

PPP Canada

Quarterly Financial Report

Second Quarter 2011-12

Period ended September 30, 2011

Revised

February 28, 2012

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PPP Canada
Quarterly Financial Report Narrative Discussion
For the three month period ended September 30, 2011

P3 Canada Fund

PPP Canada has to date announced \$119.275 million in funding commitments to the following six P3 projects with combined total estimated project costs of \$487.8 million:

Chief Peguis Trail Extension - \$25 million
Lachine Maintenance Centre - \$24.725 million
Maritime Radio Communications Initiative - \$50 million
Lac La Biche Wastewater Treatment Facility - \$3.8 million
Evan Thomas Water and Wastewater Plant - \$9.95 million
Barrie Transit Facility project - \$5.8 million

Further announcements for Round Two projects are expected in the coming months.

The Corporation closed the Round Three call for proposals on June 30, 2011. PPP Canada saw an increase in project applications, totaling 121 submissions. Of these, 80 were from municipalities, 16 from First Nations and 9 from provinces and territories. Project submissions covered a wide range of sectors; of them, more than 20% fell into transportation or transportation-related categories; 12% into the Green Energy category; and 20% into water and wastewater categories.

During the first half of the 2011-12 fiscal year, PPP Canada received notification that progress on the Chief Peguis Trail Extension project was proceeding more rapidly than anticipated. It is now expected that this project will reach substantial completion in December 2011 which will trigger the first P3 Canada Fund payment to a project.

Quarterly and Year-to-Date Results

PPP Canada forecasted \$12.3 million in operating and \$400 thousand in capital disbursements for fiscal year 2011-12 and received \$3.175 million in appropriations in each of the two first quarters. In addition, PPP Canada expects to request payment of the appropriation for the P3 Canada Fund and invest the \$275 million in the third quarter of 2011-12.

Total spending on operations in the second quarter amounted to \$2.2 million and represents 17% of the total annual budget. The variance is attributable to delayed spending in the two first quarters to be incurred in the third and fourth quarters for expenses related to the Round Three call for project proposals. Disbursements related to capital will occur mainly in the fourth quarter of the fiscal year.

Cash flows for the period reflected the ongoing operations of the organization. PPP Canada earned \$1.005 million in interest on P3 Canada Fund investments bringing the balance of the Deferred P3 Canada Fund revenue account to \$412.726 million.

PPP Canada
Quarterly Financial Report Narrative Discussion
For the three month period ended September 30, 2011

Risk Analysis

2011-12 is PPP Canada's third year of operation and will continue to be a year of building the organization and investing the P3 Fund.

Risk Management 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 important management item. Steps are being taken to increase ERM capacity and capabilities within the organization and to integrate risk management more systematically into planning, decision making and other business processes. Examples of this include updating the corporate risk profile (CRP) and implementation of an Enterprise Risk Management Action Plan with immediate, short term, long term and ongoing risk management goals.

PPP Canada's Board of Directors and its management will continue to 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.

PPP Canada
Quarterly Financial Report Narrative Discussion
For the three month period ended September 30, 2011

Report on the Use of Appropriations

For the identified period with comparative figures for 2010
(in thousands of dollars)

Appropriations included in 2011-12 Main Estimates	Fiscal year 2011-12	Fiscal year 2010-11
Vote 40 - Appropriations for operations	12,700	12,700
Vote 45 - Appropriations for P3 Canada Fund	275,000	242,500
Total Appropriations	287,700	255,200

Use of Appropriations	Three month period ended September 30,		Six month period ended September 30,	
	2011	2010	2011	2010
Operating appropriations received	3,175	3,175	6,350	6,350
P3 Canada Fund appropriations received	-	-	-	-
Portion of parliamentary appropriations in current year deferred for future P3 Canada Fund payments	-	-	-	-
Parliamentary appropriations recognized as revenue	3,175	3,175	6,350	6,350

Deferred Appropriations	Three month period ended September 30,		Six month period ended September 30,	
	2011	2010	2011	2010
Beginning balance	411,425	165,648	410,181	165,472
P3 Canada Fund appropriations	-	-	-	-
Interest received	1,005	44	2,248	219
Increase in accrued interest	296	280	297	281
Ending balance	412,726	165,972	412,726	165,972

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.



John McBride
Chief Executive Officer
PPP Canada Inc.



Gregory Smith, CA
Chief Financial Officer
PPP Canada Inc.

