates JCCBI's willingness to become a leader in the management of work thereto entrusted.

During this first assessment, JCCBI was able to see that it already uses several systemic and integrated methods for managing its assets and planning its projects. This assessment makes it possible for the Corporation to target, with more specificity, the development actions that will enable it to ensure an integrated and proactive management of its structures, and to have a global and long-term view of the investments required and to ensure the control of the overall condition of its structures.

Over the next few years, JCCBI will progressively implement the best practices in asset management in order to ensure optimal management to extend the life of its assets. In relation to the themes prioritized in the first quarter, the efforts during the second quarter focused on investment planning and the preparation of the strategic plan. In order to improve the plan as compared to the last few years, additional efforts have been made to document each project listed in the strategic plan. Among other things, this documentation makes it possible to better define the objectives and issues related to the projects before they are launched, and represents an additional step towards better project risk management.

For the second half of the year, risk analyses will be carried out on the structures, thus making it possible to better define the priority by which projects should be implemented over others. In addition, a corporate vision will be set out for each structure, thus making it possible to align the actions of all departments towards a common goal.

3.3.8. 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:

Jacques Cartier Bridge

JCCBI has completed the rehabilitation of the steel towers and the reinforcement of the steel structure on the Montreal side. This work was carried out in an urban environment with residences and municipal streets nearby. The conjunction of these different realities made the project all the more complex as traffic lanes on the bridge had to be closed during certain critical works requiring the decrease of the loads on the structure. Usually, this type of work is carried out at night so as not to impede traffic. However, given the proximity of residences, the noise generated by the work on steel, including the removal of rivets and bolting, limits the available work time slots. The issues of this highly complex construction project required a lot of coordination and important measures to minimize the noise impacts.

The other major construction project at the Jacques Cartier Bridge was the completion of the work to light the bridge. This project, carried out in collaboration with the Society for the Celebration of Montreal’s 375th Anniversary and the Canada 150 Federal Secretariat, is now in the warranty period. For the next two quarters, the project will undergo the administrative closure of the contracts, the preparation of the documentation and the progressive transfer to the Corporation's Operations and Maintenance department.

Work to stabilize the bank at the southeast approach to the Jacques Cartier Bridge continued during the last quarter and is scheduled to be completed ahead of schedule in the first quarter of 2018-2019. This work will make it possible to maintain a long-term functional capacity of the south approach to the Jacques Cartier Bridge. It will also allow for the reconstruction of the sidewalk above the bank and the modification of the staircase at the abutment in order to improve the situation for pedestrians, all in coordination with the City of Longueuil. In addition, special attention has been paid to the landscaping of the bank adjacent to the City of Longueuil parking lot.

During the last quarter, JCCBI issued a call for tender for the rehabilitation of Viaducts C and D in Longueuil. This concrete rehabilitation work required that three (3) work blitzes be carried out in order to minimize the impact on citizens and users. This work was completed one (1) month ahead of the date initially scheduled.

The project to segregate the pedestrians and the cyclists was launched during the first quarter of 2017-2018. The work, which will get off to a late start in the fall of 2017, will be completed in the spring of 2018. It will include the installation of a staircase connecting the Jacques Cartier Bridge sidewalk to de Maisonneuve Boulevard in Montreal.

Considering the social and political demands to keep the bike path operational during the winter, a preliminary project was launched during the last quarter to study the safety measures to be implemented to respond to such a request.

A new project was launched in Q2, which will cover two components, namely the milling and paving of the entire bridge and approaches in 2019, as well as the management of the drained water and the development of the lands underneath section 8 in 2020. This work will enable the Corporation to ensure the integrity of the existing deck waterproofing membrane. The work will also make it possible to bring the water management up to environmental standards in addition to enhancing the lands by developing a linear park underneath and in the vicinity of the bridge on the Montreal side. As the project is in the start-up phase, the award of a contract for professional design services is scheduled around January 2018.

Another project, launched during the last quarter, is the construction of a new building combining the administrative and garage spaces for the Corporation's Operations and Maintenance team, as well as the improvement of the adjacent yard. Considering the studies that showed the poor condition of the existing buildings, a preliminary design study was conducted to analyze the different scenarios. The optimal solution adopted consists in constructing a new building that will combine the garages and the offices. Given the nature of the project, the Corporation intends to hire the services of a firm specializing in architecture at the beginning of the last quarter of 2017-2018 to ensure the design of the building.

