



**Second Quarter
Fiscal 2019 Financial Report
Unaudited**

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Message to Reader

These quarterly condensed interim financial statements were prepared on the basis of International Accounting Standard (IAS) 34, Interim Financial Reporting, and must be read in conjunction with the March 31, 2018 annual audited financial statements and with the narrative discussion included in this quarterly financial report. The March 31, 2018 annual audited financial statements and annual report will be published after they are tabled in Parliament in the fall of 2018.

The same accounting policies and methods of computation have been followed in these condensed interim quarterly financial statements as compared with the most recent annual audited financial statements.

These condensed interim quarterly statements follow the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations. There is no requirement for an audit or review of the financial statements included in the quarterly financial report and therefore these statements have not been audited or reviewed by an external auditor.

From time to time, we make written or oral forward-looking statements. We may make forward-looking statements in this quarterly financial report. These forward-looking statements include, but are not limited to, statements about objectives and strategies for achieving objectives, as well as statements about outlooks, plans, expectations, anticipations, estimates and intentions. By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. These uncertainties give rise to the possibility that predictions, forecasts, projections and other elements of forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the expectations expressed.

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these condensed interim 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 the quarterly financial report is consistent, where appropriate, with the quarterly condensed interim financial statements.

These statements have been prepared on the basis of IAS 34, Interim Financial Reporting. They have not been audited or reviewed by an external auditor. Based on our knowledge, these quarterly condensed interim 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.



Pierre Lavallée
President &
Chief Executive Officer



Annie Ropar
Chief Financial Officer &
Chief Administrative Officer

November 29th, 2018
Toronto

Management Discussion & Analysis

This MD&A presents readers with management’s view of corporate strategy and performance and should be read in conjunction with the unaudited financial statements for the quarter ending September 30, 2018. Figures are expressed in Canadian dollars unless stated otherwise.

Strategy

Canada Infrastructure Bank (“CIB” or the “Bank”) was created to bridge the public sector’s need for capital to build more, new infrastructure for Canadians by drawing in private and institutional investment. CIB’s strategic objectives are to build its organizational capability and capacity; promote new models for infrastructure funding and planning; and make strategic investments and use innovative tools to build new infrastructure.

Since its creation in June 2017, CIB has made strong progress on establishing the Bank’s governance framework and policies; launching its Toronto office, internal systems and processes; attracting the right talent to lead the organization and in Q2 of fiscal 2019 announced its first investment. In accordance with its mandate, the Bank is building capacity in all three parts of its mandate: Investment, Advisory Services, and Data and Information.

Investment

The government has set three priority areas for investment: public transit, trade and transportation, and green infrastructure. Eligible projects must align with government priorities set out in its Investing in Canada plan and Pan-Canadian Framework on Clean Growth and Climate Change. Projects must be revenue generating, be able to attract private-sector investment, and be in the public interest.

Advisory Services

The Bank is developing its capabilities as a centre of expertise to advise and support all levels of government in the evaluation of the most efficient means and different models through which to deliver infrastructure. This advisory role will bring greater awareness of innovative partnership models involving the private sector and their application to potential projects.

Data and Information

The Bank will begin working with Infrastructure Canada, Statistics Canada, and provincial, municipal, territorial and Indigenous governments in the coming year to collect and share data about Canadian infrastructure projects. In this role, the Bank can help governments and public agencies across Canada obtain access to better information and resources about revenue-generating infrastructure, the potential for private-sector involvement, and to support informed decisions.

Status of Operations

During the quarter, CIB announced its first investment, in the Réseau express métropolitain project (REM) in Montréal, a 67-km, light rail, high-frequency network with 26 stations. Construction of the REM began in April 2018. The first trains are scheduled to run in the summer of 2021. CIB's \$1.28-billion investment completes the project's \$6.3-billion financing. The agreement was executed during the second quarter of fiscal 2019 and the first draw is scheduled to take place in the third quarter.

CIB also gained further momentum in building its internal capabilities and proactive outreach to industry participants with the hiring of Nicholas Hann, Head of Investments, who started with the organization on October 1, 2018.

Also subsequent to quarter end, CIB announced François Lecavalier would be joining the organization as Head of Project Development, starting in December.

The Bank is actively recruiting to fill the investment and functional roles required to fulfill our mandate and we expect to make further announcements regarding the buildout of the executive and management teams prior to the end of the calendar year.

