

**PPP Canada**

**Quarterly Financial Report**

Third Quarter 2012-13

Period ended December 31, 2012

February 28, 2013

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**Quarterly Financial Report Narrative Discussion**  
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**P3 Knowledge Development and Sharing**

As part of PPP Canada's mandate to act as a source of expertise and advice on P3 matters, the Corporation has focused on increasing its capacity and expertise under its *P3 Knowledge Development and Sharing* business line, through the development of tools, materials and overall knowledge to support our work and that of our clients.

On February 13, 2013, the Corporation released its first P3Sector Study, focussed on the water/wastewater sector. The study provides an overview of the water, wastewater and biosolids sectors in Canada; an assessment of the P3 potential of water, wastewater and biosolids projects; and a summary of the potential P3 impediments and opportunities. The study is accessible on the PPP Canada website.

The Corporation continues to foster relationships with P3 practitioners and procuring jurisdictions across all levels of government in order to share lessons learned and to promote a culture of P3s into new precincts.

**Advancing Federal P3s**

PPP Canada's *Advancing Federal P3s* business line continues to grow and evolve. PPP Canada committed to work with our federal partners to identify P3 opportunities by delivering advice and expertise and supporting the institutional drivers of P3s. A particular focus was supporting the Treasury Board Secretariat in the development of the Guideline to Implementing Budget 2011 Direction on Public-Private Partnerships as announced in Budget 2011.

The Guideline has created a mandatory requirement for departments and agencies to consult PPP Canada in their screening activities, bringing greater formality to PPP Canada's activities in the federal space. To support departments and agencies in meeting the Budget 2011 screening requirements, PPP Canada has developed a screening tool and supporting guide to assist clients in determining the P3 suitability of their project and to promote consistency and comparability across projects. In addition to PPP Canada's project identification and development activities, the full implementation of the Federal Screen continues to be an important objective for the Federal Business line in 2012 -13. PPP Canada also continues to work in awareness-building and education of federal departments and as a lead P3 advisor on key federal infrastructure projects that are evaluating the appropriateness of the P3 delivery model.

**Advancing Provincial, Territorial, Municipal and First Nation P3s**

PPP Canada also continues to focus on its *Advancing Provincial, Territorial, Municipal and First Nation P3s* business line in order to position itself as an enabler of P3 projects, through the strategic use of the P3 Canada Fund by supporting projects that demonstrate the value of P3s. PPP Canada committed to a number of initiatives through the *P3 Canada Fund* including

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providing funding support to new and diverse projects; developing strategies for the Round Four call for projects building on experiences from early funding rounds; and developing strategies aimed at meeting the needs of municipalities. The Corporation closed the Round Four call for proposals on June 15, 2012 in which the Corporation placed a focus on projects that promote jobs and economic growth. Specifically, PPP Canada gave priority to public infrastructure in the following sectors: transportation, water/waste-water, solid waste disposal, and brownfield redevelopment.

In Round Four, the Corporation received a greater number of quality, P3 viable project submissions from Municipalities, First Nations, Provinces and Territories in the identified priority areas. A total of 56 applications were received under Round Four, equal to more than \$14 billion in capital projects. Of these, 70% of the submissions fell within the priority sectors: water and wastewater (20% or 11 applications); solid waste (9% or 5 applications); transportation (28% or 16 applications); brownfield redevelopment (12% or 7 applications). The greatest number of applications came from the municipalities with 57% or 32 of the applications. The Corporation continues to work with a portfolio of projects, which will continue to be developed over the next six months in anticipation of reaching investment decision before the fall of 2013.

PPP Canada has announced \$468 million in funding to P3 projects which includes payments made to eligible recipients in 2011-12 of \$22.7 million. P3 projects supported to date have combined total estimated project costs of \$1.9 billion and are highlighted by Round below.

Round 1 - \$48.6 million  
Round 2 - \$60.2 million  
Round 3 - \$359.1 million

In the current quarter, PPP Canada announced the Saskatoon Civic Operations Project, a \$42.9 million investment in the public transit sector.