Honoré Mercier Bridge

During the second quarter of 2016-2017, the major project to reinforce and replace the bridge deck was completed on the federal portion of the bridge. To date, the only thing remaining to be done is the completion of the work, and it should be completed in the last quarter of 2017-2018. The work was carried out by a Mohawk contractor and by Mohawk workers from the community of Kahnawà:ke.

Pier rehabilitation work has begun and will continue over several years. During the third quarter of 2017-2018, JCCBI will begin painting the steel structure and replacing the inspection bridge.

Champlain Bridge

The Champlain Bridge is at the end of its service life. In order to establish an overall maintenance strategy for the bridge until decommissioning thereof, JCCBI, carries out inspections and performs real-time monitoring of the critical components and monitoring of the entire structure's load capacity. This strategy must ensure that the crossing between the South Shore and the Island of Montreal remains safe and efficient until the opening of the new bridge. Major work to the structure on components such as the girders, slab, pier caps, pier shafts and pier footings is undertaken as part of a ten-year overall strategy. In addition, repairs to the steel components of the main span structure and other major repairs, such as the replacement of the expansion joints, must be carried out on an ongoing basis to ensure the availability of traffic lanes and the safety of road users.

In 2017-2018, the ten-year major bridge maintenance program enters its ninth 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 announced schedule for the replacement of the bridge by the end of 2018 also calls for the major maintenance program to continue until then as well as putting in place mitigation measures that make it possible to adequately manage risks related, to among other things, the wear of a structure at the end of its useful life.

The ageing structure requires a detailed inspection program, and the frequency of inspections greatly exceeds the minimum standards recognized in the industry for this type of structure. 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. These measuring instruments consist of more than 340 high-precision sensors which are installed to monitor the deformation of certain girders. The data from the readings of these instruments are stored in a database whose first readings date from January 2014. This history, available for each one of the 100 edge girders, makes it possible to assess any changes in the behavior of a girder and to quickly implement the planned mitigation measures in order to keep the bridge open and safe.

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: engineering, inspection, monitoring of the structural behaviour and management of the construction contracts. The Champlain Bridge Project Office regroups:

+ JCCBI's resources responsible for contract management;
+ Cowi North America Ltd (COWI) and Stantec Experts-Conseils Ltée (STANTEC) – the structure consultants responsible for the structural integrity of the bridge;
+ Axor, BPR and SNC-Lavallin (CABS) – A consortium of consulting engineering firms responsible for supervising construction work;
+ Stantec, Cima and EXP (SCE) – A consortium of consulting engineering firms responsible for inspecting the bridge.

In 2013, COWI, formerly Buckland & Taylor Ltd., reported that additional investments in the order of $389 M would be required during the period extending from 2014-2015 to 2017-2018 in order to maintain the structure in acceptable condition. In an effort to manage risk and make efficient use of funds, any recommendations from COWI or Stantec are reviewed by the second consultant as well as by a committee of experts of which two (2) structural experts are members.

The work carried out in recent years has, among other things, made it possible to secure 100% of the 100 edge girders of the bridge by means of various reinforcement systems. The edge girder reinforcement program was completed in March 2017.

Although the edge girders are now fully supported by reinforcement systems, JCCBI continues its efforts to keep the Champlain Bridge safe. Since the beginning of 2017, inspections have shown that the structure continues to deteriorate. The pier caps are one of the components whose monitoring has been strengthened; they are now inspected four (4) times a year. JCCBI continues its risk management by developing reinforcement concepts for the most at risk components (pier caps, inner girders and diaphragms).

In October 2011, the federal government announced the New Bridge for the St. Lawrence Corridor Project and entrusted the management thereof to Infrastructure Canada. On December 1, 2013, the federal government announced that the new bridge would be in place in 2018. Proactive measures are being considered for the existing Champlain Bridge to deal with possible delays in the delivery of the new bridge.

