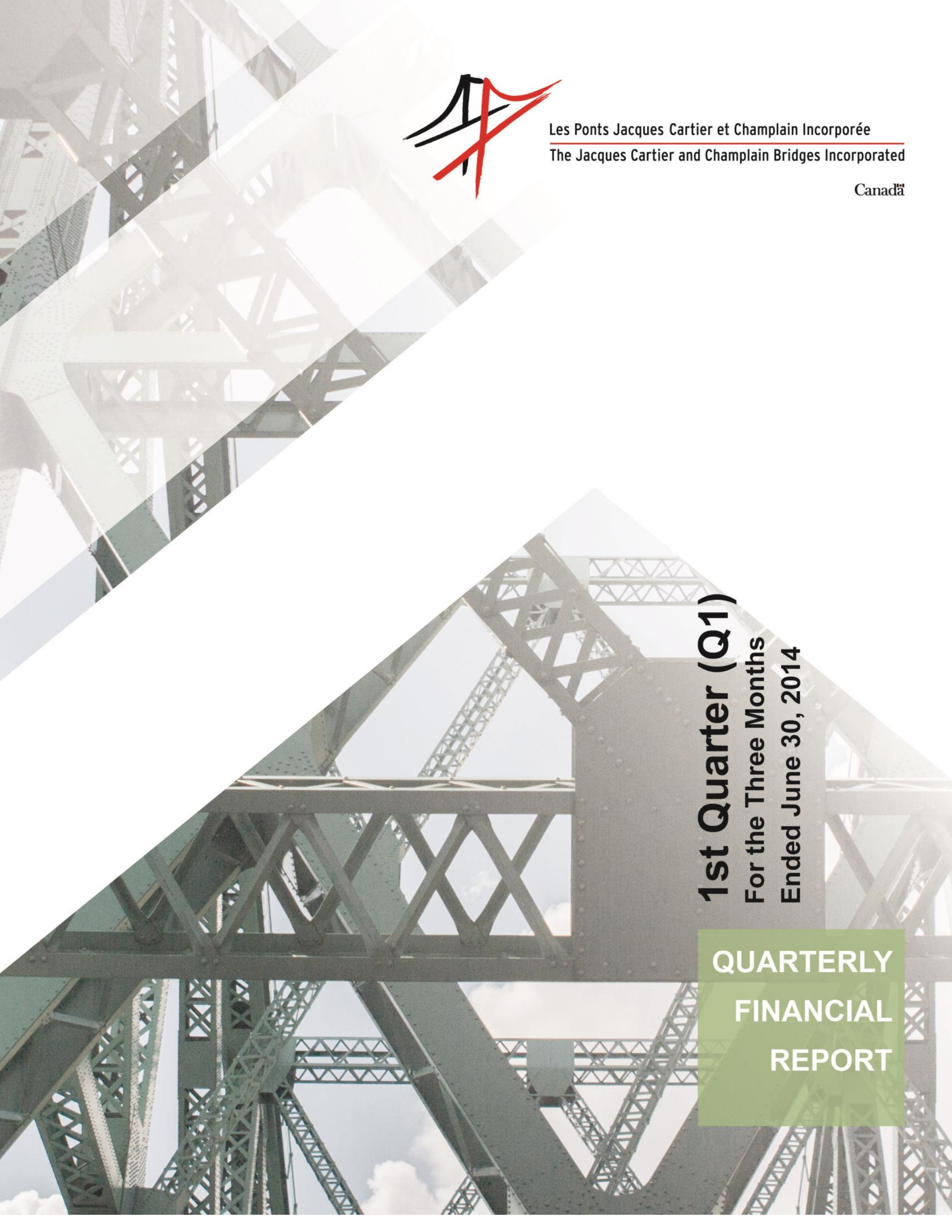


Les Ponts Jacques Cartier et Champlain Incorporée

The Jacques Cartier and Champlain Bridges Incorporated

Canada

1st Quarter (Q1)

For the Three Months
Ended June 30, 2014

QUARTERLY FINANCIAL REPORT

TABLE OF CONTENTS

STATUS

SECTION 1

1. STATUS

The Jacques Cartier and Champlain Bridges Inc. (“JCCBI” or “the Corporation”) 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:

» 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 the repairing 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.