**Quarterly and Year-to-Date Results**

PPP Canada forecasted \$11.75 million in operating and \$700 thousand in capital disbursements for fiscal year 2012-13 and received \$9.350 million in appropriations in the first three quarters. In addition, PPP Canada requested in the current quarter payment of the \$275 million in appropriations for the P3 Canada Fund for 2012-13.

Total spending on operations in the first three quarters amounted to \$8.104 million and represents 65% of the total annual budget. Disbursements related to capital in the first three quarters amounted to \$632 thousand and represent 90% of the annual budget.

Year to date operating budget variances are mainly attributable to decreased spending on travel and delayed spending related to the development of tools to provide guidance on P3 best

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practices and their application.

The Corporation's capital expenditures have largely been related to an expansion of PPP Canada's existing premises which began in the 2011-12 fiscal year and concluded in July of 2012. The balance of the capital expenditures relate to the design and implementation of an Electronic Document and Records Management System (EDRMS) which is nearing completion with full implementation scheduled for April 2013.

Cash flows for the period reflected the ongoing operations of the organization. PPP Canada earned \$6.443 million in interest on P3 Canada Fund investments bringing the balance of the Deferred P3 Canada Fund revenue account to \$673.933 million.

**Risk Analysis**

Risk Management (RM) within PPP Canada is a shared process between the Corporation's management team and the Board of Directors.

Progress in establishing effective Enterprise Risk Management (ERM) systems and processes is an ongoing and important management item. Steps are being taken to continuously improve ERM capacity and capabilities within the organization and to integrate risk more systematically into planning, decision making and other business processes. Examples of this include annual updates of PPP Canada's Corporate Risk Profile (CRP) and using the results to inform strategic and business planning and decision making. The CRP presents a comprehensive overview of PPP Canada's key risk priorities as it continues its development and implementation of ERM.

PPP Canada's Board of Directors and its management will continue to promote effective RM in the organization by building on the progress made to date and strengthen the ERM process in concert with other key elements of the overall planning framework. PPP Canada will review regularly and update the CRP on an annual basis or as new risks emerge and refine supporting risk management systems and processes to ensure that the Corporation can effectively and efficiently respond to risks as they arise.

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**Report on the Use of Appropriations**

For the identified period with comparative figures for 2011 (in thousands of dollars)

<b>Appropriations included in 2011-12 Main Estimates</b>	<b>Fiscal year 2012-13</b>	<b>Fiscal year 2011-12</b>
Vote 40 - Appropriations for operations	12,700 *	12,700
Vote 45 - Appropriations for P3 Canada Fund	275,000	275,000
<b>Total Appropriations</b>	<b>287,700</b>	<b>287,700</b>

\* Note: PPP Canada's fiscal plan has a budget of \$12,450 for 2012-13 reflecting planned reductions included in Budget 2012.

<b>Use of Appropriations</b>	<b>Three month period ended December 31,</b>		<b>Nine month period ended December 31,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Operating appropriations received	3,125	3,175	9,350	9,525
P3 Canada Fund appropriations received	-	-	-	-
Portion of parliamentary appropriations in current year deferred for future P3 Canada Fund payments	-	-	-	-
<b>Parliamentary appropriations recognized as revenue</b>	<b>3,125</b>	<b>3,175</b>	<b>9,350</b>	<b>9,525</b>

<b>Deferred Appropriations</b>	<b>Three month period ended December 31,</b>		<b>Nine month period ended December 31,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Beginning balance	671,729	412,726	667,490	410,181
P3 Canada Fund appropriations received	-	-	-	-
P3 Canada Fund revenue earned	-	(22,209)	-	(22,209)
Interest received	1,742	614	4,691	2,862
Increase in accrued interest	462	734	1,752	1,031
<b>Ending balance</b>	<b>673,933</b>	<b>391,865</b>	<b>673,933</b>	<b>391,865</b>

**PPP Canada**  
**Statement of Management Responsibility**

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements. These quarterly financial statements have not been audited or reviewed by our external auditors.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.



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John McBride  
Chief Executive Officer  
PPP Canada Inc.



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Gregory Smith, CA  
Chief Financial Officer  
PPP Canada Inc.