Ottawa, Canada
February 28, 2012

PPP Canada
Statement of Financial Position (unaudited)

As at September 30, 2011 with comparative figures for March 31, 2011
(in thousands of dollars)

	September 30, 2011	March 31, 2011
Financial assets:		
Cash	\$ 452	\$ 611
Short-term investments	2,698	3,099
P3 Canada Fund accrued interest	963	666
P3 Canada Fund investments	411,763	409,515
Amounts receivable	509	358
Total financial assets	416,385	414,249
Financial liabilities:		
Accounts payable and accrued liabilities	1,015	3,291
Employee future benefits	83	79
Deferred P3 Canada Fund revenue	412,726	410,181
Total financial liabilities	413,824	413,551
Net assets	2,561	698
Non-financial assets:		
Tangible capital assets	785	916
Prepaid expenses	32	38
Total non-financial assets	817	954
Accumulated surplus	\$ 3,378	\$ 1,652

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

PPP Canada
Statement of Operations and Accumulated Surplus (unaudited)

For the identified period with comparative figures for 2010
(in thousands of dollars)

	Three month period ended September 30,		Six month period ended September 30,	
	2011	2010	2011	2010
Revenue:				
Parliamentary appropriations	\$ 3,175	\$ 3,175	\$ 6,350	\$ 6,350
P3 Canada Fund	-	-	-	-
Interest income	7	4	17	6
	3,182	3,179	6,367	6,356
Expenses:				
Salaries and benefits	1,247	928	2,504	1,926
Professional services	156	210	321	340
Contracted services: P3 Canada Fund projects	83	107	95	171
Contracted services: Market development	6	17	177	20
Contracted services: P3 tools and practices	22	68	178	83
Shared administrative services	195	250	390	500
Rent	121	116	238	229
Legal	-	6	-	23
Directors' fees and expenses	38	32	86	49
Travel	84	84	253	128
Amortization of tangible capital assets	82	76	164	151
Information and communications	38	21	73	50
Maintenance and equipment	21	12	55	41
Special fees and services	57	47	107	69
P3 Canada Fund payments to recipients	-	-	-	-
	2,150	1,974	4,641	3,780
Surplus	1,032	1,205	1,726	2,576
Accumulated surplus, beginning of period	2,346	3,423	1,652	2,052
Accumulated surplus, end of period	\$ 3,378	\$ 4,628	\$ 3,378	\$ 4,628

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 2010
(in thousands of dollars)

	Three month period ended September 30,		Six month period ended September 30,	
	2011	2010	2011	2010
Surplus	\$ 1,032	\$ 1,205	\$ 1,726	\$ 2,576
Tangible capital assets:				
Acquisition of tangible capital assets	(1)	(13)	(33)	(36)
Amortization of tangible capital assets	82	76	164	151
	81	63	131	115
Non-financial assets:				
Acquisition of prepaid expenses	6	-	6	-
Increase in net assets	1,119	1,268	1,863	2,691
Net assets, beginning of period	1,442	2,372	698	949
Net assets, end of period	\$ 2,561	\$ 3,640	\$ 2,561	\$ 3,640

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

PPP Canada
Statement of Cash Flows (unaudited)

For the identified period with comparative figures for 2010
(in thousands of dollars)

	Three month period ended September 30,		Six month period ended September 30,	
	2011	2010	2011	2010
Cash provided by (used in) operating activities:				
Surplus	\$ 1,032	\$ 1,205	\$ 1,726	\$ 2,576
Items not involving cash:				
Amortization of tangible capital assets	82	76	164	151
Increase in employee future benefits	2	8	4	13
Decrease (increase) in amounts receivable and prepaid expenses	(56)	(42)	(145)	(54)
Increase (decrease) in accounts payable and accrued liabilities	(244)	28	(2,276)	(248)
	817	1,275	(527)	2,438
Cash provided by (used in) investing activities:				
Purchases and redemptions of investments	(2,204)	(1,456)	(1,847)	(2,751)
Cash provided by (used in) capital activities:				
Acquisition of tangible capital assets	(1)	(13)	(33)	(36)
Cash provided by (used in) financing activities:				
Parliamentary appropriations for P3 Canada Fund	-	-	-	-
Earned interest allocated to Deferred P3 Canada Fund revenue	1,005	44	2,248	219
	1,005	44	2,248	219
Increase (decrease) in cash	(384)	(150)	(159)	(130)
Cash, beginning of period	835	265	611	245
Cash, end of period	\$ 452	\$ 115	\$ 452	\$ 115

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

PPP Canada

Notes to Quarterly Financial Statements (unaudited)

For the six month period ended September 30, 2011 with comparative figures for 2010
(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 designed to spearhead the Government of Canada's efforts with respect to public-private partnerships ("P3s"). Within PPP Canada the government established the P3 Canada Fund to fund the delivery of infrastructure investments through public-private partnerships.

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. The significant accounting policies used in the preparation of these financial statements are as follows:

(a) Revenue recognition:

Deferred P3 Canada Fund revenue is recognized in the Statement of Operations and Accumulated Surplus in the year in which PPP Canada is required to disburse funds under the terms and conditions of PPP Canada Financial Agreements entered into with eligible recipients.

PPP Canada

Notes to Quarterly Financial Statements (unaudited)

For the six month period ended September 30, 2011 with comparative figures for 2010
(in thousands of dollars)

(b) 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 and Accumulated Surplus when the appropriations are authorized.