On April 27, 2016, JCCBI awarded a consultancy services contract for a feasibility study on the deconstruction of the existing Champlain Bridge, according to sustainable development principles (e.g. off-site transportation of materials, waste disposal and site rehabilitation, etc.), and on the conduct of an Environmental Impact Assessment of the project.

The purpose of this feasibility study is to develop various scenarios and to recommend the optimum scenario for the deconstruction of the existing Champlain Bridge. The scenarios developed shall facilitate and help define a final direction, and ensure a smooth transition for the carrying out of the project.

The study takes into account the various major projects in the Greater Montreal metropolitan Area, including the construction of the new Champlain Bridge Corridor, Nuns' Island Pointe Nord development project, the Bonaventure Expressway rehabilitation Project, the Turcot Interchange rehabilitation Project and the various other projects carried out by JCCBI, the City of Montreal and the MTMDET.

The study examines different deconstruction methods and options for each of the four following fields:

+ Deconstruction work;
+ Materials transportation;
+ Materials recovery;
+ Asset enhancement.

The final version of the study was received in February 2017.

Ice Control Structure

The work to reinforce the Ice Control Structure deck and to relocate the bike path to its dedicated location is now complete. This work has been prioritized in order to allow the passage of vehicles to access the mobilization sites, both for the maintenance of the existing Champlain Bridge and for the work required as part of the new Champlain Bridge Corridor, as well as to ensure the safety of cyclists. Following the completion of this work, a detailed inspection was conducted in the summer of 2016 and a load capacity study is underway to determine the condition of the structure and to establish the complete program for the rehabilitation of the structure. Some elements of the structure had already been identified for repairs. In addition, a pilot project for the repair of the pier footings, girders and bearings began in the fall of 2016 in order for work to be carried out in the summer of 2018.

In January 2017, the preliminary results of load capacity analyses have demonstrated, on the basis of the assumptions made by the consultant, the fragility of the footings. Following this finding, a temporary reinforcement program for all the footings of this infrastructure began in February 2017 in order to maintain open this link, important for the construction of the new Champlain Bridge. The temporary reinforcement of all footings will be completed in the fall of 2017.

This structure, originally designed to stop the ice, is now used as a bridge, and it is therefore essential to intervene to reinforce the structure pier footings that support the whole structure. A few years ago, a study showed that the pier footings needed rehabilitation. However, the criticality was not estimated at the same level as it is at present.

In parallel with the footing reinforcement work, a coring investigation program is underway to determine the actual condition of the concrete at the center of the footings and to determine their load capacity with more precision. These results, together with the work carried out as part of the summer of 2018 pilot project, will be used to develop a master plan for the work to be carried out on the structure of the Champlain Bridge Ice Control Structure.

JCCBI extensively coordinates and closely monitors the use of the Ice Control Structure given the increased use of this structure for the execution of the work. Construction work on the approaches and access controls was completed in May 2017.

Bonaventure Expressway

In addition to the work related to the Bonaventure Expressway structures and roadways, two (2) major construction projects related to groundwater containment are carried out in this sector. These projects are known as the "Solution Bonaventure". The West Sector project has been completed through the installation of 39 pumping wells and the construction of a water treatment plant. In addition, the plant was commissioned in December 2016 and the running-in period of the treatment system, which was expected to last six (6) months, was completed in December 2017. It should be noted that the site of this work is located in the heart of the new Champlain Bridge Corridor construction site, below the northern end of the new Nuns' Island Bridge. Major co-ordination has therefore been necessary to avoid delaying the construction of the new bridge, while carrying out the construction work of the environmental project.

The construction of a containment wall for the retention of contaminated water, located all along the Bonaventure Expressway in the East Sector, and started in the summer of 2016, was continued during the last quarter. The nature of the soils, however, makes drilling operations very complex. The drilling work and the construction of the cut-off wall were completed during the last quarter. Once this work completed, the installation of a hydrocarbon extraction system began. The timetable for this project is therefore extended until December 2017.

These two innovative and unique construction projects represent a major challenge for the organization. Although the East Sector construction project fell behind due to the complexity of its execution, the overall progress of these two strategic projects represents a major accomplishment for our project teams, but also for all the partners directly or indirectly involved in this project.

