QUARTERLY FINANCIAL REPORT

1ST QUARTER (Q1)

UNAUDITED

For the three months ended **June 30, 2012**

THE FEDERAL BRIDGE CORPORATION LIMITED

Table of Contents

Cover photo: *Girders for the new bridge in Cornwall now span across the entire North Channel.*

1.0 FBCL

The Federal Bridge Corporation Limited (FBCL) is a parent Crown corporation operating at arm's length from the federal government. FBCL is either directly or through its wholly-owned subsidiaries, responsible for three international bridges and associated structures in Ontario (Cornwall, Sault Ste. Marie and Thousand Islands crossings) and in the Greater Montreal Area three major bridges and their approaches (Jacques Cartier, Champlain and Honoré Mercier bridges), and three associated structures (Bonaventure Expressway, Champlain Bridge Estacade and Melocheville Tunnel). Its international and domestic bridges are some of the most important fixed-link crossings in Canada. Each year, an average of 150 million vehicles cross FBCL's bridges, making them among the busiest in North America.

1.1 Mandate

FBCL was established in 1998 to oversee and be accountable for the bridges under its control and to provide strategic direction to the asset operators under its jurisdiction. Its mandate is to provide the highest level of stewardship so that its bridge structures are safe and efficient for users. The Corporation is also in a position to provide expertise and advice to the federal government with regard to design, building, maintenance and operation of bridges and associated structures.

1.2 FBCL Group

This consolidated quarterly financial report includes the accounts of FBCL including the operations of the Thousand Islands International Bridge, its wholly owned subsidiaries, The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) and St. Mary's River Bridge Company (SMRBC) and its proportionate share (50%) of its interest in its government partnership, The Seaway International Bridge Corporation, Ltd. (SIBC) herein referred to as the "FBCL group".

2.0 Q1 2012-2013 IN REVIEW

This quarterly financial report has been prepared in accordance with the requirements of the Financial Administration Act *and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat.*

This quarterly financial report assesses the operations and financial status of FBCL for the fiscal quarter ended June 30, 2012. It should be read in conjunction with the interim unaudited condensed consolidated financial statements and related notes included herein and the annual audited consolidated financial statements and supporting notes included in FBCL's 2011-2012 Annual Report. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from FBCL's interim unaudited condensed consolidated financial statements prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

2.1 Summary

FBCL reports a consolidated surplus of $12.4 million for the three months ended June 30, 2012 (Q1) compared to the consolidated deficit of $2.1 million for the three months ended June 30, 2011 (Q1 2011-2012) . Most of the increase is due to the change in an accounting Standard for Government Transfers, described in note 1 c) to the financial statements, now requiring the inclusion of parliamentary appropriations for capital projects ($13.7 million) as a revenue item in the statement of operations (previously recorded as deferred capital funding and amortized on the same basis as the asset funded).

Revenue at international bridges has been sustained at prior year levels. Works on major projects have continued and the construction of the new North Channel Bridge in Cornwall is slightly ahead of schedule. Other major works include the important rehabilitation of the Honoré-Mercier Bridge and the ongoing 10-year maintenance program on the Champlain Bridge. In addition, the subsidiary, JCCBI is continuing important capital works and required maintenance with the funding of $227.6 million over 3 years allocated as part of Budget 2011.

The consolidated net debt of FBCL has decreased to $24.6 million at the end of Q1 due to the continued major investments in tangible capital assets and a one time reclassification of deferred capital funding to accumulated surplus. Notable capital investments year-to-date include the new North Channel Bridge construction project ($6.8 million) and the Champlain Bridge maintenance project ($6.6 million).

2.2 Outlook

Looking ahead to the next quarters, FBCL expects to maintain if not exceed the prior year revenue levels due to sustained traffic patterns at international crossings. Major projects will continue throughout the year and include the construction of the new North Channel Bridge in Cornwall, the redevelopment of the Canadian Plaza in Sault Ste Marie as well as the ongoing rehabilitation of the Honoré Mercier Bridge and repairs of the Champlain Bridge in Montreal. FBCL anticipates that its results will vary from plan in respect to some of these projects as works have been initiated later than planned as outlined in section 3.3 – Risk Analysis.