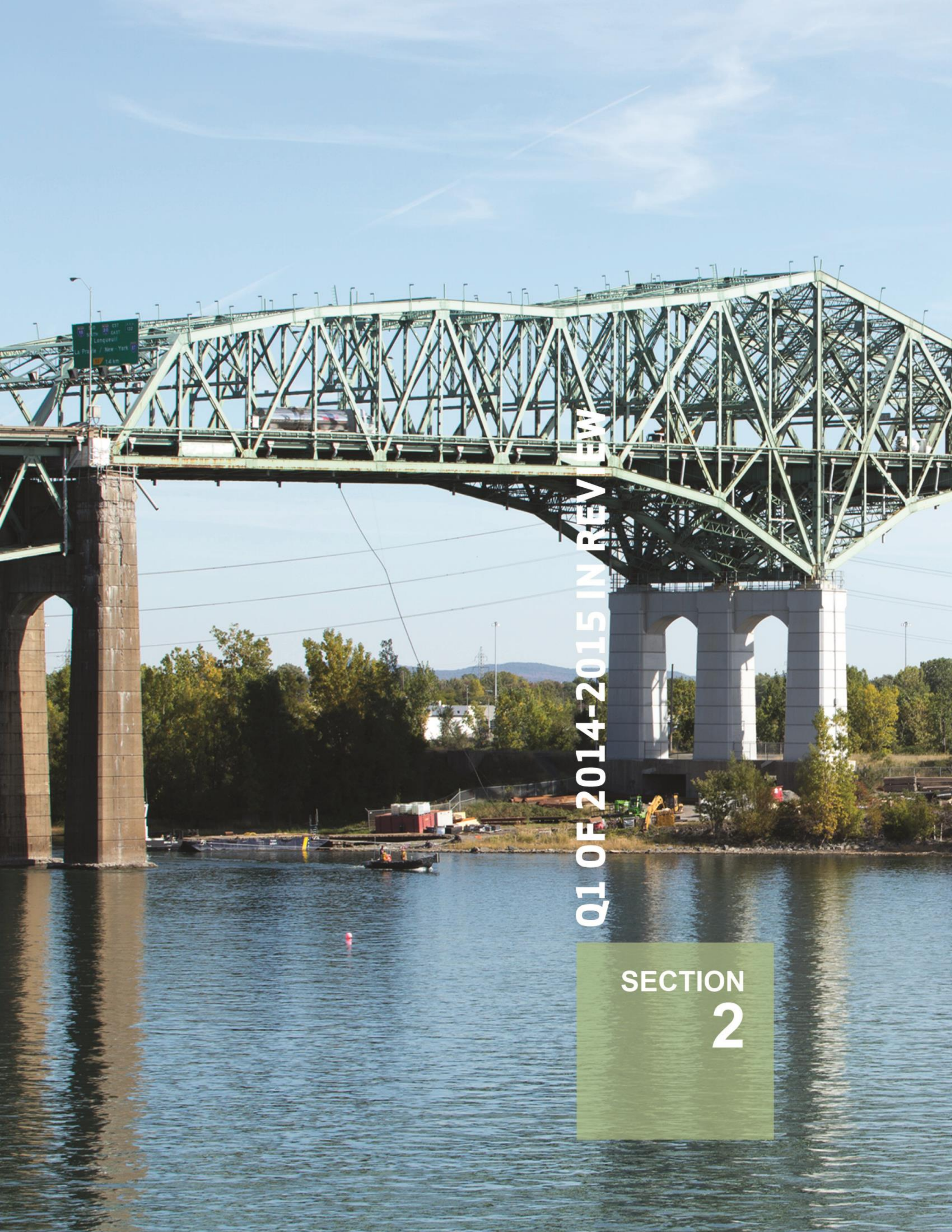
Administrative departments such as Legal Counsel, Procurement, Finances, Planning, Information Technology, Human Resources, Environment, and Communications support these sectors.

