QUARTERLY FINANCIAL REPORT

1ST QUARTER (Q1)

UNAUDITED

For the three months ended
June 30, 2013

THE FEDERAL BRIDGE CORPORATION LIMITED

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Cover photo: *Prefabricated deck replacement process at the Honoré Mercier Bridge in Montreal (top)*
View from underneath the deck of the new North Channel Bridge in Cornwall (bottom)

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.

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 2013-2014 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, 2013 (Q1). 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 2012-2013 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 $13.6 million for the three months ended June 30, 2013 ($12.4 million -2013). The deficit before government funding was $21.6 million at June 30, 2013 ($20.3 million – 2013).

Overall revenue for FBCL, compared to the prior year, was steady at $3.8 million. The consolidated net debt of FBCL has increased by $2.7 million during Q1, to a consolidated net debt of $38.3 million. This is primarily reflected by the timing of the acquisition of certain prepaid expenses. Capital acquisitions in the first quarter of this year totaled $17.7 million, with significant projects underway including $3.8 million spent on the Champlain Bridge, $3.4 million on the Honoré Mercier Bridge, $2.2 million on île des Soeurs temporary causeway-bridge, $1.1 million on the new North Channel Bridge, and $0.9 million on land acquisitions and work related to the Sault Ste. Marie Canadian Plaza Redevelopment project.

2.2 Outlook

Looking ahead, FBCL expects to maintain its revenue levels to that of the prior year. Maintenance expenditures at the Montreal bridges can be expected to continue to increase in comparison to prior years, however these expenses are funded by parliamentary appropriations. Major projects funded by the government are continuing including the construction of the new North Channel Bridge in Cornwall, the redevelopment of the Canadian Customs Plaza in Sault Ste. Marie, the ongoing rehabilitation of the Honoré Mercier Bridge, repairs of the Champlain Bridge and initiation of studies for a temporary causeway for the eventual replacement of the île des Soeurs Bridge in Montreal.

Q1 was particularly busy in Montreal with major repair work on the Champlain Bridge piers (top) and the ongoing deck replacement of the federal section of the Honoré Mercier Bridge (bottom left). In Cornwall, the new North Channel Bridge project has been progressing very well (right).

3.0 DISCUSSION OF FINANCIAL RESULTS

3.1 Results of Operations

SEASONAL TRENDS

FBCL has traditionally experienced seasonal variations in its financial results. From a revenue perspective, a greater number of bridge transits occur at international bridge crossings in the second and third quarters of the fiscal year and usually result in higher toll revenues. In the first and fourth quarters, there are historically a lower number of bridge transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers 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.

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 and fourth quarters 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

During the three months ended June 30, 2013, total financial assets have increased marginally by $1.3 million to $72.0 million, compared with $70.7 million at March 31, 2012. As FBCL and its largest subsidiary are dependent upon federal government funding, its accounts receivable from the federal government often plays a large role in this fluctuation. In the first three months of this year, FBCL's accounts receivable from the federal government has increased $8.1 million.

The net cash position of FBCL has decreased by $6.0 million during Q1, to $24.7 million at June 30, 2013 ($30.7 million at March 31, 2013). The acquisition of certain prepaid items, as well as the payment for some of the remaining properties in Sault Ste. Marie during the quarter represent the main use of cash. Variations in other assets are minimal.

Liabilities

Accounts payable and accrued liabilities increased by $3.5 million from $40.1 million at March 31, 2013 to June 30, 2013. This increase was led by a higher level of major works undertaken on the Montreal bridges, in comparison to the previous fiscal year-end. This line sees fluctuations that generally coincide with the accounts receivable from the federal government in the form of appropriations, where the vendors are paid once the federal government provides the funds.

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 now increased to $8.5 million at June 30, 2013 ($8.2 million at March 31, 2013) 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 upcoming years.

Liabilities (continued)

The asset retirement obligation of $16.5 million at June 30, 2013 ($16.4 million at March 31, 2013) relates to the intention of the Corporation to demolish the existing bridge in Cornwall once the construction of the new bridge is completed.

In the quarter ended June 30, 2013, the Corporation has started to pay down the $5 million loan that is being used to finance the purchases of land for the Sault Ste. Marie Canadian Plaza Redevelopment project. This loan is being repaid over a twenty year period, from net toll revenues at Sault Ste. Marie.