Q 1 marked the beginning of the 2012 season in Montreal. Ongoing major work was initiated on the Champlain Bridge and Highway 15.

3.0 DISCUSSION OF FINANCIAL RESULTS

3.1 Results of Operations

SEASONAL TRENDS

FBCL experiences some seasonal variations in financial results. From a revenue perspective, a greater number of bridge crossings are completed at international bridge locations in the second and third quarters of the fiscal year and usually result in higher toll revenues. In the first and fourth quarter, a lower number of bridge crossings are attained resulting in lower toll revenues. This demand pattern is principally a result of leisure travelers and climate resulting in preference for travel during the spring and summer months. Economic conditions in Canada and the United States also have an important influence on international vehicle traffic. As the value of the Canadian dollar rises there is an increase in passenger vehicle traffic to the U.S. and lower export volumes thus a decrease in truck traffic; as the dollar declines the opposite occurs.

In regards to its expenses, FBCL incurs important annual maintenance and asset rehabilitation costs during the construction season spanning the first three quarters of the fiscal year. These planned expenses can be influenced by varying weather conditions particularly in the third quarter with the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

STATEMENT OF FINANCIAL POSITION

Financial Assets

Total financial assets increased by $7.6 million in Q1 to $65.8 million at June 30, 2012, compared with $58.2 million as at March 31, 2012.

The net cash position of FBCL has decreased by $16.7 million in Q1 to $22.0 million at June 30, 2012 ($38.8 million at March 31, 2012). The cash position is closely linked to the payment by the Government of Canada of parliamentary appropriations. At June 30, 2012 the receivable Due from Canada has increased to $36.5 million ($13.6 million at March 31, 2012) principally for domestic bridges in Montreal and the North Channel Bridge construction project in Cornwall. The variation in receivables ($1.5 million) is attributable to timing differences and variations in activity levels. Variations in other assets are minimal.

Liabilities

The increase in accounts payable and accrued liabilities of $6.1 million in Q1 to $30.8 million as at June 30, 2012 ($24.6 million at March 31, 2012) is the results of the contractual obligations for the ongoing construction of the new North Channel Bridge and major works undertaken on the Montreal bridges.

In completing major projects, FBCL and its subsidiary JCCBI, have entered into construction contracts that include a portion of payment not payable until certain works are completed and meet the performance requirements. These holdbacks have increased to $6.0 million at June 30, 2012 ($5.3 million at March 31, 2012) as a part of the Honoré Mercier Bridge and the North Channel Bridge projects. These amounts will become payable once the works are completed over the next several years.

STATEMENT OF FINANCIAL POSITION (CONTINUED)

Liabilities (continued)

The asset retirement obligation of $16.0 million at June 30, 2012 ($15.9 million at March 31, 2012) relates to the intention of the Corporation to demolish the existing bridge in Cornwall once the construction of the new bridge is completed.

Variations in other liabilities are minimal.

Non-Financial Assets

Tangible capital assets have increased by $11.6 million or 3.9% compared with the balance sheet of March 31, 2012 due to the ongoing construction of the new low-level North Channel Bridge in Cornwall ($6.8 million in Q1), the re-development of the Canadian Plaza in Sault Ste. Marie ($0.7 million) and the works on the Champlain Bridge ($1.9 million in Q1) and other capital projects in the Montreal region ($2.2 million).

REVENUE

Tolls and Thousand Island Bridge Operating Revenue

The toll revenue levels from international bridges of $1.3 million in Q1 ($1.3 million in Q1 2011-2012) have been sustained. The positive volume of automotive traffic at all international bridge locations is offset by an 11% decrease in commercial traffic in Sault Ste. Marie for the first portion of the year that is linked to the value of the Canadian dollar and the slow economic recovery in the United States.

Leases and Permits

Revenues from leases and permits remained stable in Q1 at $1.1 million ($1.0 million in Q1 2011-2012).