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 long-term and short-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.



SECTION 2

Q1 OF 2014-2015 IN REVIEW

2. Q1 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 June 30, 2014 (Q1). It should 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 included 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 $23.2 M for the three months ended June 30, 2014 ($12.8 M in 2013). The deficit before public funding was $29.3 M as at June 30, 2014 ($21.1 M in 2013).

In the first quarter of the current fiscal year, the total revenue was $1 M ($0.3 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. This revenue for Q1 is in the order of $0.750 M. The net debt increased by $2.6 M during the first quarter, to total $37.1 M. A $16.1 M increase in financial assets, mainly consisting of the amounts due from the federal government, is responsible for this change. Capital asset acquisitions in the first quarter of the current fiscal year totalled $27.6 M ($15.6 M in 2013). They mostly consist of expenses of $15.3 M for the Nuns' Island temporary causeway-bridge, $5.2 M for the Honoré Mercier Bridge, $4.3 M for the Champlain Bridge, $1.7 M for the Jacques Cartier Bridge and $1.1 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 will significantly increase 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, the repairs to the Champlain Bridge, and the construction of a temporary causeway-bridge for the replacement of Nuns' Island Bridge in Montreal.

Future maintenance and rehabilitation work is even more important with the rehabilitation, starting or ongoing, of important 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. In addition, additional investments in the order of $389 M could be required over the next five (5) years 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, the Melocheville Tunnel, and the Champlain Bridge Ice Control Structure;

4. Important environmental mitigation measures will be 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 three (3) months ended June 30, 2014, the total financial assets increased by $16.1 M, to reach $67.4 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. This value increased to $56.2 M as at June 30, 2014 ($23.7 M as at March 31, 2014).

JCCBI's net cash position decreased by $11.3 M during Q1, to amount to $3 M as at June 30, 2014 ($14.3 M as at March 31, 2014). The decrease during the quarter is due to the cash position, which is fully offset by the amount due from the Government of Canada.

Liability

Accounts payable and accrued liabilities increased by $19.6 M, from $38.8 M as at March 31, 2014, to $58.4 M as at June 30, 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 decreased by $1.7 M during the fiscal year to amount to $7.9 M as at June 30, 2014 ($9.6 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 $0.639 M during the first quarter of the current fiscal year ($36.5 M as at June 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 $23.9 M and amounted to $406.1 M relative to the March 31, 2014, Financial Statements ($382.2 M). This total comprises $27.6 M in capital asset acquisitions, less charges for amortization of $3.7 M. The following are included in these major works: those of Nuns' Island causeway-bridge ($15.3 M), the Honoré Mercier Bridge ($5.2 M), the Champlain Bridge ($4.3 M), the Jacques Cartier Bridge ($1.7 M), and various other works totalling $1.1 M. Prepaid expenses during the fiscal year increased by $1.9 M. This increase is primarily related to advance payments, in the amount of $2 M, for work to be performed on the Honoré Mercier Bridge in Montreal.

<u>Government Funding</u>

The following table summarizes the public funding for the first quarter, for the current and previous fiscal year:

(In thousands of dollars)	**First Quarter**	
	2014–15	2013–14
Public funding for operating expenses	24,940	18,229
Public funding for tangible capital assets	27,616	15,628
TOTAL	**52,556**	33,857

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

3.1.2. Expenses

<u>Maintenance</u>

Maintenance charges during the quarter represent 84% of the total expenses for the quarter, amounting to $25.6 M ($18.6 M in 2013).

For the three (3) months ended June 30, 2014, maintenance charges are mainly distributed as follows:

- $8.1 M for maintenance of the Champlain Bridge
- $3.6 M for amortization
- $5.6 M for projects carried out on the Jacques Cartier Bridge
- $0.645 M for work on Highway 15
- $2.6 M for work on the Bonaventure Expressway
- $1.8 M for work on the existing Nuns' Island Bridge
- $2.0 M for salaries and employee benefits

<u>Operations</u>

Operating expenses during the first quarter totalled $1 M ($1 M in Q1 2013). These figures represent 3.4% of the total expenses (4.8% in Q1 2013).

