Les Ponts Jacques Cartier et Champlain Incorporée

The Jacques Cartier and Champlain Bridges Incorporated

Canadä

3nd Quarter (Q3)
For the nine months
Ended December 30, 2014

QUARTERLY FINANCIAL REPORT

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STATUS

SECTION 1

1. Status

The Jacques Cartier and Champlain Bridges Inc. (“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 (DORS / 98-568). As such, 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 a section of the Bonaventure Expressway and of Highway 15, 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 the safe passage of users through the management, maintenance and rehabilitation of the infrastructure as well as 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 and as 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

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

» Operations and Maintenance

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

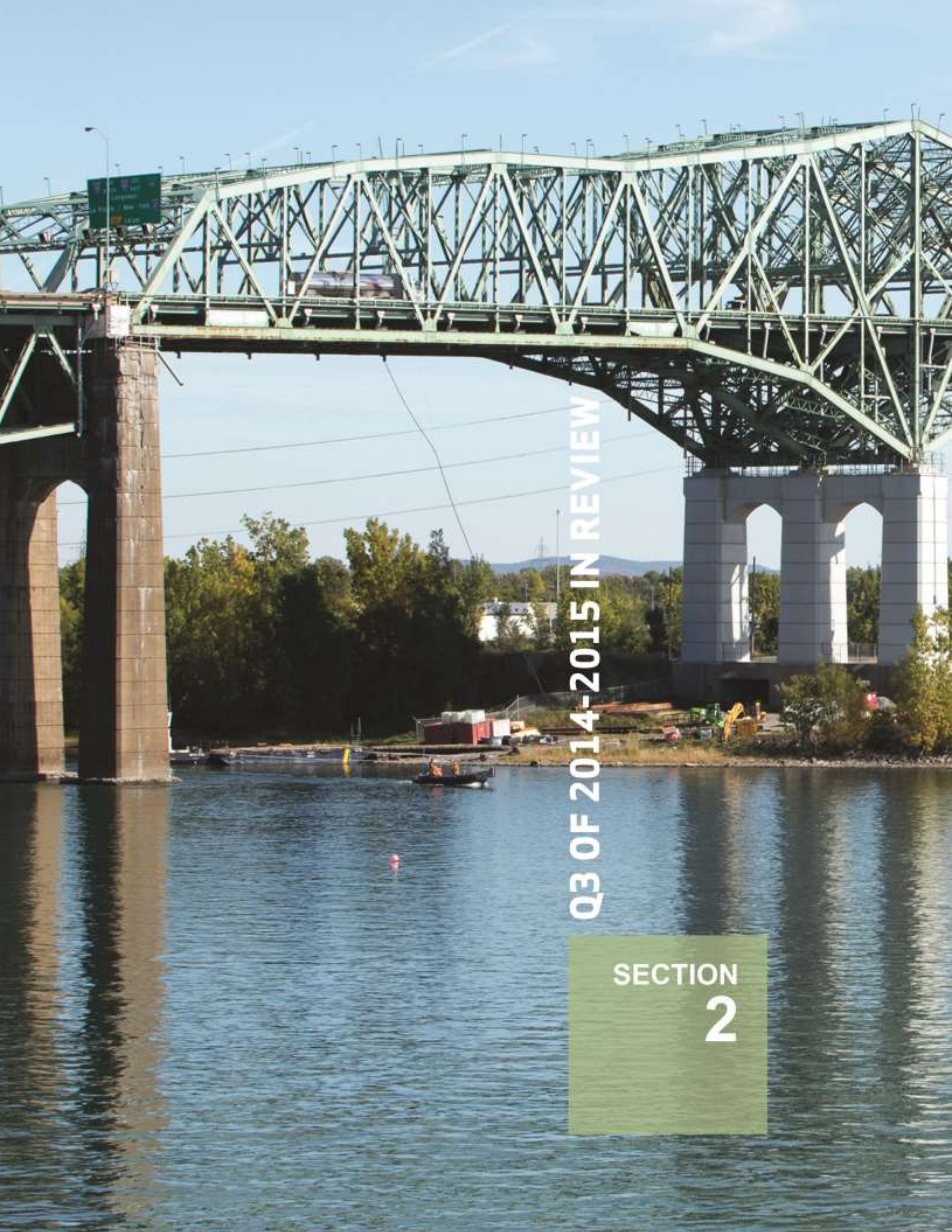
Administrative departments such as Legal Counsel, Procurement, Finances, Information Technology, Human Resources, Environment, and Communications support these sectors.

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 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 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 is entirely funded through parliamentary appropriations from the Government of Canada. Revenue from other sources, such as leases, permits and billboards, 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.



Q3 OF 2014-2015 IN REVIEW

SECTION 2

2. Q3 of 2014–2015 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 December 31, 2014 (Q3). 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 2013-2014. 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").