Parliamentary Appropriations

Parliamentary appropriations for operating expenses totalled $17.8 million in Q1 compared to $15.9 million for Q1 2011-2012 and represent the allocation to the subsidiary, JCCBI for its operations ($13.1 million) and the operating funding for the Champlain Bridge maintenance ($4.7 million).

Parliamentary appropriations for capital expenses totalled $13.7 million ($12.6 million in Q1 2011-2012) and includes capital funding for the new North Channel Bridge ($6.8 million), the Champlain Bridge maintenance ($1.9 million), the re-development of the Canadian Plaza in Sault Ste Marie ($0.7 million) and for the ongoing capital program in Montreal ($4.3 million).

A schedule reporting on the use of parliamentary appropriations is included in section 3.4.

EXPENSES

Maintenance

Maintenance expenses account for 78% of expenses at the end of Q1 reaching $18.9 million ($17.6 million in Q1 2011-2012).

Maintenance expenses of $17.3 million were incurred in the Montreal region alone with the fourth year of the Champlain Bridge 10-year maintenance program totalling $4.7 million in Q1 ($7.9 million in Q1 2011-2012), work on Highway 15 totalling $2.1 million, projects on the Jacques Cartier Bridge for $2.1 million, work on the Bonaventure Expressway of $1.2 million, continued maintenance on the Honoré Mercier Bridge of $0.3 million and other various work and project under $0.3 million in the region totalling $6.9 million.

Operations

Expenses for operations totalled $1.4 million in Q1 that is comparative with Q1 2011-2012 expenses of $1.5 million. The costs of operations is expected to remain constant across the portfolio.

Administration

Administration expenses of $2.9 million in Q1 is consistent with expenses of $2.8 million in Q1 2011-2012.

Thousand Islands Bridge Operating Expenses

Operating expenses at the Thousand Islands Bridge totalled $0.9 million in Q1 that is consistent with expenses of $1.0 million in Q1 2011-2012.

3.2 Cash Flow

FBCL's cash balance has fluctuated by $16.7 million in Q1. FBCL's cash flow is primarily dependent on the timing of receipt of parliamentary appropriations for its major project expenditures. These appropriations are received only once the expenditures are incurred. At the end of Q1, the amount Due from Canada has fluctuated by some $22.9 million to $36.5 million ($13.6 million at Q1 2011-2012) due to balances due for major projects and the ongoing operations of the subsidiary, JCCBI. The remainder of the fluctuation is due to ongoing investments in capital assets, regular operations and variances in working capital.

3.3 Risk Analysis

FBCL continues to monitor and implement mitigation measures to address its primary responsibility, that of the ongoing safety of its bridges. As well, it continues to address its financial sustainability issues and strive for improvements in its corporate structure.

Major Projects

FBCL and its subsidiaries are currently performing major projects on the bridges and associated structures for which it is responsible. The following describes the key project accomplishments in Q1.

Honoré Mercier Bridge Rehabilitation (Montréal)

An important 17-month delay has occurred in the second phase of the Honore Mercier Bridge project (federal portion $135.0 million). Complex issues regarding labour and jurisdiction on the Mohawk territory including Quebec laws are at the source of the delay, thus affecting the planned expenditures. Some of the labour issues have been resolved and funds reallocated from previous years should be engaged in the next quarters.

Federal works on the bridge approaches (Contract A -original scope) has been completed. Quebec has requested additional important repairs to be added into Contract A. These works will continue into 2012. Federal works on the bridge (Contract B) off of the Mohawk territory has progressed. JCCBI's works on the federal section of the bridge including those on Mohawk territory are to be started in 2012 and completed in 2014. Fabrication of steel panels will be completed in 2012-2013. The design for all the required steel reinforcements and repairs has been completed and reinforcement of the federal section has started.

Quebec has withdrawn a large portion of its work from the Contract B and is developing a new repair strategy. The impacts of this unilateral action along with the delays are important and are being assessed by JCCBI.

Champlain Bridge (Montreal)

2012-2013 is the fourth year of delivery of the 10-year $212.0 million Champlain Bridge maintenance program. Works totalling $26.5 million are planned. At the end of June 2012, a total of $19.7 million was committed over the next two years and works realized in Q1 totalled $4.6 million. Safety and security risks are being managed through this program.