Administration

The $3 M in administrative expenses in Q1 represent a $1.4 M increase over the previous fiscal year ($1.6 M in Q1 2013). During the quarter, administrative expenses represented 10.1% (7.6% in 2013) of the total expenses. This increase mainly results from the addition of positions in the various departments and from professional services, including IT consultants, recruitment of personnel, chartered accountants, and change management experts.

Environmental Obligation

The environmental obligation increased by $0.630 M since the beginning of the fiscal year, related to the estimated value related to future expenditures.

3.2. Cash Flow

During the first quarter, the cash balance decreased by $11.3 M, to amount to $3 M. This decrease is primarily due to the date when the applications for appropriations from the federal government were made, the amount expected from the Government of Canada having increased by $32.5 M since the end of the previous fiscal year.

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 road salt. 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 three-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 three (3) 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

As early as 2013, 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. 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 is in progress 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. 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.

With the help of specialized firms, JCCBI has identified 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.

Thus, in a first phase, JCCBI has deployed an integrated management information system for the Finances and Procurement functions. In the coming months, JCCBI will deploy the second phase for the functions related to project management and human resources activities. In 2015, JCCBI will deploy electronic document management software, which will help digitize physical records.

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 Q1:

The Jacques Cartier Bridge

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 recent study on the bearing capacity of the structure confirms the existence of other risks related to the structural capacity of the bridge.

Work, in the order of $7.3 M, has been carried out, particularly to rehabilitate piers, reinforce the steel, and stabilize a slope on the South Shore side.

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 rehabilitation of the deck have continued in Q1. Work, totalling $5.2 M, was carried out, particularly to install platforms (Seaway section) and strengthen pier caps as well as to remove the existing deck and install the new deck (the section of the island between the Seaway and the river).

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 piers 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 bridge repair program enters its sixth year, and signs of deterioration continue to appear. The announced timetable for the bridge replacement by 2018 requires that the maintenance program continue until the replacement is complete, given the increased risks related to the increase of corrosion inside the pre-stressed concrete girders, which is a major issue. Work in the amount of approximately $10 M was carried out, particularly to rehabilitate piers, repair the steel, and replace the bearings.

This aging structure requires a detailed inspection program whose frequency is much more important than for the other structures, 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 health of the bridge. The placement of instrumentation on the edge girders will continue this year on section 5 of the bridge, the installation of such instrumentation on section 7 being completed. One hundred percent of the installation of the instrumentation on section 5 will be completed in 2014. A table showing the health 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 Q1, JCCBI has acquired $0.805 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 five (5) years (2014–2018) in order maintain the structure in an acceptable condition.

Work ($2.8 M) to rehabilitate piers and girders, as well as the slab and deck joints at sections 5 and 7 of the bridge, has thus begun during Q1.

In November 2013, JCCBI had to install a temporary steel support girder above an existing concrete girder in order to support it. In May 2014, JCCBI carried out work ($1.5 M) to dismantle that temporary support girder and install a permanent support (modular latticework). With the fabrication and delivery of one (1) temporary support girder ($0.400 M) during Q1, JCCBI now has three (3) spare temporary support girders.

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. It is also important to note that the construction of the Nuns' Island temporary causeway-bridge has had a significant impact on JCCBI's work planning, this new arrival being located near several other projects, including the projects to replace the Main Overpass and Viaducts N and V and the environmental mitigation project in the Bonaventure Expressway Sector.

Nuns' Island Bridge

With regard to Nun's 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 the slab, as well as on the instrumentation and special inspections to ensure that risk management of these components is adequate. This work is intended to ensure that the existing bridge remains safe until the commissioning of the temporary causeway-bridge, planned for October 2014. The installation of the instrumentation on the girders has been completed in 2013 for all twelve (12) spans.

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 its full commissioning is planned for December 2014.

3.4. Report on the Use of Appropriations

According to planning, appropriations available during the current fiscal year are $399.8 M.