Melocheville Tunnel

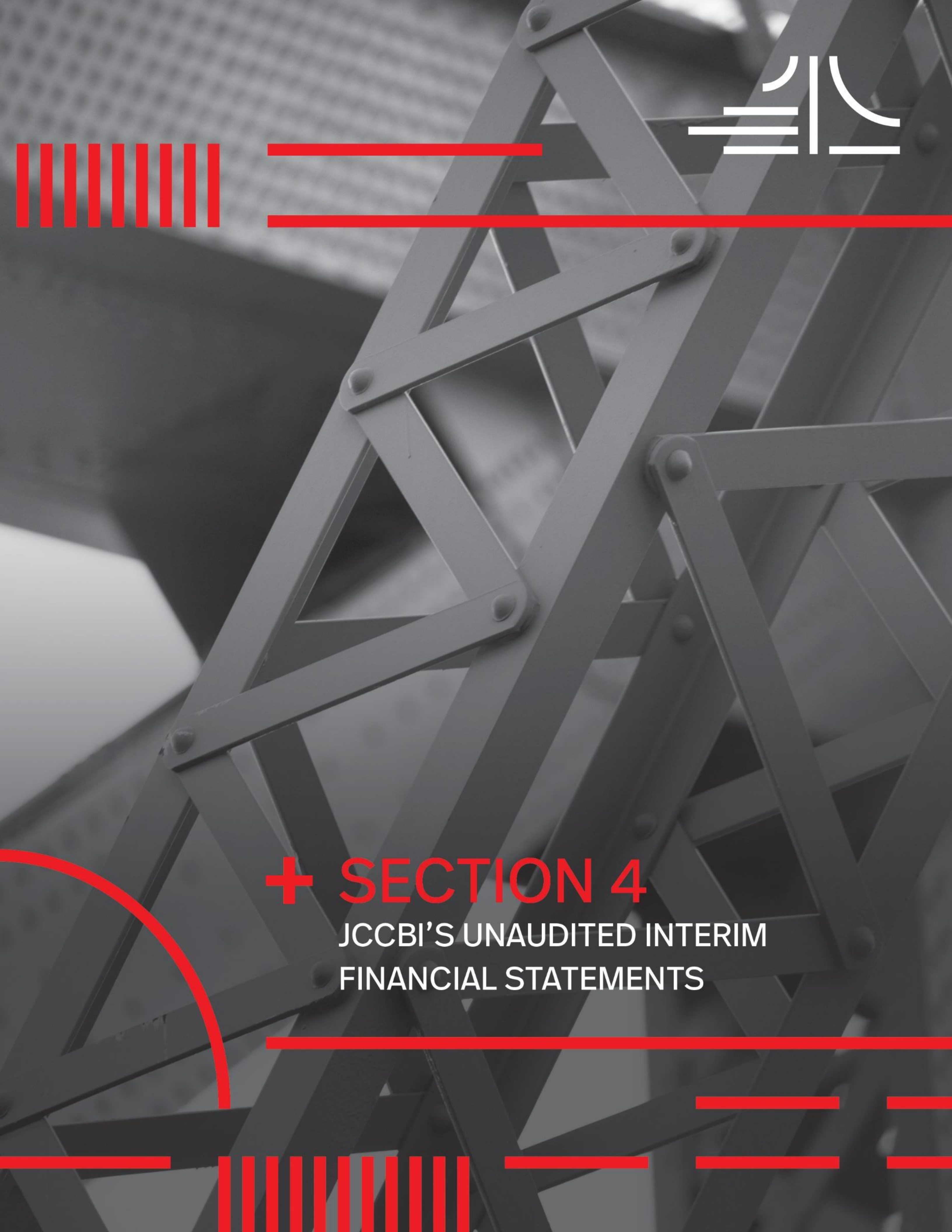
A project to improve the configuration of the electrical distribution systems as well as the electromechanical and automation equipment is under way. In addition to ensuring the reliability of the network, the workers and its users, these improvements will result in substantial savings in terms of power consumption. The design services began in the last quarter with a view to begin construction in the first quarter of 2018-2019.

3.4 REPORT ON THE USE OF APPROPRIATIONS

According to planning, appropriations available for the current fiscal year are $325 M.