In October 2011, the federal government announced the construction of a new bridge across the St. Lawrence within 10 years, replacing the existing Champlain Bridge. The project is managed by Transport Canada. Parliamentary appropriation levels of the subsidiary JCCBI have been reviewed with Transport Canada to ensure that authority and funding levels for the new project are consistent.

3.3 Risk Analysis (continued)

Canadian Customs Plaza Rehabilitation (Sault Ste. Marie)

This project is governed by a contribution agreement of $44.1 million originating from the Gateways and Border Crossings Fund managed by Transport Canada and is in the tender ready phase. Efforts continue to be focused on the necessary land acquisitions to realize the project. Funding for additional property acquisitions is being financed through a commercial loan of $5.0 million, in accordance with the financial capacity of the subsidiary, SMRBC. Timelines are being adjusted to allow for the continued negotiations for the property acquisitions. Currently the project is approximately one year behind the original planned completion date of 2014.

New Low Level North Channel Bridge (Cornwall)

The construction of the bridge and the approaches is progressing very well with the installation of the girders and work on the beginning of the deck infrastructure in June 2012. In addition to these works, permanent tolling facilities will be established at the foot of the bridge within the City of Cornwall. Preparations and negotiations for the temporary CBSA facilities are being developed to align with the new bridge and tolling facilities.

FINANCIAL SUSTAINABILITY

FBCL must continue to review its plans to ensure long-term financial sustainability of its operations at all domestic bridges and international crossings. At issue is the inability of FBCL to finance major capital projects and CBSA requirements at international crossings. In addition, longer-term funding to maintain the federal domestic bridges in Montreal is required. The funding level for these assets will require further assessment in the upcoming years to address critical infrastructure needs.

ENVIRONMENT

The subsidiary JCCBI owns contaminated lands located between the Bonaventure Expressway and the St. Lawrence River, known as Technoparc. Federal funding from the Federal Contaminated Sites Action Plan has been received for identified remedial measures at this location. JCCBI is working with adjacent property owners to establish a long-term remediation plan. Authorities and long-term funding will be required prior to commencing the plan.

HUMAN RESOURCES

The employment levels at FBCL and its subsidiaries, SIBC and SMRBC have remained stable. The subsidiary, JCCBI is continuing to staff additional personnel to meet its maintenance and capital requirements. This subsidiary also manages two collective agreements. The first collective agreement with white collar workers has expired and negotiations have been initiated since September 2011. The second collective agreement with the blue collar workers has expired on December 31, 2011.

Girders for the new bridge in Cornwall now span across the entire North Channel Bridge.

The deck for the short bridge between Canal lands and the cityof Cornwall has been cast in place.

3.4 Reporting on Use of Appropriations

Parliamentary appropriations are planned to be slightly lower than the prior year and are currently estimated at $217.6 million in 2012-2013.

FBCL

The new North Channel Bridge project funding for 2012-2013 has been revised to $26.2 million reflecting the ongoing construction activities. A request for the reallocation of $11.2 million in parliamentary appropriations for the project has been made in order to reflect the current project phasing which includes the realization of certain sewer and infrastructure works at a later time once the bridge itself has been completed.

JCCBI

The assumption of responsibility by Transport Canada for the new Champlain Bridge corridor project included a transfer of $7.9 million in funding previously allocated for studies by the subsidiary, JCCBI to Transport Canada. In addition, $6.8 million in funding allocated for works on Nun's Island Bridge have been requested to be reallocated to the current fiscal year to align with decisions on its temporary replacement.

The Honoré Mercier Bridge rehabilitation project is approximately one year beyond plan as such, a portion of the federal project funding in place for the prior year, $39.2 million, has been requested to be reallocated to upcoming years to reflect the current project phasing. Planned current year spending for this program totals $39.1 million.

The Champlain Bridge maintenance program budget has been revised to include $1.3 million in works planned for the prior year but deferred to the current fiscal year. Planned current year spending for this program totals $26.5 million.