In thousands of dollars	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013		
	Operating	Capital	Total	Operating	Capital	Total
▪ Main Estimates	248,960	150,860	399,820	104,539	76,410	180,949
▪ Supplementary Estimates				22,641	47,696	70,337
▪ Request for Deferral						
- For Previous Years				307	43,331	43,638
- To Future Years				(46,469)	(33,049)	(79,518)
Available Funding	**248,960**	**150,860**	**399,820**	**81,018**	**134,388**	**215,406**
▪ Parliamentary Appropriations						
- Used	24,940	27,616	52,556	18,229	15,628	33,857
- Required	224,020	123,244	247,264	62,789	118,760	181,549
Total Parliamentary Appropriations	**248,960**	**150,860**	**399,820**	**81,018**	**134,388**	**215,406**


UNAUDITED INTERIM FINANCIAL
STATEMENTS OF JCCBI
SECTION
4

4. UNAUDITED INTERIM FINANCIAL STATEMENTS OF JCCBI

For the three (3) months ended June 30, 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 Incorporated 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.
Acting Chief Executive Officer

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

August 18, 2014

4.2. Statement of Financial Position as at June 30, 2014

(Unaudited – in Canadian Dollars)

	June 30, 2014	March 31, 2014
	$	$
Financial Assets		
Accounts receivable	**2,980,057**	14,273,961
Due from FBCL		
Due from the Government of Canada	**38,049**	3,005,964
Other	**56,151,681**	23,667,621
Accounts receivable	**8,256,263**	10,317,788
Total Financial Assets	**67,426,050**	51,265,334
Liabilities		
Accounts payable and accrued liabilities	**-**	421,898
Due to FBCL	**58,442,911**	38,392,709
Employee future benefits	**1,319,257**	1,161,439
Contractual holdbacks (Note 4.6.5)	**7,891,830**	9,536,511
Deferred revenue	**326,933**	351,836
Environmental obligations (Note 4.6.6)	**36,500,000**	35,861,000
Total Liabilities	**104,480,931**	85,725,393
Net Debt	**(37,054,881)**	(34,460,059)
Non-Financial Assets		
Tangible capital assets (Note 4.6.7)	**406,116,728**	382,220,826
Prepaid expenses	**2,721,731**	787,985
Total Non-Financial Assets	**408,838,459**	383,008811
Accumulated Surplus	**371,783,578**	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 Three Months Ended June 30, 2014

(Unaudited – in Canadian Dollars)

	Twelve Months Ended	Three Months Ended	
	March 31, 2015	**June 30, 2014**	**June 30, 2013**
	Budget	**Actual**	**Actual**
	$	**$**	$
Revenue			
Leases and permits	3,617,000	**944,774**	211,371
Interests	238,000	**55,805**	63,784
Other sources	-	**12,502**	8,300
Total Revenue	3,855,000	**1,013,081**	283,455
Expenses (Note 4.6.11)			
Maintenance	283,513,000	**25,542,095**	18,599,922
Operations	4,265,000	**1,044,457**	1,019,801
Administration	10,127,000	**3,075,740**	1,629,308
Environmental obligations	1,487,000	**672,428**	112,162
Total Expenses	299,392,000	**30,334,720**	21,361,193
Deficit Before Government of Canada Funding	(295,537,000)	**(29,321,638)**	(21,077,738)
Portion of transfer payments for operating expenses (Note 4.6.10))	248,960,000	**24,939,928**	18,229,441
Portion of transfer payments for tangible capital assets (Note 4.6.10)	150,860,000	**27,616,537**	15,627,563
Funding from FBCL		**-**	-
Annual Operating Surplus	**104,283,000**	**23,234,827**	12,779,266
Accumulated Operating Surplus, Beginning of the Year		**348,548,752**	258,322,215
Accumulated Operating Surplus, End of the Year		**371,783,579**	271,101,481