(in thousands of dollars)	As at the September 30, 2017 Quarter			As at the September 30, 2016 Quarter		
	Operations	Capital	Total	Operations	Capital	Total
Main Estimates	213,476	111,483	324,959	227,253	110,745	337,998
Available Funding	**213,476**	**111,483**	**324,959**	**227,253**	**110,745**	**337,998**
Parliamentary Appropriations (1)						
+ Used	63,671	33,162	96,833	106,345	39,817	146,162
+ Required	149,805	78,321	228,126	120,908	70,928	191,836
Total Parliamentary Appropriations	**213,476**	**111,483**	**324,959**	**227,253**	**110,745**	**337,998**

(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, 2017, 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 Jacques Cartier and Champlain Bridges Incorporated ("the Corporation") is responsible for preparing the Financial Statements, in accordance with the Canadian Public Sector Accounting Standards. 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 the directive issued under section 89 of Part X of the FAA and its 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 bylaws.

The Board of Directors is made up of seven (7) Directors, including the Chairman of the Board of Directors and the Chief Executive Officer of the Corporation. Through the Audit Committee, the Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee meets with management and the auditors to review the manner in which these groups are fulfilling their responsibilities as well as to discuss the audit, internal controls and other relevant financial issues. The Financial Statements are reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

Glen P. Carlin, ing., FICI, FSCGC
Chief Executive Officer

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

November 21, 2017

4.2 STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2017

(Unaudited – in Canadian dollars)

	September 30, 2017	March 31, 2017
Financial Assets		
+ Cash Flow	54,661,593	40,360,557
+ Accounts Receivable	30,356,231	60,729,006
Total Financial Assets	**85,017,824**	**101,089,563**
Liability		
+ Accounts payable and Accrued Liabilities	69,057,108	79,156,586
+ Employee Future Benefits	653,325	666,898
+ Contractual Holdbacks	13,052,035	19,097,776
+ Deferred Revenue	163,337	229,813
+ Environmental Obligations (Note 4.6.3)	34,122,410	46,675,271
Total Liabilities	**117,048,215**	**145,826,344**
Net Debt	**(32,030,391)**	**(44,736,781)**
Non-Financial Assets		
+ Tangible Capital Assets (Note 4.6.4)	557,553,504	561,811,621
+ Prepaid Expenses	374,214	498,049
Total Non-Financial Assets	**577,927,718**	**562,309,670**
Accumulated Surplus	**545,897,327**	**517,572,889**

CONTINGENCIES AND CONTINGENT LIABILITIES RELATING TO TANGIBLE CAPITAL ASSETS (NOTES 4.6.6 and 4.6.7).

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

Approved by the Board of Directors:

Director

Director

4.3 STATEMENT OF OPERATIONS FOR THE SIX (6) MONTHS ENDED SEPTEMBER 30, 2017

(Unaudited - in Canadian dollars)

	Twelve Months ended	Six Months Ended			
	March 31, **2018**	September 30, 2017		September 30, 2016	
	Budget	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	$	**$**	**$**	**$**	**$**
Revenus					
+ Leases and Permits	599,000	145,652	294,655	147,262	295,371
+ Interest	500,000	218,916	334,573	158,289	325,770
+ Other Sources		3,581	4,823	5,390	6,963
Total Revenue	**1,099,000**	**368,149**	**634,051**	**310,941**	**628,104**
Expenses (note 4.6.9)					
+ Maintenance	232,197,000	32,597,510	60,228,251	65,170,327	105,079,055
+ Operations	3,520,000	769,259	1,511,109	710,758	1,484,628
+ Administration	15,891,000	2,672,639	6,638,409	3,751,957	6,967,291
+ Environmental Obligations	(1,793,000)	(883,856)	765,173	4,018,084	3,986,319
Total Expenses	**249,815,000**	**35,155,552**	**69,142,942**	**73,651,126**	**117,517,293**
Deficit before Government of Canada Funding	(248,716,000)	(34,787,403)	(68,508,891)	(73,340,185)	(116,889,189)
Transfer Payments (note 4.6.10)	324,959,000	46,331,182	96,833,329	89,831,408	146,162,288
Annual Operating Surplus	76,243,000	11,543,779	28,324,438	16,491,223	29,273,099
Accumulated Operating Surplus, Beginning of the Fiscal Year	544,851,000		517, 572,889		461,419,341
Accumulated Operating Surplus, End of the Fiscal Year	**621,094,000**		**545,897,327**		**490,692,440**