Parliamentary appropriations for the P3 Canada Fund have stipulations restricting their use for payments to recipients and are recorded as Deferred P3 Canada Fund revenue which will be recognized as revenue in the Statement of Operations and Accumulated Surplus in accordance with accounting policy (a) Revenue Recognition.

(c) Interest income:

Interest income earned on cash and short-term investments is recognized as revenue in the Statement of Operations and Accumulated Surplus when it is measurable and has been earned.

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

(d) Financial instruments:

Cash, short term investments and P3 Canada Fund investments are classified in the cost category. Gains and losses on these financial assets are recognized in the Statement of Operations and Accumulated Surplus 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 is included in the cost of the related investments. Amounts receivable, and accounts payable and accrued liabilities are classified in the amortized cost category.

(i) Short-term investments:

Short term investments are comprised of money market securities and other investments with maturities that are capable of prompt liquidation. Short-term investments are cashable on demand and are recorded at cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the period in which they arise.

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Notes to Quarterly Financial Statements (unaudited)

For the six month period ended September 30, 2011 with comparative figures for 2010
(in thousands of dollars)

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

(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 and Accumulated Surplus depending on the nature of the financial liability that gave rise to the gain, loss or expense.

(e) 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
Furniture and fixtures	Straight-line	5 years
Leasehold improvements	Straight-line	Lesser of lease term or estimated useful life
Computer software	Straight-line	3 years

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.

PPP Canada

Notes to Quarterly Financial Statements (unaudited)

For the six month period ended September 30, 2011 with comparative figures for 2010
(in thousands of dollars)

(f) Employee future benefits:

(i) Pension benefits:

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. PPP Canada's contributions reflect the full cost as employer. These amounts are currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. PPP Canada's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of PPP Canada. PPP Canada is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

(ii) Severance benefits:

Eligible Employees are entitled to severance benefits, the cost of which is accrued as the employees render the services necessary to earn them. The projected accrued benefit obligations are determined using a projected benefit method which incorporates management best estimates of salary, retirement ages and discount rate. These benefits represent an obligation of PPP Canada that entails settlement by future payments.

(g) Use of estimates:

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. 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 and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. Adoption of new accounting standards:

Effective April 1, 2011, PPP Canada adopted Canadian public sector accounting standards, including the early adoption of Section PS 3410, Government Transfers. These amended standards were adopted with retrospective restatement, and therefore the 2011 comparative figures have been restated. In addition, effective April 1, 2011 PPP Canada

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Notes to Quarterly Financial Statements (unaudited)

For the six month period ended September 30, 2011 with comparative figures for 2010
(in thousands of dollars)

early adopted Section PS 3450, Financial Instruments on a prospective basis, without restatement of 2011 comparative figures. Key adjustments resulting from the adoption of these accounting standards are as follows:

- (a) Computer software is included in the definition of a tangible capital asset under Canadian public sector accounting standards. The 2011 financial statements have been revised to reclassify computer software of \$55, previously recorded as an intangible asset, to tangible capital assets. This reclassification did not result in any adjustments to the Corporation's accumulated surplus or annual surplus.
- (b) Based upon the Corporation's previous basis of accounting, Parliamentary appropriations used for the purchase of capital and intangible assets were recorded as deferred capital funding and amortized on the same basis and over the same periods as the related asset. Under public sector accounting standards, Parliamentary appropriations used for the purchase of capital and intangible assets are recognized as revenue when authorized. As a result, the amount previously reported as deferred capital funding at April 1, 2010 of \$1,074 is reflected within the Corporation's opening accumulated surplus at April 1, 2010. Amortization of deferred capital funding for the fiscal year ended March 31, 2011, previously included in Parliamentary appropriations revenue in the amount of \$314, is not recognized under the public sector accounting standards. Parliamentary appropriations received by PPP Canada during the fiscal year ended March 31, 2011 for future capital acquisitions in the amount of \$156 are now included in Parliamentary appropriations revenue. The amount recorded as deferred capital funding at March 31, 2011 of \$916 is also reflected within the Corporation's accumulated surplus at March 31, 2011.

Summary of adjustments

Accumulated surplus at April 1, 2010:	
Accumulated surplus, as previously reported	\$ 978
Adjustment to deferred capital funding	1,074
Accumulated surplus, as restated	\$ 2,052
Accumulated surplus at March 31, 2011:	
Accumulated surplus, as previously reported	\$ 736
Adjustment to deferred capital funding	916
Accumulated surplus, as restated	\$ 1,652

PPP Canada**Notes to Quarterly Financial Statements (unaudited)**

For the six month period ended September 30, 2011 with comparative figures for 2010
(in thousands of dollars)

4. Commitments:

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

P3 Canada Fund Obligations	2012	2013	2014	2015	2016
As at March 31, 2011	1,000	24,000	24,725		50,000
Six month period ended September 30, 2011	24,000	(20,600)	6,200		
Subsequent to September 30, 2011			9,950		
Total P3 Canada Fund Obligations	25,000	3,400	40,875		50,000