2.1. Summary

JCCBI declares a surplus of $45.8 M for the nine months ended December 31, 2014 ($73 M in 2013). The deficit before public funding was $148.5 M as at December 31, 2014 ($78.3 M in 2013).

For the current fiscal year, the combined total revenues were $3.2 M ($0.9 M in 2013). Since February 1, 2014, following the transfer of FBCL's contract to JCCBI, the Corporation has collected the revenue from billboards installed on its territory directly. For the first nine months, this revenue is in the order of $2.8 M.

During the same period, the net debt increases by $3.9 M to total $38.4 M. Financial assets increased by $36.4 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 third quarter of the current fiscal year totalled $13.7 M ($48.4 M in 2013). They mostly consist of expenses of $1.8 M for Nuns' Island bypass bridge, $3 M for the Honoré Mercier Bridge, $1.2 M for the Champlain Bridge, $3.8 M for the Bonaventure Expressway, $3.5 M for Highway 15 and $0.4 M for various other projects.

2.2. Outlook

The expenses to maintain the bridges and related infrastructures remain at historical highs. Repairs to the Champlain Bridge are increasing significantly in order to address the results of the latest inspection reports. Other government-funded projects are ongoing, including the rehabilitation currently underway at the Honoré Mercier Bridge and the repairs to the Champlain Bridge.

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

1. In order to maintain the Jacques Cartier Bridge in a long-term perspective, JCCBI has developed a revitalization 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. Also, additional investments in the order of $389 M could be required over the next four (4) years (including the current year) to mitigate the risks associated with the condition of the edge girders;
3. Work, both required and necessary for the maintenance of assets, is planned on Highway 15, the Bonaventure Expressway, 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 (West and East Sectors);
5. Given the eventual demolition of the Champlain Bridge plaza as part of the project to build the new bridge for the St. Lawrence, the condition of the Jacques Cartier plaza and adjoining buildings and the maturity of the leases for the Corporation's office space, JCCBI plans the possible centralization of its Administration and Operations departments into a single new multifunctional building 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 in the well-being of the population and of the economy.


ANALYSIS OF FINANCIAL RESULTS
SECTION
3

3. Analysis of financial results

3.1. Results of Operations

3.1.1. Statement of Financial Position

Financial Assets

During the nine (9) months ended December 31, 2014, the total financial assets increased by $36.4 M, to amount to $87.7 M, compared to $51.3 M as at March 31, 2014. As in previous fiscal years, a critical contributor to the increase in financial assets is the date on which the federal appropriations, which include funding for major capital projects and operating expenses, will be received.

JCCBI's net cash position increased by $24 M during Q3, to amount to $38.3 M as at December 31, 2014 ($14.3 M as at March 31, 2014). This increase during the quarter is due to the receipt of the amounts due from the Government of Canada as at October 31, 2014.

Liability

Accounts payable and accrued liabilities increased by $37.6 M, from $38.8 M as at March 31, 2014, to $76.4 M as at December 31, 2014. 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 certain work has been completed in compliance with the performance requirements and the contractual warranties have expired. These contractual holdbacks have increased by $0.4 M to amount to $9.9 M as at December 31, 2014 ($9.5 M as at March 31, 2014). These amounts will become payable when the work is completed and warranties have expired.

JCCBI has revised the environmental obligation by $1.8 M during the third quarter of the fiscal year ($36.3 M as at September 30, 2014) to reflect the most up-to-date information available. Changes in other liabilities are minimal.

Non-Financial Assets

Tangible capital assets increased by $48.1 M to total $430.3 M relative to the March 31, 2014, Financial Statements ($382.2 M). This total comprises $59.9 M in capital asset acquisitions, less charges for amortization of $11.8 M. The major works concerned by these acquisitions include those of Nuns' Island causeway-bridge ($24.7 M), the Honoré Mercier Bridge ($16.2 M), the Champlain Bridge ($7.3 M), the Jacques Cartier Bridge ($1.1 M), the Bonaventure Expressway ($4.7 M), Highway 15 ($4.3 M) and various other works totalling $1.6 M.

Prepaid expenses during the fiscal year increased by $1.7 M. This increase is primarily related to advance payments, in the amount of $2 M, for works to be performed on the Honoré Mercier Bridge.

Government Funding

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

(In thousands of dollars)	Third Quarter		Cumulative	
	2014-15	2013-14	2014-15	2013-14
Public funding for operating expenses	66,822	17,005	134,401	60,458
Public funding for tangible capital assets	13,680	48,411	59,887	90,873
TOTAL	**80,502**	**65,416**	**194,288**	**151,331**

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

3.1.2. Expenses

Maintenance

Maintenance charges during the third quarter represent 91.1% of the total expenses for the quarter, amounting to $67.7 M ($18.2 M in 2013).