Parliamentary appropriations of $1.7 million for contaminated sites allocated under the Federal Contaminated Sites Action Plan have been requested to be reallocated to the current year in order to complete the planned works. Planned current year spending for this program totals $14.4 million.

	Three months ended June 30, 2012					Three months ended June 30, 2011				
	FBCL Vote 30	JCCBI Vote 50			Total	FBCL Vote 30	JCCBI Vote 60			Total
(' in thousands)	Capital	Operating	Capital	Sub-total		Capital	Operating	Capital	Sub-total	
Main Estimates	14,983	100,346	50,017	150,363	**165,346**	64,699	43,378	55,566	98,944	**163,643**
Supplementary Estimates (A)	-	(7,905)	-	(7,905)	**(7,905)**		18,170	13,638	31,808	**31,808**
Additional Funding Requests (1)	-	-	-	-	**-**		554	116	670	**670**
Reprofiling Request (1) from Prior Years	11,241	-	48,941	48,941	**60,182**			22,464	22,464	**22,464**
Funding Available	**26,224**	**92,441**	**98,958**	**191,399**	**217,623**	**64,699**	**62,102**	**91,784**	**153,886**	**218,585**
Drawdown (2)										
Actual	6,827	17,829	7,489	25,318	**32,145**	3,520	15,597	10,922	26,519	**30,039**
Plan	19,397	74,612	91,469	166,081	**185,478**	21,716	46,505	80,862	127,367	**149,083**
Total Drawdown	**26,224**	**92,441**	**98,958**	**191,399**	**217,623**	**25,236**	**62,102**	**91,784**	**153,886**	**179,122**
Remaining Appropriations	-	-	-	-	-	**39,463**	-	-	-	**39,463**

(1) Approvals to be sought in future budgetary exercises.

(2) FBCL and its subsidiary, JCCBI are generally allocated funding only once expenses are incurred.

4.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2012

FBCL's interim unaudited condensed consolidated financial statements have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors. FBCL's external auditors have not audited nor reviewed these condensed interim consolidated financial statements.

4.1 Statement of Management Responsibility

Management of The Federal Bridge Corporation Limited is responsible for the preparation and fair presentation of these interim unaudited condensed consolidated 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 the interim unaudited condensed consolidated financial statements. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the interim unaudited condensed consolidated financial statements.

The Federal Bridge Corporation Limited completed the consolidation of the interim unaudited financial statements and establishes and maintains appropriate internal controls for that purpose. To prepare its interim unaudited condensed consolidated financial statements, the management of The Federal Bridge Corporation Limited relies on unaudited financial information provided by its wholly-owned subsidiaries The Jacques Cartier and Champlain Bridges Incorporated, The Seaway International Bridge Corporation, Ltd. and The St. Mary's River Bridge Company as well as unaudited financial information provided by its international partners. The financial information provided by the subsidiaries and the international partners, as well as the internal controls established and maintained to collect such information, are the responsibility of each of these entities' management.

Based on our knowledge of the financial position, results of operations and cash flows of The Federal Bridge Corporation Limited and our reliance on the financial information provided and internal controls established and maintained by the wholly-owned subsidiaries and international partners, these unaudited condensed consolidated 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 interim unaudited condensed consolidated financial statements.

Micheline Dubé	Natalie Kinloch
President and Chief Executive Officer	Chief Financial and Administrative Officer

Ottawa, Canada

August 23, 2012

4.2 Consolidated Statement of Financial Position

(Unaudited)

as at June 30, 2012
(thousands of dollars)

	June 30, 2012	March 31, 2012
FINANCIAL ASSETS		
Cash	**22,037**	38,780
Investments	**3,350**	3,343
Accounts receivable	**3,897**	2,370
Accrued interest receivable	**40**	81
Due from Canada	**36,505**	13,612
TOTAL FINANCIAL ASSETS	**65,829**	58,186
LIABILITIES		
Accounts payable and accrued liabilities	**30,754**	24,614
Due to a government partner	**2,207**	2,075
Client deposits	**141**	140
Holdback	**5,972**	5,309
Employee future benefits	**1,623**	1,271
Environmental obligation	**28,100**	28,100
Deferred revenue	**672**	610
Credit facility	**5,000**	5,000
Asset retirement obligation	**15,998**	15,885
Deferred capital funding	**-**	249,472
TOTAL LIABILITIES	**90,467**	332,476
NET DEBT	**(24,638)**	(274,290)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	**311,943**	300,347
Prepaid expenses	**1,713**	1,118
TOTAL NON-FINANCIAL ASSETS	**313,656**	301,465
ACCUMULATED SURPLUS	**289,018**	27,175

The accompanying notes form an integral part of the interim unaudited condensed consolidated financial statements.