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

4.4. Statement of Change in Net Debt for the Three Months Ended June 30, 2014

	Twelve Months Ended	Three Months Ended	
	March 31, 2015	**June 30, 2014**	**June 30, 2013**
	Budget	**Actual**	**Actual**
	$	**$**	$
Annual Operating Surplus	104,283,000	**23,234,826**	12,779,266
Acquisition of tangible capital assets (Note 4.6.7)	(150,860,000)	**(27,616,537)**	(15,627,563)
Amortization of tangible capital assets (Note 4.6.7)	38,044,000	**3,720,635**	2,826,222
Total Variation Due to Tangible Capital Assets	(112,816,000)	**(23,895,902)**	(12,801,341)
Acquisition of prepaid expenses	-	**(2,347,511)**	(2,469,899)
Use of prepaid expenses	-	**413,765**	93,474
Total Variation Due to Prepaid Expenses	-	**(1,933,746)**	(2,376,425)
Decrease (Increase) in Net Debt	**(8,533,000)**	**(2,594,822)**	(2,398,500)
Net Debt, Beginning of the Year		**(34,460,059)**	(31,643,819)
Net Debt, End of the Year		**(37,054,881)**	(34,042,319)

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

4.5. Statement of Cash Flow for the Three Months Ended June 30, 2014

	Three Months Ended	
	June 30, 2014 Actual	**June 30, 2013 Actual**
	$	$
Operating Transactions		
Annual operating surplus	**23,234,826**	12,779,266
Adjustments for non-cash items:		
Amortization of tangible capital assets (Note 4.6.7)	**3,720,635**	2,826,222
Increase in employee future benefits	**157,818**	65,803
Increase in environmental obligations	**639,000**	-
Changes in non-cash working capital items:		
(Increase) in accounts receivable	**(27,454,620)**	(8,312,635)
Increase in accounts payable and accrued liabilities	**19,628,304**	5,872,556
(Decrease) increase in contractual holdbacks	**(1,644,681)**	148,397
(Decrease) increase in deferred revenue	**(24,903)**	1,907
(Increase) in prepaid expenses	**(1,933,746)**	(2,376,425)
Cash Flow Provided by Operating Transactions	**16,322,633**	11,005,091
Capital Transactions		
Acquisition of tangible capital assets (Note 4.6.7)	**(27,616,537)**	(15,627,563)
Cash Flow Used for Capital Transactions	**(27,616,537)**	(15,627,563)
(Decrease) Increase in Cash	**(11,293,904)**	(4,622,472)
Cash, Beginning of the Year	**14,273,961**	21,820,474
Cash, End of the Year	**2,980,057**	17,198,002

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

<u>Pension Plan</u>

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 plans for the abandonment of 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 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 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 June 30, 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 longer-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 clauses as of June 30, 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 March 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 a certain level of toxicity in the groundwater. 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: 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 updates certain assumptions as well as certain data of this study, on the basis of new aggregated data.

According to this feasibility study, as updated by the Corporation, the Corporation’s share in the total undiscounted estimated costs ranges between $23,900,000 and $44,400,000 ($24,900,000 and $74,400,000 in 2013), whereas the share in the total discounted estimated costs totals an amount ranging between $19,500,000 and $36,200,000 ($16,500,000 and $49,400,000 in 2013). The assumptions used to determine the obligation for the East Sector are the following:

- The project will begin in 2016 with the construction of a floating confinement barrier;
- The installation of the pumping and treatment system is expected to begin the following year, 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;

- The inflation rate is based on the average increase rate of the Non-Residential Building Construction Price Index – Industrial Sector ("NRBCPI") since 2000. The 3.43% inflation rate (which ranged between 2.4% and 2.6% in 2013) is used for the discount model;
- The cash flow was discounted using the Government of Canada benchmark yields:
    - Fiscal years 2015 to 2017, namely a rate of 1.11%;
    - On the long-term, namely a rate of 2.82% (2.56 % in 2013);
- For the East Sector, the Corporation's share is estimated at one-third of the total costs to be incurred;
- There is no residual value to the project.