For the nine (9) months ended December 31, 2014, maintenance charges total $136.8 M and are mainly distributed as follows:

- $11.7 M for Nuns' Island causeway-bridge and maintenance of the existing bridge;
- $11.2 M for the Honoré Mercier Bridge;
- $58.1 M for the Champlain Bridge;
- $18.4 M for the Jacques Cartier Bridge;
- $14.2 M for the Bonaventure Expressway;
- $3.6 M for Highway 15;
- $2.3 M for the Melocheville Tunnel;
- $6.8 M for the Ice Control Structure;
- $5.9 M in salaries;
- $3.7 M in amortization; and
- $0.9 M for various other projects and for equipment.

Operations

Operating expenses during the third quarter totalled $1.2 M ($1 M in Q3 2013). These figures represent 1.6% of the total expenses (4.8% in Q3 2013).

Administration

The $3.5 M in administrative expenses in Q3 represents a $1.2 M increase over Q3 of the previous fiscal year ($2.3 M in Q3 2013). During the quarter, administrative expenses represented 4.7% (10.4% in 2013) of the total expenses.

Environmental Obligation

The environmental obligation increased by $2.2 M since the beginning of the fiscal year, related to the estimated value related to future expenditures.

3.2. Cash Flow

During the third quarter, the cash balance decreased by $6.8 M, to amount to $38.3 M.

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 the safety at all times of all its structures. JCCBI judiciously administers its programs for bridges in order to extend their service life as much as possible. The fiscal realities associated with the extent of repairs must be taken into account.

The bridges are old and have been subjected to years of heavy traffic, climatic conditions and to the use of road salts. In addition to major work completed or underway, these structures will require major work over the next decade. Traffic congestion on all South Shore bridges has an impact on JCCBI's ability to carry out major work during normal working hours, which has a direct impact on the planning, execution and cost of repairs. 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, is ongoing.

3.3.2. 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.

The Corporation is working with Infrastructure Canada to identify its short-term and long-term financial requirements. JCCBI benefited from significant investments for specific needs related to property or to short-term operating requirements. The work is defined and planned in the context of available resources.

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 FCSAP only allows projects of a maximum duration of four (4) years. This poses a real challenge, as the projects relating to the Bonaventure Expressway Sector contaminated groundwater require a long-term action plan. The need for long-term funding over a fifteen-year period, which corresponds to the scheduled operating term of the DBFMO (design-build-finance-maintain-operate) contract for the West Sector, currently in the tendering process, is therefore imperative.

3.3.3. Human Resources Management

Given the size and rapid growth of its major maintenance program budget, JCCBI added several positions within its various departments in order to provide an increased capacity to achieve its strategic goals. Furthermore, JCCBI is revising its business model to incorporate best project management practices. With the help of a firm specializing in change management, JCCBI has identified the needs and established the priorities of a general integration and training program for new employees and managers. In addition, an analysis of the specific training needs for each department was performed in order to establish a work plan to be implemented over the next few months.

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 document the expertise and offset its potential loss.

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

3.3.4. Information Technologies

In order to generate timely and reliable financial and management information, the processes of the different functions of the Corporation must be supported by tools which are effective and tailored to meet the Corporation's realities. For these reasons, the implementation of integrated software (ERP or PGI) is underway. The Finances and Procurement functions have been operational since July 2014. Since the fall of 2014, a geomatics information system is also functional. The introduction of new management software tools is imperative in order to ensure the Corporation's provision of services, but also in order to reduce the pressure on human capital. In the fall of 2015, JCCBI will complete the implementation of an integrated management information system for the main functions of project management. JCCBI will, subsequently, implement the Operations and Maintenance Department functions.

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

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

3.3.5. Environmental Obligations

JCCBI participates in FCSAP, administered by Environment Canada, for the implementation of the mitigation measures required to contain and treat contaminated groundwater on lands in the Bonaventure Expressway Sector (West and East Sectors) in Montreal and 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, notably the *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 Canadian National and the City of Montreal.

3.3.6. 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 Q3:

<u>The Jacques Cartier Bridge</u>

The bridge, now 84 years old, is in relatively good condition. Several components, including the piers, 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 $2 M, has been carried out in the last quarter, particularly to rehabilitate piers, reinforce the steel and stabilize a slope on the South Shore. Since the beginning of the fiscal year, the cost for this work amounts to $13 M.

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. A major shift in the strategy of the Quebec government, JCCBI's partner in this project with respect to the work planned on the provincial portion of the bridge, has delayed the project schedule. Once the deck is replaced, major work must continue on other components of the bridge, notably on piers and on the steel structure, in order to maintain the structure in an acceptable condition.

The strengthening and replacement of the deck have continued in Q3. Maintenance work, totalling $8.5 M, was carried out, particularly to finalize the platforms (Seaway section), strengthen the steel of the Seaway section and finalize, in the section of the island, the work in connection with the new deck which can be carried out outside the summer blitz.