4.3 Consolidated Statement of Operations

(Unaudited)

for the three months ended June 30, 2012
(thousands of dollars)

	Three months ended June 30, 2012	Three months ended June 30, 2011 (restated)
REVENUE		
Tolls	**1,324**	1,329
Leases and permits	**1,088**	1,032
International Thousand Islands Bridge operating revenues	**984**	921
Interest	**71**	96
Other	**362**	(49)
TOTAL REVENUE	**3,829**	3,329
EXPENSES		
Maintenance	**18,923**	17,647
Operation	**1,409**	1,464
Administration	**2,867**	2,761
International Thousand Islands Bridge operating expenses	**880**	988
TOTAL EXPENSES	**24,079**	22,860
Deficit before government funding	**(20,250)**	(19,531)
Parliamentary appropriations	**31,452**	15,918
Government contributions	**1,169**	-
Amortization of deferred capital funding (Note 4)	**-**	1,469
SURPLUS / (DEFICIT)	**12,371**	(2,144)
ACCUMULATED SURPLUS, BEGINNING OF QUARTER	**27,175**	60,195
Reclassification of deferred capital funding (Note 4)	**249,472**	-
ACCUMULATED SURPLUS, END OF QUARTER	**289,018**	58,051

The accompanying notes form an integral part of the interim unaudited condensed consolidated financial statements.

4.4 Consolidated Statement of Change in Net Debt

(Unaudited)
for the three months ended June 30, 2012
(thousands of dollars)

	Three months ended June 30, 2012	Three months ended June 30, 2011 (restated)
SURPLUS / (DEFICIT)	**12,371**	(2,144)
Acquisition of tangible capital assets	**(14,831)**	(14,153)
Amortization of tangible capital assets	**3,234**	2,816
	774	(13,481)
Acquisition of prepaid expenses	**(1,762)**	(1,498)
Use of prepaid expenses	**1,168**	735
	(594)	(763)
(INCREASE) / DECREASE IN NET DEBT	**180**	(14,244)
NET DEBT, BEGINNING OF QUARTER	**(274,290)**	(209,088)
Reclassification of deferred capital funding	**249,472**	-
NET DEBT, END OF QUARTER	**(24,638)**	(223,332)

The accompanying notes form an integral part of the interim unaudited condensed consolidated financial statements.

4.5 Consolidated Statement of Cash Flow

(Unaudited)
for the three months ended June 30, 2012
(thousands of dollars)

	Three months ended June 30, 2012	Three months ended June 30, 2011 (restated)
OPERATING TRANSACTIONS		
Surplus / (deficit)	**12,371**	(2,144)
Non-cash items		
Amortization of tangible capital assets	**3,234**	2,816
Amortization of deferred capital funding	**-**	(1,513)
Decrease of client deposit	**1**	(3)
Accretion expense	**113**	118
Increase in due from Canada	**(22,893)**	(19,177)
Increase of holdback	**663**	3,057
Increase of employee future benefits	**352**	465
Increase in deferred capital funding	**-**	12,606
Net change in non-cash working capital items	**4,122**	4,311
CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	**(2,037)**	536
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	**(14,831)**	(14,153)
CASH APPLIED TO CAPITAL ACTIVITIES	**(14,831)**	(14,153)
INVESTING TRANSACTIONS		
Acquisition of investments	**(7)**	(282)
CASH APPLIED TO INVESTING ACTIVITIES	**(7)**	(282)
FINANCING TRANSACTIONS		
Increase in amount due to joint venturer	**132**	169
CASH PROVIDED BY FINANCING ACTIVITIES	**132**	169
NET DECREASE IN CASH	**(16,743)**	(13,730)
CASH, BEGINNING OF QUARTER	**38,780**	28,475
CASH, END OF QUARTER	**22,037**	14,745

The accompanying notes form an integral part of the interim unaudited condensed consolidated financial statements.