Outlook

CIB is focused on delivering on the Bank's three priority areas during fiscal 2019. For its Investment role, the Bank will continue analysis of individual projects and potential investments, as appropriate. Robust structures and methodologies will be established for all stages of the investment process, from intake to exit. The Bank will further establish its Advisory and Data and Information capabilities, continuing its engagement with key institutions nationally and internationally.

Financial Management

Statement of Financial Position

As at September 30th, CIB had \$3.1MM in cash on the balance sheet, down from \$6.5 MM as at the end of the last quarter ending June 30th. Funds utilized during the quarter were to continue to build the internal capabilities of the Bank as well as for transaction due diligence costs and consulting fees.

The Bank is funded by way of government appropriations through the Department of Finance.

Operating Expenses

Total operating expenses for the second quarter of fiscal 2019, including professional fees, personnel, facilities expenses, and other costs were \$3.3 million, reflecting increased transactional due diligence costs, increased headcount, and the first full quarter of lease costs associated with the newly completed head office. Costs for the same 3-month period in 2017 were nominal as the bank was not fully operational.

Capital Expenditures

During the quarter CIB expended \$0.3 million related to the completion costs for leasehold improvements in its new office location as well as for related furniture and fixtures.

Risk Management

The Bank is developing an enterprise risk management framework which includes the investment risk framework, reporting guidelines, policies and procedures, and will complete this process in the current fiscal year.

Statement of Financial Position

(unaudited) as at September 30, 2018

	September 30, 2018	March 31, 2018
Assets		
Current assets:		
Cash	\$ 3,128,752	\$ 9,681,705
HST and Interest Receivable	764,094	205,573
Prepaid expenses and advances	14,384	-
	3,907,230	9,887,278
Non-current assets:		
Property and equipment	1,463,963	17,726
	\$ 5,371,193	\$ 9,905,004
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$1,482,243	\$646,554
Deferred government funding related to operating expenditures	1,529,765	7,107,128
	3,012,008	7,753,682
Non-Current Liabilities:		
Deferred Liabilities	281,993	98,692
Deferred government funding related to capital expenditures	1,964,905	2,010,600
	2,246,898	2,109,292
Equity		
Share capital	100	100
Retained earnings	112,187	41,930
	\$ 5,371,193	\$ 9,905,004
Commitments (note 8)		

See accompanying notes to financial statements

Statement of Income and Comprehensive Income

(unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	2018	2017
Revenue:				
Interest income	\$ 27,160	\$ 3,181	\$ 70,257	\$ 3,181
Expenses:				
Professional fees	1,908,976	10,000	3,575,357	10,000
Compensation	904,075	23,656	1,229,390	23,656
Premises and equipment	299,240	10,751	444,836	10,751
Travel	62,720	-	129,326	-
Administration	57,229	1,386	98,199	1,386
Information technology	49,385	-	65,435	-
Communications	34,820	-	34,820	-
Depreciation	27,380	-	45,695	-
	3,343,825	45,793	5,623,058	45,793
Net loss before government funding	(3,316,665)	(42,612)	(5,552,801)	(42,612)
Government funding:				
Appropriations	3,343,825	45,793	5,623,058	45,793
Net income and comprehensive income	\$ 27,160	\$ 3,181	\$ 70,257	\$ 3,181

See accompanying notes to financial statements

Statement of Changes in Equity
For the three month period ended September 30
(unaudited)

	Share capital	Retained earnings	Total Equity
Balance, July 1, 2018	\$ 100	\$ 85,027	\$ 85,127
Share issuance	-	-	-
Net Income	-	27,160	27,160
Balance, September 30, 2018	\$ 100	\$ 112,187	\$ 112,287

	Share capital	Retained earnings	Total Equity
Balance, July 1, 2017	\$ -	\$ -	\$ -
Share issuance	100	-	100
Net Income	-	3,181	3,181
Balance, September 30, 2017	\$ 100	\$ 3,181	\$ 3,281

See accompanying notes to financial statements

Statement of Changes in Equity

For the six month period ended September 30

(unaudited)

	Share capital	Retained earnings	Total Equity
Balance, April 1, 2018	\$ 100	\$ 41,930	\$ 42,030
Share issuance	-	-	-
Net Income	-	70,257	70,257
Balance, September 30, 2018	\$ 100	\$ 112,187	\$ 112,287