Ottawa, Canada  
February 28, 2013

**PPP Canada**  
**Statement of Financial Position (unaudited)**

*As at December 31, 2012 with comparative figures for March 31, 2012 (in thousands of dollars)*

	December 31, 2012	March 31, 2012
<b>FINANCIAL ASSETS:</b>		
Cash and cash equivalents	\$ 4,013	\$ 4,074
P3 Canada Fund accrued interest	4,053	2,301
P3 Canada Fund investments	669,880	665,189
Amounts receivable	287	490
<b>Total financial assets</b>	<b>678,233</b>	<b>672,054</b>
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	1,650	2,956
Employee future benefits	336	260
Deferred P3 Canada Fund revenue	673,933	667,490
<b>Total liabilities</b>	<b>675,919</b>	<b>670,706</b>
<b>Net assets</b>	<b>2,314</b>	<b>1,348</b>
<b>NON-FINANCIAL ASSETS:</b>		
Tangible capital assets	1,451	1,151
Prepaid expenses	32	29
<b>Total non-financial assets</b>	<b>1,483</b>	<b>1,180</b>
<b>Accumulated surplus</b>	<b>\$ 3,797</b>	<b>\$ 2,528</b>

The accompanying notes are an integral part of these financial statements.

**PPP Canada**  
**Statement of Operations (unaudited)**

*For the identified period with comparative figures for 2011 (in thousands of dollars)*

	Three month period ended December 31,		Nine month period ended December 31,	
	2012	2011	2012	2011
<b>OPERATING REVENUES:</b>				
Parliamentary appropriations	\$ 3,125	3,175	\$ 9,350	\$ 9,525
Interest income	8	10	23	27
	<b>3,133</b>	<b>3,185</b>	<b>9,373</b>	<b>9,552</b>
<b>OPERATING EXPENSES:</b>				
Salaries	1,167	1,085	3,281	3,047
Benefits	450	536	1,532	1,078
Professional services	245	142	713	463
Contracted services: P3 Canada Fund projects	36	8	83	103
Contracted services: Market development	-	70	139	247
Contracted services: P3 tools and practices	87	158	187	336
Shared administrative services	195	195	585	585
Rent	197	120	541	358
Directors' fees and expenses	28	66	71	152
Travel	76	156	215	409
Amortization of tangible capital assets	115	85	332	249
Information and communications	47	22	103	95
Maintenance and equipment	30	23	84	78
Tenant relocation costs	-	-	61	-
Special fees and services	58	57	177	164
	<b>2,731</b>	<b>2,723</b>	<b>8,104</b>	<b>7,364</b>
Operating surplus	402	462	1,269	2,188
<b>P3 CANADA FUND:</b>				
Revenue	-	22,209	-	22,209
Payments to eligible recipients	-	(22,209)	-	(22,209)
P3 Canada Fund surplus	-	-	-	-
Surplus	402	462	1,269	2,188
Accumulated surplus, beginning of period	3,395	3,378	2,528	1,652
<b>Accumulated surplus, end of period</b>	<b>\$ 3,797</b>	<b>\$ 3,840</b>	<b>\$ 3,797</b>	<b>\$ 3,840</b>

The accompanying notes are an integral part of these financial statements.

**PPP Canada**  
**Statement of Changes in Net Assets (unaudited)**

*For the identified period with comparative figures for 2011 (in thousands of dollars)*

	Three month period ended December 31,		Nine month period ended December 31,	
	2012	2011	2012	2011
Surplus	\$ 402	\$ 462	\$ 1,269	\$ 2,188
Tangible capital assets:				
Acquisition of tangible capital assets	(47)	(33)	(632)	(66)
Amortization of tangible capital assets	115	85	332	249
	68	52	(300)	183
Non-financial assets:				
(Increase) decrease in prepaid expenses	(3)	2	(3)	8
Increase in net assets	467	516	966	2,379
Net assets, beginning of period	1,847	2,561	1,348	698
<b>Net assets, end of period</b>	<b>\$ 2,314</b>	<b>\$ 3,077</b>	<b>\$ 2,314</b>	<b>\$ 3,077</b>

The accompanying notes are an integral part of these financial statements.