4.6 Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

FBCL has prepared its interim unaudited condensed consolidated financial statements in accordance with the requirements of the *Financial Administration Act* and the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board Secretariat with the exception of budget presentation as a result in changes being considered for FBCL's Corporate Plan.

FBCL reports all revenues and expenses on an accrual basis. Assets are carried at the lower of cost or net realizable value. Liabilities and financial obligations to outside organizations are recorded at the estimated amount ultimately payable. Both financial and non-financial assets are reported on the Statement of Financial Position. Non-financial assets are charged to expense through amortization or upon utilization. Non-financial assets are not taken into consideration when determining the net debt of FBCL, but rather are deducted from the net debt to determine the accumulated surplus (deficit).

The interim unaudited condensed consolidated financial statements include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of the interim period presented.

b) Basis of consolidation

The interim unaudited condensed consolidated financial statements include the accounts of FBCL, its wholly owned subsidiaries, JCCBI, SMRBC and SIBC. The fiscal year-end of the wholly-owned subsidiary JCCBI and the government partnership SIBC is March 31, while that of the wholly-owned subsidiary, SMRBC is December 31. Consolidated financial results have been presented as of June 30, 2012. All inter-company transactions and balances have been eliminated within the interim unaudited condensed consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Transfer payments

PSAB has recently modified section 3410 (Transfer Payments) and this Standard is applicable to fiscal years beginning on or after April 1, 2012. FBCL has adopted this Standard on a prospective basis, without restatement of 2011 comparative figures.

Based upon the previous accounting standard, parliamentary appropriations and government contributions used for the purchase of capital assets were recorded as deferred capital funding and amortized on the same basis and over the same periods as the related asset. Parliamentary appropriations and government contributions are recognized as revenue when authorized and when all the eligibility criteria are met.

As a result, the amount previously reported as deferred capital funding at March 31, 2012 of $249.5 million has been eliminated within FBCL's opening accumulated surplus at April 1, 2012. Parliamentary appropriations and government contributions received by FBCL during the first quarter ended June 30, 2012 for capital acquisitions in the amount of $32.6 million are now included in revenue.

d) Other new Standards

In June 2011, the CICA issued this section which replaced Section PS 1200 – Financial Statement Presentation, PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation. These new Standards are required to be applied concurrently to fiscal years beginning on or after April 1, 2012. The Corporation has analyzed the impact of these new standards on its consolidated financial statements and has determined that the impact is not material. It will therefore be adopting these standards as of its fiscal year-end of March 31, 2013.

2. TANGIBLE CAPITAL ASSETS

As at June 30, 2012

	Cost				
	Opening Balance	Acquisitions	Disposal	Transfers	Closing Balance
Land	$ 8,611	$ -	$ -	$ -	$ 8,611
Bridges and roads	405,727	2,037	-	-	407,764
Vehicles and equipment	8,093	11	(36)	-	8,068
Buildings	8,419	11	-	-	8,430
Bridge and infrastructure betterments	1,109	-	-	-	1,109
Projects in progress	39,354	12,772	-	-	52,126
Asset retirement obligation	15,171	-	-	-	15,171
Equipment under capital lease	53	-	-	-	53
TOTAL	$ 486,537	$ 14,831	$ (36)	$ -	$ 501,332

	Accumulated Amortization				
	Opening Balance	Amortization Expense	Disposal	Transfers	Closing Balance
Land	$ -	$ -	$ -	$ -	$ -
Bridges and roads	169,962	3,103	-	-	173,065
Vehicles and equipment	6,040	86	(36)	-	6,090
Buildings	3,790	45	-	-	3,835
Bridge and infrastructure betterments	1,109	-	-	-	1,109
Projects in progress	-	-	-	-	-
Asset retirement obligation	5,236	-	-	-	5,236
Equipment under capital lease	53	-	-	-	53
TOTAL	$ 186,190	$ 3,234	$ (36)	$ -	$ 189,388