	Share capital	Retained earnings	Total Equity
Balance, June 22, 2017	\$ -	\$ -	\$ -
Share issuance	100	-	100
Net Income	-	3,181	3,181
Balance, September 30, 2017	\$ 100	\$ 3,181	\$ 3,281

See accompanying notes to financial statements

Statement of Cash Flows

(unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	2018	2017
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$ 27,160	\$ 3,181	\$ 70,257	\$ 3,181
Items not involving cash:				
Depreciation	27,380	-	45,695	-
Changes in non-cash working capital:				
Increase (Decrease) in HST/ Interest receivable	(191,585)	(2,767)	(558,521)	(2,767)
Increase (Decrease) in Prepaid expenses and advances	59,709	-	(14,384)	-
Increase in Accounts payable and accrued liabilities	261,107	35,805	835,689	35,805
Increase (Decrease) in Deferred government funding related to operating expenditures	(3,316,446)	4,186,288	(5,577,363)	4,186,288
Changes in Deferred liabilities	150,542	-	183,301	-
Total cash used in operating activities	(2,982,133)	4,222,507	(5,015,326)	4,222,507
Financing Activities:				
Share issuance	-	100	-	-
Total cash provided by financing activities	-	100	-	-
Investing activities:				
Acquisition of property and equipment	(69,347)	-	(464,867)	-
Acquisition of leasehold improvements	(292,477)	-	(1,027,065)	-
Deferred government funding related to capital expenditures	(27,380)	1,381,000	(45,695)	1,381,000
Total cash used in investing activities	(389,204)	1,381,000	(1,537,627)	1,381,000
Cash, beginning of the period	6,500,089	-	9,681,705	-
Net Increase (Decrease) in cash during the period	(3,371,337)	5,603,607	(6,552,953)	5,603,607
Cash, end of the period	\$ 3,128,752	\$ 5,603,607	\$ 3,128,752	\$ 5,603,607

See accompanying notes to financial statements

Notes to the Financial Statements (unaudited)

Three and six months ended September 30, 2018

1. Act of Incorporation, Objective and Operations of the Corporation:

Canada Infrastructure Bank (“CIB” or “Corporation”) is an arm’s length Crown corporation established by an Act of Parliament (the Canada Infrastructure Bank Act (the “CIB Act”)) on June 22, 2017. CIB is incorporated in Canada and wholly owned by the Government of Canada. CIB was nominally capitalized with 10 shares issued at a par value of \$10 per share, or total share capital of \$100.

CIB’s head office is located at 150 King Street West, Suite 2309, Toronto, Ontario M5H 1J9, Canada.

CIB’s objectives are to invest, and seek to attract investment from private sector investors and institutional investors, in infrastructure projects in Canada or partly in Canada that will generate revenue and that will be in the public interest by, for example, supporting conditions that foster economic growth or by contributing to the sustainability of infrastructure in Canada.

CIB currently receives appropriations from the Government of Canada. Parliament has authorized \$35 billion over 11 years, as needed, and the requisite authorities to participate in complex infrastructure deals in new and innovative ways to attract private sector and institutional investment to revenue-generating infrastructure projects that are in the public interest but would have not been otherwise economically viable.

CIB is not an agent of Her Majesty, the Queen in Right of Canada, except when, (i) giving advice about investments in infrastructure projects to ministers of Her Majesty in right of Canada, to departments, boards, commissions and agencies of the Government of Canada and to Crown corporations as defined in subsection 83(1) of the *Financial Administration Act* (Canada) (the “FAA”); (ii) collecting and disseminating data in accordance with the CIB Act; (iii) acting on behalf of the Government of Canada in the provision of services or programs, and the delivery of financial assistance, as provided under the CIB Act; and (iv) carrying out any activity conducive to the carrying out of its purpose that the Governor in Council may, by order, specify. CIB is also named in Part I of Schedule III to the FAA.

CIB is exempt from Federal Income Tax under Section 149(1)(d) of the *Income Tax Act*.

CIB is accountable for its affairs to Parliament through the Minister of Infrastructure and Communities.

2. Basis of preparation:

These unaudited interim condensed quarterly Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board applicable to the presentation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

The Financial Statements have been prepared on a historical cost basis except when a specific IFRS required fair value measurement as explained in the accounting policies below.