**PPP Canada**  
**Statement of Cash Flow (unaudited)**

*For the identified period with comparative figures for 2011 (in thousands of dollars)*

	Three month period ended December 31,		Nine month period ended December 31,	
	2012	2011	2012	2011
<b>Cash flow provided by (used in) operating activities:</b>				
Surplus	\$ 402	\$ 462	\$ 1,269	\$ 2,188
Items not involving cash:				
Amortization of tangible capital assets	115	85	332	249
Increase in employee future benefits	12	-	76	4
Decrease in amounts receivable and prepaid expenses	48	271	200	126
Increase (decrease) in accounts payable and accrued liabilities	216	482	(1,306)	(1,794)
	793	1,300	571	773
<b>Cash flow provided by (used in) investing activities:</b>				
Net (purchases) and redemptions of investments	(1,742)	21,595	(4,691)	19,347
Interest credited directly to Deferred P3 Canada Fund revenue	1,742	614	4,691	2,862
	-	22,209	-	22,209
<b>Cash flow used in capital activities:</b>				
Acquisition of tangible capital assets	(47)	(33)	(632)	(66)
<b>Cash flow provided by (used in) financing activities:</b>				
Payments to eligible recipients	-	(22,209)	-	(22,209)
	-	(22,209)	-	(22,209)
Increase (Decrease) in cash and cash equivalents	746	1,267	(61)	707
Cash and cash equivalents, beginning of period	3,267	3,150	4,074	3,710
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,013</b>	<b>\$ 4,417</b>	<b>\$ 4,013</b>	<b>\$ 4,417</b>

The accompanying notes are an integral part of these financial statements.

## **PPP Canada**

### **Notes to Quarterly Financial Statements (unaudited)**

For the nine month period ended December 31, 2012 with comparative figures for 2011  
(in thousands of dollars)

These quarterly financial statements and associated notes must be read in conjunction with the most recent annual audited financial statements and with the narrative discussion included within this quarterly financial report.

#### **1. Description of operations**

On February 12, 2008, PPP Canada Inc. ("PPP Canada") was incorporated pursuant to the *Canada Business Corporations Act*. On May 8, 2008, the Governor-in-Council declared PPP Canada a parent Crown Corporation for the purposes of Part X, except section 90, of the *Financial Administration Act*.

PPP Canada was created to spearhead the Government of Canada's efforts to promote the use of public-private partnerships ("P3s") within the federal government. PPP Canada also promotes the use of P3s to other levels of government through the use of the P3 Canada Fund which was created to fund the delivery of infrastructure investments through P3s.

PPP Canada's objects as outlined in its articles of incorporation include:

- Assess P3s at the federal level in accordance with criteria established by the Treasury Board;
- Assess the suitability of P3 projects seeking funding from federal infrastructure programs in accordance with criteria established by or pursuant to Treasury Board authorities;
- Advise on the execution of P3s at the federal level;
- Manage the P3 Canada Fund in accordance with the policies and authorities established by the Treasury Board;
- Negotiate, sign and administer agreements to be funded through the P3 Canada Fund in accordance with the policies and authorities established by the Treasury Board; and
- Act as a source of expertise and advice on P3 matters.

#### **2. Summary of significant accounting policies**

These financial statements have been prepared in accordance with Canadian public sector accounting standards. For the purposes of Section PS 1201, Financial Statement Presentation, PPP Canada considers the promotion of P3s at all levels of government as its program. The significant accounting policies used in the preparation of these financial statements are as follows:

##### (a) Revenue recognition

- (i) Deferred P3 Canada Fund revenue

Deferred P3 Canada Fund revenue is recognized in the Statement of

Operations in the year in which PPP Canada is required to expense funds under the terms and conditions of PPP Canada Financial Agreements entered into with eligible recipients.

(ii) Parliamentary appropriations

Parliamentary appropriations for operating purposes and for the purchase of tangible capital assets are without stipulations restricting their use and are recognized as revenue in the Statement of Operations when the appropriations are authorized.

Parliamentary appropriations for the P3 Canada Fund have restrictions on their use and are recorded as Deferred P3 Canada Fund revenue which will be recognized as revenue in the Statement of Operations in accordance with accounting policy 2(a)(i) Deferred P3 Canada Fund revenue.