Variations in other liabilities are minimal.

Non-Financial Assets

Tangible capital assets have increased by $13.7 million when compared with the consolidated financial statements of March 31, 2013. Major works that contributed to this increase include work on the Champlain Bridge ($3.8 million), Honoré Mercier Bridge ($3.4 million), île de Soeurs bridge-causeway ($2.2 million), the new North Channel Bridge ($1.1 million), land acquisitions and work related to the Sault Ste. Marie Canadian Plaza Redevelopment project ($0.9 million), and $6.2 million on other projects in the Montreal area. Amortization expense in the three months ended June 30, 2013, amounted to $4.0 million.

Prepaid expenses also increased by $2.4 million during the quarter. This increase was mainly for prepayments to certain contractors for work completed early in the second quarter.

REVENUE

International Bridges Toll Revenue

Tolls revenue for FBCL's three international bridge crossings rose $0.1 million to $2.4 million at June 30, 2013. This represented an increase of 6.4%. The Seaway International Bridge saw an 8% decrease in passenger traffic, and a 5% decrease in commercial traffic. Much of this decrease is attributed to longer wait times at the bridge. Sault Ste. Marie has had a modest increase in passenger traffic of less than 1%, and a small decrease in commercial traffic of 2%, as compared to the same time last year. The Thousand Islands crossing, has also had a modest increase in passenger traffic of less than 1% in its first quarter, accompanied by an increase of almost 2% in commercial vehicles.

3.1 Results of Operations (continued)

Government funding

Government funding can be summarized in the following manner for the first three months of both this fiscal year and last fiscal year.

(in $000's)	**2013-14**	**2012-13**
Government funding for operating expenses		
• JCCBI	$18,229	$17,829
Government funding for capital costs		
• JCCBI	$15,628	$ 7,489
• North Channel Bridge	$ 1,288	$ 6,827
• Sault Ste. Marie Canadian Plaza Rehabilitation	$ -	$ 476

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

EXPENSES

Maintenance

Maintenance expenses in the quarter account for 80.1% of expenses during the quarter reaching $20.3 million ($18.9 million - 2013). Maintenance expenses of $18.6 million have been incurred in the Montreal region alone. Spending on major Montreal area projects in the quarter included:

- $10.1 million on maintenance works on the Champlain Bridge;
- $1.6 million spent on projects on the Jacques Cartier Bridge;
- $1.1 million of work on the Bonaventure Expressway;
- $0.5 million in work on Highway 15.

Operations

Expenses for operations in the quarter equalled those of last year at $1.4 million. This year that represents 5.6% of total expenses (5.9% - 2013).

Administration

Administration expenses of $2.7 million in Q1 represent a decrease of $0.2 million from the prior year ($2.9 million). During the quarter, administration expenses were 10.5% (11.89% - 2012) of the total expenses.

3.2 Cash Flow

During the first quarter, ended June 30, 2013, FBCL's cash balance decreased by $6.0 million to $24.7 million. A major contributor is that fact that prepaid expenses increased by $2.4 million. Much of the remainder of the lower cash balance is as a result of the payment of almost $2.5 million in land acquisitions, which had been reported as assets at the end of the previous fiscal year. 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)

The strengthening of JCCBI's section of the bridge continues in 2013. The re-decking works will begin in Q2 2013-14.

The fabrication of bridge deck panels are 70% completed and will be completed in Q3 of 2013-2014. These panels are planned to be installed by the Mohawk Consortium retained under Contract A. The required steel reinforcements and repairs are underway and will be ongoing through 2013-2014 for the federal portion of the bridge.

An additional amount of $4.8 million has been budgeted for bearings replacement works plus an amount of $3.7 million will be spent for steel strengthening at this structure.

Champlain Bridge (Montreal)

2013-2014 is the fifth year of delivery of the 10-year $212.0 million Champlain Bridge maintenance program. Works totalling $26.7 million are budgeted with $25.1 million committed including the purchase and installation of the latest instrumentation used to monitor the behavior of critical bridge elements as part of JCCBI's risk mitigation strategy.

An additional amount of $11.1 million for Champlain Bridge includes $2.5 million originally budgeted for Highway 15 and Bonaventure Expressway will be used to complete the reconstruction / expansion of the existing quay installations to facilitate the construction program.