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

4.4 STATEMENT OF CHANGE IN NET DEBT FOR THE SIX (6) MONTHS ENDED SEPTEMBER 30, 2017

	Twelve Months Ended	Six Months Ended			
	March 31, 2018	September 30,2017		September 30,2016	
	Budget	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	$			$	$
Annual Operating Surplus	**76,243,000**	**11,543,779**	**28,324,438**	**16,491,223**	**29,273,099**
+ Acquisition of Tangible Capital Assets (note 4.6.4)	(111,482,000)	(13,260,746)	(33,162,044)	(19,626,390)	(39,817,113)
+ Amortization of Tangible Capital Assets (note 4.6.4)	36,889,000	8,786,554	17,420,161	7,887,802	15,674,930
Total Variation due to Total Tangible Capital Assets	**(74,593,000)**	**(4,474,192)**	**(15,741,883)**	**(11,738,588)**	**(24,142,183)**
+ Acquisition of Prepaid Expenses	-	(50,810)	(444,103)	(960,999)	(2,865,765)
+ Use of Prepaid Expenses	-	282,903	567,938	1,031,644	1,315,256
Total Variation due to Prepaid Expenses	**-**	**232,093**	**123,835**	**70,645**	**(1,550,509)**
Decrease in Net Debt	**1,650,000**	**7,301,680**	**12,706,390**	**4,823,280**	**3,580,407**
Net Debt, Beginning of the Fiscal Year	**(25,008,000)**		**(44,736,781)**		**(41,433,881)**
Net Debt, End of the Fiscal Year	**(23,358,000)**		**(32,030,391)**		**(37,853,474)**

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

4.5 STATEMENT OF CASH-FLOW FOR THE SIX (6) MONTHS ENDED SEPTEMBER 30, 2017

	Six Months ended			
	September 30, 2017		September 30, 2016	
	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	$	$		
Operating Transactions				
Annual Operating Surplus	11,543,779	28,324,438	16,491,223	29,273,099
Items not affecting Cash				
+ Amortization of Tangible Capital Assets (Note 4.6.4)	8,786,554	17,420 161	7,887,802	15,674,930
+ Increase in Employee Future Benefits	(75,846)	(13 573)	12,443	125,506
+ Decrease in Environmental Obligations	(6,982,402)	(12 552 861)	(4,614,803)	(5,149,225)
Changes in Non-Cash Working Capital Items				
+ (Increase) Decrease in Accounts Receivable	8,349,338	30,372,775	(29,520,042)	(52,584,244)
+ (Decrease) Increase in Accounts Payable and Accrued Liabilities	(6,031,931)	(21,554,087)	16,089,583	6,149,982
+ Increase in Contractual Holdbacks	(4,207)	(6,045,741)	924,782	2,587,988
+ (Decrease) Increase in Deferred Revenue	(88,918)	(66,476)	(87,901)	(106,083)
+ Decrease (Increase) in Prepaid Expenses	232,093	123,835	70,645	(1,550,509)
Cash Flow provided by Operating Transactions	15,728,460	36,008,471	7,253,732	(5,578,556)
Tangible Capital Investment Activities				
+ Proceeds from Disposal of Tangible Capital Assets	(6,989,079)	(21,707,435)	(16,716,206)	(30,737,934)
Cash Flow used in Tangible Capital Investment Activities	(6,989,079)	(21,707,435)	(16,716,206)	(30,737,934)
(Decrease) increase in Cash	8,739,381	14,301,036	(9,462,474)	(36,316,490)
Cash, Beginning of the fiscal Year		40,360,557		73,996,315
Cash, End of the fiscal Year		54,661,593		37,676,825

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 Activity

The Jacques Cartier and Champlain Bridges Incorporated (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 Jacques Cartier and Champlain Bridges Incorporated to the Minister of Infrastructure, Communities and Intergovernmental Affairs on behalf of Her Majesty in right of Canada. After this transfer, the Corporation became a parent Crown corporation listed under Part I of Schedule III of the *Financial Administration Act*.