	Net Book Value June 30, 2012
Land	$ 8,611
Bridges and roads	234,699
Vehicles and equipment	1,978
Buildings	4,595
Bridge and infrastructure betterments	-
Projects in progress	52,125
Asset retirement obligation	9,935
Equipment under capital lease	-
TOTAL	$ 311,943

2. TANGIBLE CAPITAL ASSETS (continued)

As at March 31, 2012

	Cost				
	Opening Balance	Acquisitions	Disposals	Transfers	Closing Balance
Land	8,611	-	-	-	8,611
Bridges and roads	324,195	10,031	-	71,501	405,727
Vehicles and equipment	7,525	622	54	-	8,093
Buildings	6,900	1,519	-	-	8,419
Bridge and infrastructure betterments	1,109	-	-	-	1,109
Projects in progress	78,475	32,380	-	(71,501)	39,354
Asset retirement obligation	15,171	-	-	-	15,171
Equipment under capital lease	53	-	-	-	53
TOTAL	442,039	44,552	54	-	486,537

	Accumulated Amortization				
	Opening Balance	Amortization Expense	Disposals	Transfers	Closing Balance
Land	-	-	-	-	-
Bridges and roads	161,029	8,933	-	-	169,962
Vehicles and equipment	5,780	314	54	-	6,040
Buildings	3,606	184	-	-	3,790
Bridge and infrastructure betterments	1,109	-	-	-	1,109
Projects in progress	-	-	-	-	-
Asset retirement obligation	1,924	3,312	-	-	5,236
Equipment under capital lease	53	-	-	-	53
TOTAL	173,501	12,743	54	-	186,190

	Net Book Value March 31, 2012
Land	8,611
Bridges and roads	235,765
Vehicles and equipment	2,053
Buildings	4,629
Bridge and infrastructure betterments	-
Projects in progress	39,354
Asset retirement obligation	9,935
Equipment under capital lease	-
TOTAL	300,347

3. DEFERRED CAPITAL FUNDING

(thousands of dollars)	**June 30, 2012**	March 31, 2012
Balance, beginning of year	**249,472**	213,843
Parliamentary appropriations to finance the acquisition of amortizable assets	-	43,227
Amortization	-	(7,598)
Reclassification of deferred capital funding	**(249,472)**	-
Balance, end of year	-	249,472

4. COMMITMENTS

a) Operations
The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2017, is $3.7 million on an annual basis. This agreement is renewable at maturity unless either party gives notice to the contrary.

b) Suppliers
FBCL has commitments principally for major repairs, supply contracts, maintenance contracts, professional service and rental agreements for amounts totalling $136.8 million. Minimum payments over the next years are as follows:

(thousands of dollars)	
2013	96,647
2014	38,084
2015	1,515
2016 and subsequent years	503

5. RESTATED RESULTS FOR INTERIM STATEMENTS FOR JUNE 30, 2011

The results for the first quarter ending June 30, 2011 have been restated in order to reflect a correction to the PSAB opening balance as of April 1, 2010 in order to recognize the contributed tangible capital assets within the subsidiary, JCCBI as well as a minor foreign currency translation error. The net impact for the first quarter ended June 30, 2011 is an increase in the accumulated surplus by $1.9 million. There are no changes to the annual audited consolidated financial statements as at March 31, 2012.

6. SUBSEQUENT EVENTS

On July 12th ,2012, the Minister of Transport, Infrastructure and Communities and Minister of the Economic Development Agency of Canada for the Regions of Quebec announced the replacement of three overpasses on Highway 15 and the construction of a temporary causeway between Nuns' Island and Montreal to be managed by the subsidiary, JCCBI. This causeway to be constructed by 2014 will be in place until the Nuns' Island Bridge is permanently replaced as part of the construction of the new crossing over the St. Lawrence River. The subsidiary, JCCBI is currently analyzing the accounting implications of this announcement that could include necessary adjustments to assets, liabilities and expenditures.