3.3 Risk Analysis (continued)

New Bridge Across the St. Lawrence (Montreal)

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. 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 île des Soeurs and Montreal to be managed by the subsidiary, JCCBI. This causeway-bridge, to be constructed by 2015, will be in place until the île des Soeurs Bridge is permanently replaced as part of the construction of the new crossing over the St. Lawrence River.

Studies, design and engineering work for the île des Soeurs temporary causeway-bridge are required for the replacement of the Bridge as part of the new $124.9 million Budget 2013 announcement and other funding. Contracts should be awarded in Q2 2013-14 for laboratory services, supervisory services and construction.

$4.3 million of works is planned for 2013-2014 for the existing Ile des Soeurs Bridge. These works are scheduled to begin in August 2013 in order to be completed by March 2015. A contract should be awarded in Q2 2013-14 to complete the installation of the latest instrumentation in order to monitor the behavior of critical bridge elements as part of its risk mitigation strategy. In Q2 2013-14, tenders for works to be carried out on piers and slabs will be launched.

Canadian Customs Plaza Rehabilitation (Sault Ste. Marie)

The Sault Ste. Marie Customs Plaza Rehabilitation originates from the Gateways and Border Crossings Fund managed by TC. Project designs were completed and approved by Canada Border Services Agency (CBSA) and land acquisitions were completed or are in the final stages of acquisition from SMRBC funds. Construction works could start in the summer 2013 with site preparation and the Duty Free building construction.

New Low Level North Channel Bridge (Cornwall)

The new low-level NCB in Cornwall is nearing completion for the construction phase of the bridge and associated structures. Preparations are continuing for the temporary CBSA facilities and plans are being executed to align with the new bridge and new 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 increasing CBSA requirements at international crossings. In addition, longer-term funding to maintain the federal domestic bridges and to clean up contaminated sites 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.

3.3 Risk Analysis (continued)

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 which are in effect until 2015.

Joint replacement project at the Champlain Bridge in Montreal

3.4 Reporting on Use of Appropriations

Parliamentary appropriations are planned to be higher than the prior year and are currently estimated at $229.7 million in 2013-2014 (actual appropriations during 2012-2013 were $131.3 million).

FBCL

The new North Channel Bridge project funding for 2013-2014 is estimated to be $14.3 million for current year construction activities.

3.3 Risk Analysis (continued)

JCCBI

During the year, $26.7 million in expenses and capital projects are forecasted to take place for the Champlain Bridge.

It is expected that through future budgetary exercises, JCCBI may extend the realization of $79.5 million in planned works to future years. The largest reasons for these differences result from:

- The need for a coordinated long-term approach on the Technoparc clean-up, will result in only $0.4 million spent in the current year, resulting in almost $23 million to be spent future years.
- Ongoing construction on the Honoré Mercier Bridge, with capital spending currently forecasted to be $27.1 million, will likely span into the following year.
- Works on the île de Soeurs causeway-bridge will be starting during 2013-2014, with capital expenditures expected to reach almost $57 million, resulting in the staggering of $20 million of expenditures over the next two fiscal years.

	Three months ended June 30, 2013					Three months ended June 30, 2012				
	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	13,000	127,180	76,410	203,590	**216,590**	14,983	100,346	50,017	150,363	**165,346**
Supplementary Estimates (A)	-	-	-	-	**-**	-	(7,905)	-	(7,905)	**(7,905)**
Supplementary Estimates (B)	-	-	-	-	**-**	-	-	-	-	**-**
Additional Funding Requests [1]	-	-	47,696	47,696	**47,696**	-	-	-	-	**-**
Reprofiling Request [1]										
from Prior Years	1,338	5,052	38,586	43,638	**44,976**	11,241	-	48,941	48,941	**60,182**
To Future Years	-	(40,726)	(38,793)	(79,519)	**(79,519)**	-	-	-	-	**-**
Funding Available	**14,338**	**91,506**	**123,899**	**215,405**	**229,743**	**26,224**	**92,441**	**98,958**	**191,399**	**217,623**
Drawdown [2]										
Actual	1,288	18,229	15,628	33,857	**35,145**	6,827	17,829	7,489	25,318	**32,145**
Plan	13,050	73,277	108,271	181,548	**194,598**	19,397	74,612	91,469	166,081	**185,478**
Total Drawdown	**14,338**	**91,506**	**123,899**	**215,405**	**229,743**	**26,224**	**92,441**	**98,958**	**191,399**	**217,623**
Remaining Appropriations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

[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, 2013

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.