The costs included in the feasibility study conducted by the external firm are estimated with a degree of accuracy of more or less 30%. Given the negotiations underway between the various partners, the project management method has not yet been ascertained. The Corporation considers it reasonable to set its assessment of the obligation at the lower range of the total discounted estimated costs, namely an amount of $19,500,000 ($16,500,000 in 2013).

b) **West Sector**

The Corporation periodically updates certain assumptions as well as certain data from a study conducted by an external firm on the basis of new aggregated data.

Based on the study, as updated, the Corporation's share in the total undiscounted estimated costs ranges between $22,200,000 and $33,300,000 ($21,100,000 and $31,500,000 in 2013), whereas the share in the total discounted estimated costs totals an amount ranging between $17,000,000 and $25,500,000 ($16,700,000 and $24,900,000 in 2013). The assumptions used to determine the obligation for the West Sector are the following:

- The project will begin in 2016 with the construction of a hydraulic barrier and of the treatment plant;
- Confinement operations are expected to begin in 2017 and extend over an estimated 15-year period. The duration of the project will extend beyond 15 years, but it is impossible to determine the costs beyond 15 years;
- The inflation rate is based on the average increase rate of the Non-Residential Building Construction Price Index – Industrial Sector ("NRBCPI") since 2000. The 3.43% inflation rate (which ranged between 2.4% and 2.6% in 2013) is used for the discount model;
- The cash flow was discounted using the Government of Canada benchmark yields:
    - Fiscal years 2015 to 2017, namely a rate of 1.11%;
    - On the long-term, namely a rate of 2.82% (2.56 % in 2013);

- For the West Sector, the Corporation's share is 50% of the total costs to be incurred;
- There is no residual value to the project.

The costs included in the feasibility study conducted by the external firm are estimated with a degree of accuracy of more or less 20%. Given the negotiations underway between the various partners, the project management method has not yet been ascertained. The Corporation considers it reasonable to set its assessment of the obligation at the lower range of the total discounted estimated costs, namely an amount of $17,000,000 ($16,700,000 in 2013).

As of June 30, 2014, the Corporation therefore estimates at $36,500,000 ($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 June 30, 2014.

4.6.7. Tangible Capital Assets

	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	-	1,501,426	109,471	26,005,641	27,616,537
Disposals	-	-		-	-
Transfers	-		-		-
June 30, 2014	**6,890,863**	**426,465,542**	**4,442,075**	**143,341,299**	**581,139,778**
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	-	3,549,602	171,033	-	3,720,635
Disposals	-	-		-	-
Write-downs	-	-	-	-	-
June 30, 2014	**-**	**172,197,144**	**2,825,906**	**-**	**175,023,050**
Net Book Value					
March 31, 2014	6,890,863	256,316,574	1,677,731	117,335,658	382,220,826
June 30, 2014	6,890,863	254,268,398	1,616,169	143,341,299	406,116,728

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

Transfer payments received or receivable for:

	2014	**2013**
	$	$
Regular operations	**25,620,413**	29,282,148
Rehabilitation of the Honoré Mercier Bridge	**4,592,087**	
Major maintenance program at the Champlain Bridge	**2,868,124**	2,287,744
Construction of Nuns' Island temporary causeway-bridge	**15,320,566**	2,174,960
Maintenance of the existing Nuns' Island Bridge	**1,763,445**	
Federal Contaminated Sites Action Plan	**33,428**	112,152
Champlain Bridge Edge Girders Strengthening Program	**2,358,402**	
Transfer Payments Approved and Recognized During the Year	**52,556,465**	33,857,004

The portion of the transfer payment used to fund the special projects presented above is limited to the maximum annual amount approved in the Corporate Plan, adjusted to reflect the requests for carry-over. Any amount in excess of the maximum amount approved for special projects is charged to regular operations.

4.6.11. Expenses by Type

	2014	2013
	$	$
Regular and major maintenance	**19,694,400**	14,235,445
Environmental obligations	**672,428**	-
Amortization of tangible capital assets	**3,720,635**	2,826,222
Salaries and employee benefits	**3,388,735**	2,162,638
Professional services	**1,789,956**	1,341,979
Goods and services	**1,068,566**	794,909
Total Expenses	**30,334,720**	21,361,193