The Champlain Bridge

The Champlain Bridge is aging prematurely. JCCBI is considering various risk mitigation strategies for the existing bridge. These strategies 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 girders, 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 2014–2015, the ten-year major maintenance program enters its sixth year. The deterioration is exponential and signs of deterioration continue to appear, as the structure approaches the end of its useful life. The announced timetable for the bridge replacement by 2018 requires vigilant supervision of the bridge and implementation of the maintenance program continue until the bridge is replaced. Work in the amount of approximately $32.1 M, out of which $18.8 M for sections 5 and 7, was carried out, particularly for pier and girder rehabilitation, steel repairs and replacement of bearings and expansion joints.

This aging structure requires a detailed inspection program whose frequency is much more important than others, coupled with state-of-the-art destructive and non-destructive inspection techniques. In addition, as part of the risk mitigation strategy, sophisticated measuring instruments and analysis tools are in place to monitor the performance of certain important components of the bridge. Several routine tests (weight, stress on girders, and structural capacity under various deterioration scenarios) are also being conducted to enable the assessment of the structural condition of the bridge. A table showing the condition of the internal and external pre-stressed girders of sections 5 and 7 was developed and is updated on a continual basis by JCCBI. During Q3, JCCBI has acquired $0.228 M worth of instrumentation material to be installed on section 5.

The engineering firm Buckland & Taylor Ltd., expert in bridge design, has, in 2013, conducted an assessment study of the structural health of the bridge. The recent report from this study has identified that the work planned in the Corporation's Ten-Year Plan must be significantly accelerated to mitigate the risk associated with the uncertainty about the condition of the bridge edge girders. Buckland & Taylor Ltd. has identified that additional investments in the order of $389 M will be required over the next four (4) years (2014–2018) in order maintain the structure in an acceptable condition.

The complete replacement of the Champlain Bridge Corridor is planned over the next few years. In October 2011, the federal government announced the construction of a new bridge for the St. Lawrence and entrusted the project 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 will be carried out in 2015 on the Champlain Bridge Ice Control Structure: strengthening of the deck and relocation of the bike path. The very limited space, combined with the complexity of the work, will pose major challenges.

<u>Nuns' Island Bridge</u>

With regard to Nuns' Island Bridge, which connects Nuns' Island to the island of Montreal, JCCBI has, during Q1, carried out maintenance work, totalling $1.8 M, on the existing bridge. This work focused on the piers, girders and on the slab, as well as on the instrumentation and special inspections to ensure that risk management of these components is adequate.

In June 2012, the federal government announced that JCCBI would be responsible for developing a solution for the temporary replacement of the existing bridge, comprising the construction of a temporary causeway-bridge. It is an interim solution while the new bridge for the St. Lawrence corridor is being planned and constructed. Construction began in August 2013 and is expected to be fully completed in June 2015. Work in the amount of $10.2 M was carried out during Q3. The commissioning for users was done on October 20, 2014 and the dedicated bus lane was opened in December 2014.

Bonaventure Expressway

The Bonaventure Expressway, built in the early 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 the 2009-2010 season, is expected to be completed in 2015-2016. The value of work performed in the last three (3) quarters amounts to $14.8 M.