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. Since April 1, 2015, an order in council respecting the transfer of the south and north approaches to the Champlain Bridge makes it so that the Corporation is no longer responsible for the management and maintenance of the lands and structures constituting the transferred assets.

In July 2015, the Corporation received a directive (P.C. 2015-1112) under section 89 of the FAA 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 and to report on the implementation of this directive in its next corporate plan. The Corporation has compared and reviewed its travel, hospitality, conference and event expense policy with the Treasury Board's related directives and tools on travel, hospitality, conference and event expenses. Following this exercise in December 2015, the Corporation confirms that it has met the requirements of the directive.

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 in accordance with 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, 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: between 5 and 48 years
+ Vehicles and equipment: between 3 and 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). This 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 these contributions represent the total pension obligation of the Corporation. The Corporation is not required by law to make up for 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. The employees of the Corporation are subject to the *Government Employees Compensation Act*. Every year, they are paid the unused portion of their days of sick leave. These annual payments are recognized directly in current costs for the fiscal year. Before December 9, 2016, the unionized employees accumulated the unused days of sick leave, which were redeemable at the end of their employment with the Corporation. Following the renewal of their collective agreement in December 2016, the unionized employees no longer have the possibility of accumulating the unused days of sick leave that were redeemable at the end of their employment with the Corporation. Employees with banked balances of unused leaves were offered to keep them until the end of their employment with the Corporation or to cash them. In addition, 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, probability of employees leaving and average life expectancy. 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, when 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 a 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 accounting of financial instruments depends on their classification as presented in the following table:

CATÉGORIES	FINANCIAL INSTRUMENTS	MEASUREMENT
Financial Assets	▪ Cash ▪ Accounts Receivable (other than Taxes Receivable)	Cost or Amortized Cost
Financial Liabilities	▪ Accounts Payable and Accrued Liabilities ▪ Contractual Holdbacks	Cos 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 affect 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 these 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. Environmental Obligations

Periodically, the Corporation carries out an inventory of all its properties in order to classify their environmental condition for the purposes of prioritizing any required 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 has been undertaken during fiscal year 2015-2016. As at September 30, 2017, no conclusions have been issued regarding any actions to be taken. Currently, the level of contamination, the impact and the actions to be taken cannot be determined and therefore no environmental liability had been recognized.

As at September 30, 2017, 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 that location. The tests revealed levels of toxicity in the groundwater beyond acceptable criteria. Given the complexity of the issue, the involvement of numerous owners and the significant costs involved, the federal government has opted for integrated solutions to the environmental problems at that site. That site may be divided in two sectors: the East Sector and the West Sector.

East Sector

The estimate of this liability is based on a detailed design resulting from the awarding of the monitoring and construction contracts for the performance of the work relating to the containment system. With respect to the operation of the system, the calls for tenders will follow the work. The main characteristics and assumptions relating to the project are the following:

+ Work began in June 2016 and is scheduled to be completed in late fall of 2017;
+ The installation of the pumping and treatment system has begun in 2017;
+ The containment and pumping operations will begin in 2017 and extend over an estimated 15-year period. The duration of the project will extend beyond fifteen (15) years, but it is impossible, at the moment, to determine the costs beyond fifteen (15) years;
+ There is no residual value to the project.

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 of that contract:

+ The construction of a hydraulic barrier and of the treatment plant, begun in June 2016, is completed;
+ The running-in period of the containment operations ended in September 2017. The operation is planned for an estimated 15-year period. The duration of the project will extend beyond fifteen (15) years, but it is impossible, at the moment, to determine the costs beyond fifteen (15) years;
+ For the West Sector project, the portion of the costs borne by 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, 2017 (March 31, 2017)		**East Sector**	**West Sector**
Discount rate (note1):			
i) Fiscal years 2017 and 2018	March 31, 2017	0.72%	0.72%
	September 30, 2017	1.58%	1.58%
ii) Long term	March 31, 2017	2.28%	2.28%
	September 30, 2017	2.49%	2.49%
Inflation rate - NRBCPI (note 2)**:**	March 31, 2017	3.05%	3.05%
Non-residential buildings	September 30, 2017	3.19%	3.19%
Accuracy factor		+/-10%	-
Undiscounted range to which the inflation rate was applied:			
As at March 31, 2017	Minimum	$42,158,000	$10,607,000
	Maximum	$51,526,000	$10,607,000
As at September 30, 2017	Minimum	$29,438,000	$10,363,000
	Maximum	$35,980,000	$10,363,000
Discounted range to which the inflation rate was applied:			
As at March 31, 2017	Minimum	$37,704,000	$8,971,271
	Maximum	$46,083,000	$8,971,271
As at September 30, 2017	Minimum	$25,268,000	$8,854,410
	Maximum	$30,883,000	$8,854,410
Provision for the environmental liability		$25,268,000	$8,854,410