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

Ottawa, Canada

August 21, 2013

4.2 Consolidated Statement of Financial Position

(Unaudited)

as at June 30, 2013
(thousands of dollars)

	June 30, 2013	March 31, 2013
FINANCIAL ASSETS		
Cash and cash equivalents	**24,712**	30,722
Accounts receivable		
Federal departments and agencies	**27,555**	19,410
Other	**4,478**	5,004
Accrued interest receivable	**-**	40
Portfolio investments	**15,293**	15,522
TOTAL FINANCIAL ASSETS	**72,038**	70,698
LIABILITIES		
Accounts payable and accrued liabilities		
Federal departments and agencies	**242**	357
Other	**43,388**	39,763
Due to a government partner	**1,512**	1,427
Client deposits	**139**	138
Holdback	**8,452**	8,203
Employee future benefits	**1,408**	1,346
Environmental obligation	**33,200**	33,200
Asset retirement obligation	**16,487**	16,365
Credit facility	**4,956**	5,000
Deferred revenue	**613**	602
TOTAL LIABILITIES	**110,397**	106,401
NET DEBT	**(38,359)**	(35,703)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	**376,704**	363,025
Prepaid expenses	**3,208**	817
TOTAL NON-FINANCIAL ASSETS	**379,912**	363,842
ACCUMULATED SURPLUS	**341,553**	328,139
Accumulated surplus is comprised of:		
Accumulated operating surplus	**341,825**	328,231
Accumulated remeasurement losses	**(272)**	(92)
	341,553	328,139

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, 2013
(thousands of dollars)

	Twelve months ended	Three months ended	
	March 31, 2014	**June 30, 2013**	June 30, 2012
	Budget	**Actual**	Actual
REVENUE			
Tolls	5,552	**1,443**	1,324
International Thousand Islands Bridge operating revenue	4,047	**1,012**	984
Leases and permits	5,003	**1,135**	1,088
Interest	563	**181**	71
Other	27	**38**	362
TOTAL REVENUE	15,192	**3,809**	3,829
EXPENSES			
Maintenance	128,932	**20,311**	18,923
Operations	5,982	**1,429**	1,409
Administration	10,049	**2,665**	2,867
International Thousand Islands Bridge operating expenses	4,432	**955**	880
TOTAL EXPENSES	149,395	**25,360**	24,079
Deficit before government funding	(134,203)	**(21,551)**	(20,250)
Government transfers	282,047	**35,145**	32,621
SURPLUS	147,844	**13,594**	12,371
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	352,118	**328,231**	27,175
Reclassification of deferred capital funding	-	**-**	249,472
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	499,962	**341,825**	289,018

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, 2013

(thousands of dollars)

	Twelve months ended March 31, 2014 Budget	**Three months ended** **June 30, 2013** **Actual**	June 30, 2012 Actual
SURPLUS	147,844	**13,594**	12,371
Acquisition of tangible capital assets	(161,577)	**(17,676)**	(14,831)
Amortization of tangible capital assets	15,609	**3,997**	3,234
	1,876	**(85)**	774
Acquisition of prepaid expenses	-	**(2,567)**	(935)
Use of prepaid expenses	600	**176**	981
	600	**(2,391)**	46
Net remeasurement gains / (losses)	-	**(180)**	-
(INCREASE) / DECREASE IN NET DEBT	2,476	**(2,656)**	820
NET DEBT, BEGINNING OF PERIOD	(28,773)	**(35,703)**	(274,290)
Reclassification of deferred capital funding	-	**-**	249,472
NET DEBT, END OF PERIOD	(26,297)	**(38,359)**	(23,998)

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

4.5 Consolidated Statement of Remeasurement Gains and Losses

(Unaudited)
for the three months ended June 30, 2013
(thousands of dollars)

	Three months ended	
	June 30, 2013	June 30, 2012
ACCUMULATED REMEASUREMENT LOSSES, BEGINNING OF PERIOD	**(92)**	-
Unrealized gains (losses) attributable to:		
Foreign exchange	**256**	-
Portfolio Investments	**(315)**	-
Amounts reclassified to the Statement of Operations:		
Foreign exchange	**(117)**	-
Portfolio Investments	**(4)**	-
NET REMEASUREMENT LOSSES FOR THE YEAR	**(180)**	-
ACCUMULATED REMEASUREMENT LOSSES, END OF YEAR	**(272)**	-