Melocheville Tunnel

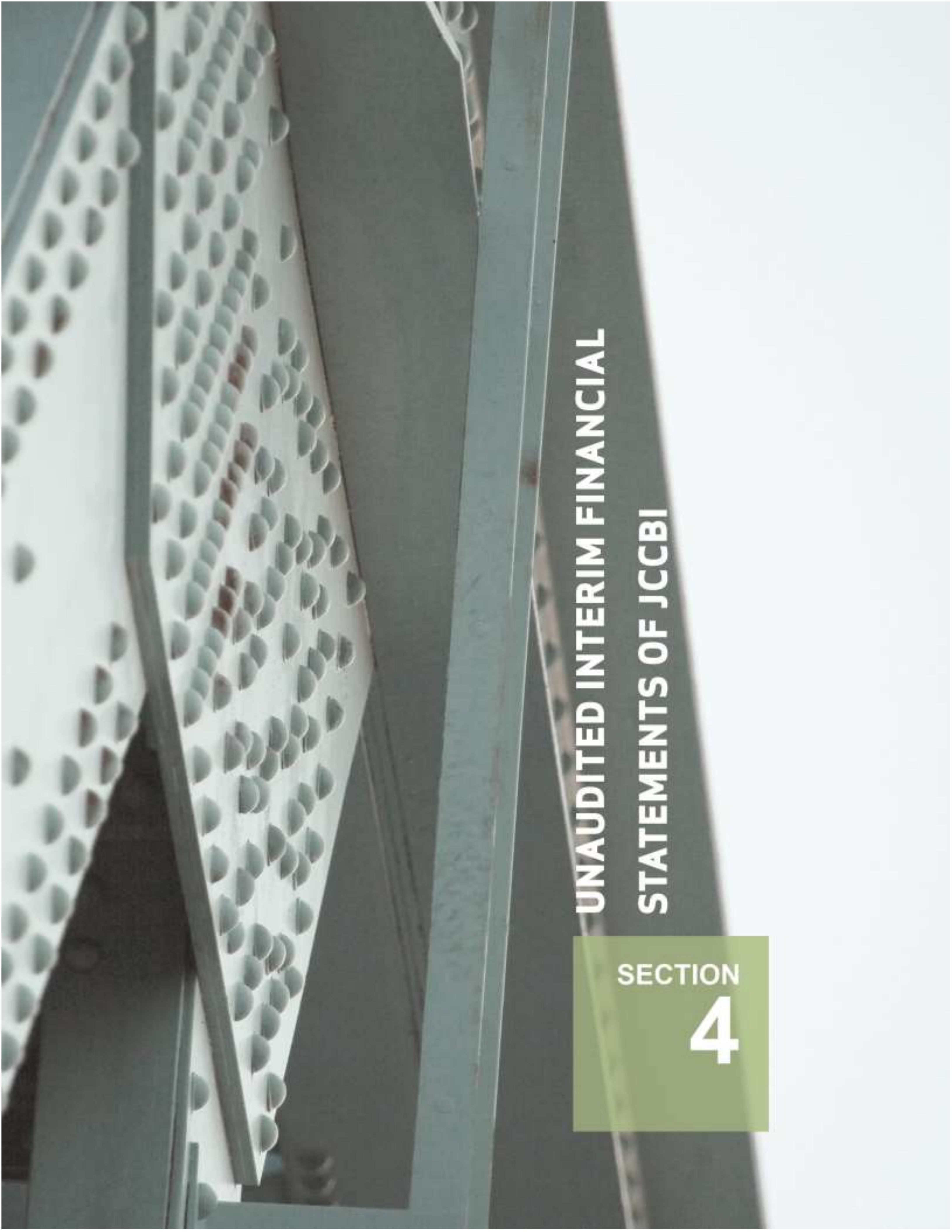
In the last three quarters, work was carried out to repair concrete and replace lighting fixtures. This work amounts to $2.1 M. Work to secure rock walls and rehabilitate mechanical and electrical equipment will also be carried out this year. No construction work was carried out in the third quarter. During that period, efforts were concentrated on design, issuance of the drawings and specifications for the securing of rock walls, signage, ITS and remote monitoring. The construction work associated with these plans and specifications will be carried out in the last quarter of 2014-2015.

3.4. Report on the Use of Appropriations

According to planning, appropriations available for the current fiscal year are $412.1 M.

In thousands of dollars	As at the December 31, 2014 Quarter			As at the December 31, 2013 Quarter		
	Operations	Capital	Total	Operations	Capital	Total
▪ Main Estimates	248,960	150,860	399,820	104,539	76,410	180,949
▪ Supplementary Estimates	1,239	11,048	12,287	22,641	47,696	70,337
▪Adjustment	-	-	-	5,770	-	5,770
▪ Request for Deferral (1)						
— From Previous Years	-	-	-	0	17,510	17,510
— To Future Years	(88,842)	(45,536)	(134,378)	(36,017)	(9,367)	(45,384)
Available Funding	**161,357**	**116,372**	**277,729**	**96,933**	**132,249**	**229,182**
▪ Parliamentary Appropriations (2)						
— Used	134,401	59,887	194,288	60,458	90,873	151,331
— Required	26,956	56,485	83,441	36,475	41,376	77,851
Total Parliamentary Appropriations	**161,357**	**116,372**	**277,729**	**96,933**	**132,249**	**229,182**

(1) Approvals will be sought in future fiscal years.
(2) Generally, JCCBI only receives its funding once the expenses have been incurred.



UNAUDITED INTERIM FINANCIAL STATEMENTS OF JCCBI

SECTION
4

4. Unaudited Interim Financial Statements of JCCBI

For the nine (9) months ended December 31, 2014, 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 Senior Director, Administration

February 22, 2015

4.2. Statement of Financial Position as at December 31, 2014

(Unaudited – in Canadian Dollars)