Since 2016, no range is to be considered for the obligation relating to the West Sector, as it is based on the financial terms contained in the contract awarded for the implementation of the decontamination solution. For the East Sector, the Corporation considers it reasonable to set its assessment of the obligation at the lower end of the range of the estimated discounted total costs.

As of September 30, 2017, the Corporation estimates an amount of $34,122,410 ($46,675,271 in 2017) for the East and West Sectors. This amount is recorded as Environmental Obligations in the Statement of Financial Position as at September 30, 2017.

Note 1: Long-Term Government of Canada Bonds
Note 2: Non-Residential Building Construction Price Index

4.6.4. Tangible Capital Assets

(Unaudited – in Canadian dollars)

	Lands	Bridges and Roads	Vehicles and Equipment	Projects underway	Total
	$	$	$	$	$
Cost					
April 1, 2016	5,250,117	517,495,453	4,653,085	154,011,374	681,410,029
+ Acquisition	-	65,389,895	328,552	28,627,521	94,345,968
+ Disposals	-	(2,350,573)	(552,747)	-	(2,903,320)
+ Transfers	-	118,404,603	-	(118,404,603)	-
March 31, 2017	5,250,117	**698,939,378**	**4,428,890**	**64,234,292**	**772,852,677**
+ Acquisition	-	21,987,665	863,098	10,311,281	33,162,044
+ Transferts	-	26,749,843	-	(26,749,843)	-
30 septembre 2017	**5,250,117**	**747,676,886**	**5,291,988**	**47,795,730**	**806,014,721**
Accumulated Amortization					
April 1, 2016	-	175,487,969	3,740,481	-	179,228,450
+ Amortization	-	33,098,555	345,628	-	33,444,183
+ Disposals	-	(1,078,830)	(552,747)	-	(1,631,577)
March 31, 2017	-	**207,507,694**	**3,533,362**		**211,041,056**
+ Amortization	-	17,272,771	147,390	-	17,420,161
September 30, 2017	**-**	**224,780,465**	**3,680,752**	**-**	**228,461,217**
Net Book Value					
March 31, 2017	5,250,117	491,431,684	895,528	64,234,292	561,811,621
September 30, 2017	**5,250,117**	**522,896,421**	**1,611,236**	**47,795,730**	**577,553,504**

4.6.5. Share Capital

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

4.6.6. 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.

4.6.7. 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, 2017, 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 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.

4.6.8. 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 fulfil 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.

4.6.9. Expenses by Type

In thousands of dollars	September 30	
	2017	2016
	$	$
Regular and major maintenance	35,475,658	82,218,867
Environmental Obligations	765,173	3,986,319
Amortization of tangible capital assets	17,420,161	15,674,930
Salaries and employee benefits	8,625,499	8,637,315
Professional services	3,813,088	3,640,254
Goods and services	3,043,363	3,359,608
Total expenses	**69,142,942**	**117,517,293**

4.6.10. Parliamentary Appropriations

In thousands of dollars	September 30	
	2017	2016
	$	$
Parliamentary appropriations requested	101,775,699	143,702,953
Change in long-term contractual holdbacks	(4,942,370)	2,459,335
Total parliamentary appropriations recognized as revenue	**96,833,329**	**146,162,288**
Distribution		
Transfer payment for operating expenses	63,671,285	106,345,175
Transfer payment for tangible capital assets	33,162,044	39,817,113
	96,833,329	**146,162,288**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