The Financial Statements are presented in Canadian dollars, which is CIB’s functional currency.

3. Significant accounting policies:

The accounting policies in these Interim Financial Statements are consistent with those disclosed in Note 3 to the Company's annual audited Financial Statements for the 283 day period ended March 31, 2018. The Interim Financial Statements should be read in conjunction with the annual audited Financial Statements.

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the IASB issued a new standard, IFRS 15, Revenue from Contracts with Customers, replacing IAS 18, Revenue. The new standard is effective for annual periods beginning on or after January 1, 2018. The core principle of the standard is that an entity will recognize revenue when it transfers promised goods or services to customers, in an amount that reflects the consideration to which the entity is expected to be entitled in exchange for those goods or services.

This standard is now effective however CIB does not have any transactions to which to apply this standard.

4. Future accounting changes:

On November 16, the date of authorization of these Financial Statements, certain new standards, amendments and interpretations to existing standards had been published by the IASB but were not yet effective and had not been early adopted by CIB. These standards include IFRS 16, Leases, described below. Certain other new standards, amendments and interpretations have been issued but are not expected to have a material impact on CIB's Financial Statements.

IFRS 16, Leases

On January 13, 2016, the IASB issued a new standard, IFRS 16, Leases, which supersedes IAS 17, Leases and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The standard provides a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases, unless the lease term is 12 months or less, or if the underlying asset has a low value. Lessors will continue classifying leases as operating or finance, since IFRS 16's approach to lessor accounting is substantially unchanged from IAS 17.

CIB is currently assessing the impact of the adoption of IFRS 16. IFRS 16 will require CIB to evaluate if a lease asset and liability should be recognized for its leases currently classified as operating leases (Note 8).

5. Property and equipment:

			September 30, 2018	March 31, 2018
	Cost	Accumulated depreciation	Net book Value	Net book Value
Leasehold Improvements	\$ 1,319,542	\$ 32,989	\$ 1,286,553	\$ -
Furniture, fixtures and equipment	177,390	9,569	167,821	4,500
Computer and telecommunications equipment	18,243	8,654	9,589	13,226
	\$ 1,515,175	\$ 51,212	\$ 1,463,963	\$ 17,726

No property and equipment was impaired as at September 30, 2018.

6. Accounts payable and accrued liabilities:

	September 30, 2018	March 31, 2018
Accrued Professional fees	\$ 1,035,626	\$ 307,127
Accrued Compensation	241,799	250,000
Accounts Payable	204,818	21,990
Other	-	67,437
	\$ 1,482,243	\$ 646,554

7. Related party transactions:

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business under the same terms and conditions that apply to unrelated parties and as such the transactions approximate fair value. CIB's transactions with government related entities that were individually significant are government funding which are approved in the form of a statutory authority and obtained through drawdown requests made to the Department of Finance.

Other related parties of CIB consist mainly of key management personnel of the Corporation or close members of these individuals over which the Corporation has significant influence.

8. Commitments:

Lease Commitments

On August 31, 2017, CIB entered into long term leases for both office and storage space located at 150 King Street West. The term of each lease is 10 years and commences on June 1, 2018, with combined future commitments as follows:

F2019	F2020	F2021	F2022	F2023	Thereafter	Total
\$ 153,865	\$ 307,730	\$ 307,730	\$ 307,730	\$ 307,730	\$ 1,689,848	\$ 3,074,633

CIB has the option to extend the office lease for two further consecutive terms of five years each.

REM Commitment

On September 28, 2018 CIB entered into a credit agreement with Réseau express métropolitain Inc (The "REM Agreement"). CIB will provide senior secured debt of \$1.283 billion for the funding of a fully automated, electric light rail transit system connecting downtown Montreal, the South Shore, the West Island, the North Shore and Pierre-Elliott Trudeau Airport. The debt may be drawn down over fiscal 2019 and fiscal 2021 and be repayable in 15 years from the first drawdown date. The drawdown schedule will be as follows:

F2019	F2020	F2021	Total
\$ 549,000,000	\$ 513,000,000	\$ 221,000,000	\$ 1,283,000,000

The first drawdown for this loan is expected to occur on November 30, 2018.

9. Comparative Figures:

Certain comparative figures have been reclassified in order to conform with the presentation adopted in the current period.

CANADA 
INFRASTRUCTURE BANK

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