	Dec. 31, 2014	March 31, 2014
	$	$
Financial Assets		
Cash flow	**38,347,015**	14,273,961
Accounts receivable		
Due from FBCL	**38,049**	3,005,964
Due from the Government of Canada	**42,887,049**	23,667,621
Other	**6,386,460**	10,317,788
Total Financial Assets	**87,658,573**	51,265,334
Liabilities		
Accounts payable and accrued liabilities		
Due to FBCL		421,898
Other suppliers	**76,396,327**	38,392,709
Employees future benefits	**1,238,340**	1,161,439
Contractual holdbacks (Note 4.6.5)	**9,925,296**	9,536,511
Deferred revenue	**366,157**	351,836
Environmental obligations (Note 4.6.6)	**38,100,000**	35,861,000
Total Liabilities	**126,026,120**	85,725,393
Net Debt	**(38,367,547)**	(34,460,059)
Non-Financial Assets		
Tangible capital assets (Note 4.6.7)	**430,267,069**	382,220,826
Prepaid expenses	**2,456,474**	787,985
Total Non-Financial Assets	**432,723,543**	383,008,811
Accumulated Surplus	**394,355,996**	348,548,752

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 Nine Months Ended December 31, 2014

(Unaudited – in Canadian Dollars)

	Twelve Months Ended	Nine Months Ended December 31, 2014		Nine Months Ended December 31, 2013	
	Budget	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	$	$	$	$	$
Revenues					
Leases and permits	3,617,000	900,287	**2,796,529**	213,341	632,836
Interests	238,000	150,337	**356,955**	83,452	219,282
Other sources	-	13,940	**27,305**	310	11,235
Total Revenues	3,855,000	1,064,564	**3,180,789**	297,103	863,353
Expenses (Note 4.6.11)					
Maintenance	283,513,000	67,650,840	**136,762,040**	18,204,212	60,739,296
Operations	4,265,000	1,170,726	**3,299,545**	1,040,864	3,124,004
Administration	10,127,000	3,494,273	**9,196,765**	2,251,131	5,715,896
Environmental obligations	1,487,000	1,960,012	**2,402,774**	70,702	9,611,586
Total Expenses	299,392,000	74,275,851	**151,661,124**	21,566,909	79,190,782
Deficit before Government of Canada funding	(295,537,000)	(73,211,287)	**(148,480,335)**	(21,269,806)	(78,327,429)
Parliamentary appropriations for operating expenses (Note 4.6.10)	250,199,000	66,821,802	**134,400,509**	17,004,887	60,457,710
Parliamentary appropriations for tangible capital assets (Note 4.6.10)	161,908,000	13,680,514	**59,887,070**	48,411,310	90,873,326
Annual Operating surplus	**116,570,000**	7,291,029	**45,807,244**	44,146,391	73,003,607
Accumulated Operating surplus, Beginning of the year			**348,548,752**		258,322,215
Accumulated Operating surplus, End of the year			**394,355,996**		331,325,822

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

4.4. Statement of Change in Net Debt for the Nine Months Ended December 31, 2014

	Twelve Months Ended	Nine Months Ended December 31, 2014		Nine Months Ended December 31, 2013	
	Budget	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	$	$	$	$	$
Annual Operating Surplus	116,570,000	7,291,029	**45,807,244**	44,146,391	73,003,607
Acquisition of tangible capital assets (Note 4.6.7)	(161,908,000)	(13,680,513)	**(59,887,069)**	(48,411,310)	(90,873,326)
Amortization of tangible capital assets (Note 4.6.7)	38,044,000	4,589,483	**11,840,826**	2,982,030	8,639,206
Total variation due to tangible capital assets	(123,864,000)	(9,091,030)	**(48,046,243)**	(45,429,280)	(82,234,120)
Acquisition of prepaid expenses	-	(87,314)	**(2,790,787)**	7,280,241	(1,509,214)
Use of prepaid expenses	-	332,678	**1,122,298**	79,020	539,250
Total variation due to prepaid expenses	-	245,364	**(1,668,489)**	7,359,261	(969,964)
Decrease (Increase) in Net Debt	(7,294,000)	(1,554,637)	**(3,907,488)**	6,076,372	(10,200,477)
Net Debt, Beginning of the Year			**(34,460,059)**		(31,643,819)
Net Debt, End of the Year			**(38,367,547)**		(41,844,296)