(iii) Interest income

Interest income earned on cash and cash equivalents is recognized as revenue in the Statement of Operations when it is measurable and has been earned.

Interest earned on P3 Canada Fund investments is credited directly to Deferred P3 Canada Fund revenue.

(b) Financial instruments

Cash and cash equivalents, P3 Canada Fund accrued interest and P3 Canada Fund investments are classified in the cost or amortized cost category. Gains and losses on these financial assets are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments. Amounts receivable, and accounts payable and accrued liabilities are classified in the amortized cost category.

(i) Cash and cash equivalents

Cash and cash equivalents are comprised of cash, money market securities and other investments with maturities that are capable of prompt liquidation. Investments are cashable on demand and are recorded at cost based on the transaction price on the trade date.

(ii) P3 Canada Fund investments

P3 Canada Fund investments are comprised of cash, money market securities and other investments that are capable of prompt liquidation. P3 Canada Fund investments are cashable on demand and are recorded at cost based on the transaction price on the trade date.

(iii) Amounts receivable

Amounts receivable are measured at amortized cost using the effective interest method.

(iv) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Any gains, losses or interest expense is recorded in the Statement of Operations depending on the nature of the financial liability that gave rise to the gain, loss or expense.

(c) Employee future benefits

(i) Pension benefits

Eligible employees of PPP Canada are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and PPP Canada to cover current service cost. Pursuant to legislation currently in place, PPP Canada has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of PPP Canada.

(ii) Severance benefits

As established by the Governor in Council, the Chief Executive Officer (CEO) is entitled to severance benefits, the cost of which is accrued as the employee renders the service necessary to earn them. The projected accrued benefit obligation is determined using a projected benefit method which incorporates management's best estimate of salary, retirement age and discount rate. The majority of this benefit represents an obligation of PPP Canada assumed from the Public Service when the CEO was hired and entails settlement by future payments.

(iii) Sick leave benefits

PPP Canada provides sick leave benefits for employees that accumulate but do not vest. Sick leave credits accumulate for employees of PPP Canada as they render services at a rate of 1.25 days per month. Sick leave credits accumulate and may be carried forward from year to year however there is no cash value for sick leave upon termination. PPP Canada recognizes a liability and an expense for sick leave in the period in which employees render services in return for the benefits. The cost of the accrued benefit obligations related to sick leave entitlement earned by employees is actuarially determined using the projected benefit method prorated on service with estimates for salary increases, retirement age, mortality, incidence rate and discount rate. See Note 4.

(d) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided for over the estimated useful lives of the assets using the following annual basis rates:

Asset	Basis	Rate
Equipment	Straight-line	3 years
Computer software	Straight-line	3 years
Furniture and fixtures	Straight-line	5 years
Leasehold improvements	Straight-line	Lesser of lease term or estimated useful life

Useful lives are assessed annually and revisions to the useful life are made as required.

Amortization commences when the asset is put into use and ceases when it no longer provides any further economic benefit to PPP Canada or when it is no longer in service.

(e) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Key areas where management has made estimates and assumptions include those related to the fair value of financial instruments, useful life of tangible capital assets, the present value of employee future benefits, contractual obligations and contingent liabilities. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed regularly to reflect new information as it becomes available. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

**3. Commitments:**

Significant contractual obligations related to the P3 Canada Fund that can be reasonably estimated are as follows:

P3 Canada Fund Obligations	2013	2014	2015	2016	2017 and thereafter
As at March 31, 2012	5,100	54,775	10,300	5,000	47,700
Nine month period ended December 31, 2012			16,900	7,000	172,100
Subsequent to December 31, 2012					126,300
<b>Total P3 Canada Fund Obligations</b>	<b>5,100</b>	<b>54,775</b>	<b>27,200</b>	<b>12,000</b>	<b>346,100</b>

#### **4. Subsequent events:**

Effective January 1, 2013, PPP Canada eliminated the sick leave as described in note 2(c)(iii) above and now self-insures a short term sick leave plan that does not vest or accumulate. As a result, future financial statements of the organization will reflect a reduction of approximately \$200 in Employee future benefits liability and a corresponding reduction in benefit expenses.