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

4.6 Consolidated Statement of Cash Flow

(Unaudited)
for the three months ended June 30, 2013
(thousands of dollars)

	Three months ended	
	June 30, 2013	June 30, 2012
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Surplus	**13,594**	12,371
Adjustments for non-cash items:		
Amortization of tangible capital assets	**3,997**	3,234
Environmental ogligation	**-**	-
Remeasurement losses	**(180)**	-
Changes in non-cash working capital items:		
Accounts receivable	**(7,619)**	(24,474)
Accrued interest receivable	**40**	41
Client deposit	**1**	1
Asset retirement obligation	**122**	113
Holdback	**249**	663
Accounts payable and accrued liabilities	**3,510**	6,139
Deferred revenue	**11**	62
Employee future benefits	**62**	352
Prepaid expenses	**(2,391)**	(541)
CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	**11,396**	(2,039)
CASH FLOW FROM CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	**(17,676)**	(14,831)
CASH APPLIED TO CAPITAL ACTIVITIES	**(17,676)**	(14,831)
INVESTING TRANSACTIONS		
Acquisition of investments	**(2,966)**	(7)
Disposal of investments	**3,195**	-
CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES	**229**	**(7)**
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in amount due to joint venturer	**85**	132
Payments on credit facility principal	**(44)**	-
CASH PROVIDED BY FINANCING ACTIVITIES	**41**	132
NET DECREASE IN CASH	**(6,010)**	(16,745)
CASH, BEGINNING OF PERIOD	**30,722**	38,780
CASH, END OF PERIOD	**24,712**	22,035

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

4.7 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 December 31, 2012. All inter-company transactions and balances have been eliminated within the interim unaudited condensed consolidated financial statements.

c) Other new Standards

The Public Sector Accounting Board continually revisits its standards, providing further clarification or updates, as required. Most recently the Transfer Payments (PS3410) and Foreign Exchange (PS2601) standards were reviewed this year, however no significant changes were suggested. Management continues to review upcoming and potential changes to accounting policy, with no upcoming changes expected to have a material effect on FBCL's financial statements.

2. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)

	Land	Bridges and roads	Vehicles and equipment	Buildings	Bridge and infrastructure betterments	Projects in progress	Asset retirement obligation	Total
Cost								
March 31, 2012	8,611	404,862	9,016	6,097	1,109	41,670	15,171	486,537
Acquisitions	2,298	11,949	719	42	-	62,191	-	77,199
Disposals	-	-	(69)	-	-	-	-	(69)
Transfers	-	7,681	-	-	-	(7,681)	-	-
March 31, 2013	10,909	424,492	9,666	6,139	1,109	96,180	15,171	563,667
Acquisitions	821	275	41	2	-	16,537	-	17,676
Disposals	-	-	(157)	-	-	-	-	(157)
Transfers	-	-	-	-	-	-	-	-
June 30, 2013	**11,730**	**424,767**	**9,550**	**6,141**	**1,109**	**112,717**	**15,171**	**581,186**
Accumulated Depreciation								
March 31, 2012	-	169,567	6,494	3,785	1,109	-	5,236	186,190
Amortization	-	10,616	453	139	-	-	3,312	14,520
Disposals	-	-	(68)	-	-	-	-	(68)
Write-downs	-	-	-	-	-	-	-	-
March 31, 2013	-	180,183	6,879	3,924	1,109	-	8,548	200,642
Amortization	-	2,986	144	39	-	-	828	3,997
Disposals	-	-	(157)	-	-	-	-	(157)
Write-downs	-	-	-	-	-	-	-	-
June 30, 2013	**-**	**183,169**	**6,866**	**3,963**	**1,109**	**-**	**9,376**	**204,482**
Net Book Value								
March 31, 2013	10,909	244,309	2,788	2,216	-	96,180	6,623	363,025
June 30, 2013	**11,730**	**241,598**	**2,685**	**2,179**	**-**	**112,717**	**5,795**	**376,704**

3. RESTATED RESULTS FOR INTERIM STATEMENTS FOR JUNE 30, 2012

The results for the first quarter ending June 30, 2012, have been restated in presentation only, in order to reflect comparative values in a similar form as those values presented for the current year. No material change has been reflected in the values presented.