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

4.5. Statement of Cash Flow for the Nine Months Ended December 31, 2014

	Nine Months Ended December 31, 2014		Nine Months Ended December 31, 2013	
	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	$	$	$	$
Operating transactions				
Annual operating surplus	7,291,029	**45,807,244**	44,146,391	73,003,607
Adjustments for non-cash items:				
Amortization of tangible capital assets (Note 4.6.7)	4,589,483	**11,840,826**	2,982,030	8,639,206
Increase in employee future benefits	41,952	**76,901**	43,048	69,489
Increase in environmental obligations	1,800,000	**2,239,000**	-	9,300,000
Changes in non-cash working capital items:				
(Increase) in accounts receivable	(16,030,038)	**(12,320,185)**	(12,650,928)	(36,474,471)
Increase in accounts payable and accrued liabilities	6,717,000	**37,581,720**	(5,357,437)	14,471,058
(Decrease) in employee future benefits	-	-	(141,140)	(135,539)
Increase in contractual holdbacks	1,996,149	**388,785**	2,405,343	2,566,900
Increase (decrease) in deferred revenue	184,458	**14,321**	222,628	146,249
(Increase) in prepaid expenses	245,364	**(1,668,489)**	7,359,261	(969,964)
Cash Flow provided by Operating transactions	6,835,397	**83,960,123**	39,009,196	70,616,535
Capital transactions				
Acquisition of tangible capital assets (Note 4.6.7)	(13,680,513)	**(59,887,069)**	(48,411,310)	(90,873,326)
Cash Flow used for Capital transactions	(13,680,513)	**(59,887,069)**	(48,411,310)	(90,873,326)
(Decrease) Increase in Cash	(6,845,116)	**24,073,054**	(9,402,114)	(20,256,791)
Cash, Beginning of the Year		**14,273,961**		21,820,474
Cash, End of the Year		**38,347,015**		1,563,683

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 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. Since this 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 unaudited Interim Financial Statements have been prepared by management according to the CPSAS and in accordance with the requirements of the FAA and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat.

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 recorded as deferred revenue when stipulations lead to the creation of a liability. Revenue is recorded 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 recorded under "Due from the Government of Canada."

Tangible Capital Assets

Tangible capital assets are recorded at cost. Replacements and major improvements which extend the useful service lives 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 according to the Corporation's policy.

Capital assets received as contributions from departments, agencies and Crown corporations within the jurisdiction of the Government of Canada are recorded 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 10 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

Revenues from leases and permits, interests and other sources are recognized in the fiscal year in which they are earned. Revenues 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.

Severance Benefits

In the past, the employees of the Corporation had acquired rights to specific benefits provided for in their conditions of employment through a severance benefit plan. The Corporation terminated this plan as of August 31, 2012, and agreed with its employees to eliminate severance benefits on the basis of various payment methods, as stipulated by Treasury Board directives. The past cost of post-employment benefits relating to severance benefits was recognized over the periods during which the employees rendered services to the entity, and the liability is recorded as "Employee Future Benefits." Management uses assumptions and its best estimates, at present value, to calculate the value of the liability for the severance benefits.

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 recorded 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 records the cost of employee future benefits for sick leave as they are earned by the employees. Moreover, the Corporation records 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 recorded at present value.

Environmental Obligations

Whenever the Corporation accepts responsibility for sites where contamination exceeds environmental standards, that it plans for the abandonment of future economic benefits to that effect and that the amount involved can be reasonably estimated, an obligation for the clean-up of the contaminated sites is recorded as a liability in the Statement of Financial Position. The estimated future costs are recorded as liabilities 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 recorded as expenditures as they are incurred.

Financial Instruments

The Corporation identifies, assesses, and manages financial risks in order to minimize their impact on its results and financial position. Financial risks are managed in accordance with specific criteria. The Corporation does not engage in speculative transactions nor does it use derivatives.

The measurement 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 Deferred revenue	Cost or amortized cost

Contingencies

Contingent liabilities are potential liabilities which may become actual liabilities if one or more future events occur. If it is probable that an event will occur or fail to 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 which 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 recognized 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 and contingencies.

4.6.3. Adoption of New Accounting Standards

No new accounting standards impacting the Corporation's Financial Statements were adopted.

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 terms are 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 December 31, 2014, 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) A permit to occupy public land was granted to the Corporation by a municipal authority for the development, construction, use and maintenance of a temporary structure and other related uses on land that it does not own. It was agreed between the parties that this permit was a temporary procedural vehicle that would eventually be replaced by a long-term agreement. The permit of occupancy contains termination clauses which are standard for this type of permit, whereby the owner may require the removal of, or alteration to, the Corporation's structures, if deemed necessary in the public interest, by giving six (6) months' notice to the Corporation, at the expiration of which the permission to occupy the public domain will end. The permit provides that the Corporation must then vacate the land, failing which the municipality may evict the Corporation, at the latter's expense, without indemnity or compensation. The permit also includes the right for the Corporation to terminate the permit upon notice to the other party with the obligation to remove the structures at its expense. The construction of the structure is underway and neither the Corporation nor the owner of the land has expressed its intention to exercise the termination clause as of December 31, 2014. As the term or 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.

c) The Corporation holds structures erected on land it does not own, but whose owner has transferred the management and administration 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 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. Consequently, 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 work, to ensure that the latter fulfill their obligations pertaining to warranties of rectification and correction of defects and poor workmanship in work. 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 contractual 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. As of December 31, 2014, 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 waste fill site operated by the City of Montreal between 1866 and 1966. This former waste fill 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 feasibility 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 be completed the following year, namely in 2017;
- 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 periodically revises certain assumptions as well as a study by an external firm on the basis of new aggregated data:

- The project will begin at the end of 2015 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.

4.6.6 ENVIRONMENTAL OBLIGATIONS (CONTINUED)

Reference Elements as at December 31, 2014	**East Sector**	**West Sector**
Discount rate – Based on the Government of Canada benchmark yields: i) Fiscal years 2015-2016 and 2016-2017 ii) Fiscal year 2018-2019 and onwards	 1,01% 2,33%	 1,01% 2,33%
Inflation rate – NRBCPI: Non-residential buildings	3,24%	3,24%
Accuracy factor	+/-30%	+/- 20%
Years during which work will be carried out	2016-2017	2015-2016
Start of operations	2017	2016
Undiscounted range to which the inflation rate was applied: In 2013: - Minimum - Maximum In 2014: - Minimum - Maximum	 $24,900,000 $74,400,000 $23,800,000 $44,200,000	 $21,100,000 $31,500,000 $22,000,000 $33,100,000
Discounted range to which the inflation rate was applied In 2013: - Minimum - Maximum In 2014: - Minimum - Maximum	 $16,500,000 $49,400,000 $20,300,000 $37,600,000	 $16,700,000 $24,900,000 $17,800,000 $26,700,000
Provision for the environmental liability	$20,300,000	$17,800,000

As of December 31, 2014, the Corporation therefore estimates the Environmental obligations at $38,100,000 ($33,200,000 in 2013) for the East and West Sectors. This amount was recorded as “Environmental Obligations” in the Statement of Financial Position as at December 31, 2014.

4.6.7. Tangible Capital Assets

(Unaudited – in Canadian dollars)

	Lands	Bridges and Roads	Vehicles and Equipment	Projects in Progress	Total
	$	$	$	$	$
Cost					
April 1, 2013	6,890,863	382,159,495	3,626,824	55,806,692	448,483,874
Acquisitions	-	29,744,311	874,414	74,589,276	105,208,001
Disposals	-	-	(168,634)	-	(168,634)
Transfers	-	13,060,310	-	(13,060,310)	-
March 31, 2014	6,890,863	424,964,116	4,332,604	117,335,658	553,523,241
Acquisitions	-	(1,256,402)	123,240	61,020,231	59,887,069
Disposals	-	-		-	-
Transfers	-		-		-
December 31, 2014	**6,890,863**	**423,707,714**	**4,455,844**	**178,355,889**	**613,410,310**
Accumulated Amortization					
April 1, 2013	-	156,754,758	2,401,904	-	159,156,662
Amortization	-	11,892,784	421,603	-	12,314,387
Disposals	-	-	(168,634)	-	(168,634)
Write-downs	-	-	-	-	-
March 31, 2014	-	168,647,542	2,654,873	-	171,302,415
Amortization	-	11,343,550	497,276	-	11,840,826
Disposals	-	-		-	-
Write-downs	-	-	-	-	-
December 31, 2014	**-**	**179,991,092**	**3,152,149**	**-**	**183,143,241**
Net Book Value					
March 31, 2014	6,890,863	256,316,574	1,677,731	117,335,658	382,220,826
December 31, 2014	**6,890,863**	**243,716,622**	**1,303,695**	**178,355,889**	**430,267,069**

4.6.8. Share Capital

The authorized share capital is 50 shares without par value and the Corporation has one issued and fully paid 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 which cannot 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 has 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. Transfer Payments

	December 31	
	2014	**2013**
	$	$
Transfer payments received or receivable for:		
Champlain Bridge	**61,738,828**	27,303,856
Nuns' Island causeway-bridge and preservation of the actual bridge	**36,265,690**	29,256,875
Regular operations	**16,855,305**	79,567,304
Honoré Mercier Bridge	**26,780,306**	14,891,415
Jacques Cartier Bridge	**16,528,640**	-
Bonaventure Expressway	**18,194,172**	-
Highway 15	**7,557,558**	-
Champlain Bridge Ice Control Structure	**7,344,651**	-
Melocheville Tunnel	**2,858,655**	-
Federal Contaminated Sites Action Plan	**163,774**	311,586
Transfer payments approved and recognized during the year	**194,287,579**	151,331,036

[1] For fiscal year 2014-2015, transfer payments received or receivable are presented by structure, whereas in 2013-2014, they were presented by sources of funding.

4.6.11. Expenses by Type

	December 31	
	2014	**2013**
	$	$
Regular and major maintenance	**120,390,086**	47,466,288
Environmental obligations	**2,402,774**	9,300,000
Amortization of tangible capital assets	**11,840,826**	8,639,206
Salaries and employee benefits	**10,029,866**	6,510,999
Professional services	**2,931,041**	4,730,515
Goods and services	**4,066,531**	2,543,774
Total Expenses	**151,661,124**	79,190,782