QUARTERLY FINANCIAL REPORT

2ND QUARTER (Q2)

UNAUDITED

For the six months ended September 30, 2013

THE FEDERAL BRIDGE CORPORATION LIMITED

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Cover photos: *Placing the surface asphalt on the deck of the new North Channel Bridge (top)*
Model for the new Canadian Plaza at the Sault Ste. Marie International Bridge (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".

1.3 Reorganization of international bridge management

On October 22, 2013, the Government of Canada introduced legislation in the House of Commons (Bill-C4, Economic Action Plan 2013 Act, No. 2) to reorganize Crown corporations involved in the management of international bridges crossing the waterways between the Province of Ontario and the States of New York and Michigan.

The proposed consolidation would result in:

- The FBCL subsidiary, JCCBI in Montreal becoming its own parent Crown corporation; and
- An amalgamation of:
  - FBCL with its two remaining subsidiaries, SIBC in Cornwall and SMRBC in Sault Ste. Marie and
  - FBCL with the Blue Water Bridge Authority (BWBA) in Point Edward/Sarnia.
- The amalgamated corporation would continue under the FBCL name.

The establishment of JCCBI as a parent Crown corporation will take place over the 2013-14 fiscal year. The amalgamation of FBCL with its subsidiaries and the BWBA, is expected to take place over the 2014 calendar year, once Parliamentary authority is received.

This is a major organizational change for FBCL with significant financial impact. Management is currently assessing all the changes this will have on the organization, as a whole. As all entities are government reporting entities, these changes are not expected to have an impact on the Government of Canada consolidated financial statements.

2.0 Q2 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 September 30, 2013 (Q2). 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 $37.5 million for the six months ended September 30, 2013 ($17.8 million - 2013). The deficit before government funding was $54.6 million at September 30, 2013 ($45.0 million – 2013).

In the second quarter (ended September 30, 2013), FBCL reports a consolidated surplus of $23.9 million ($5.5 million – Q2 2013). The deficit before government funding was $33.1 million in the quarterly reporting period ($24.8 million – Q2 2013).

Overall revenue for FBCL for the six months ended September 30, 2013, was $0.5 million higher than the previous year, at $8.3 million ($7.8 million – 2013). In the second quarter of this fiscal year, overall revenue was recorded as $4.5 million ($3.9 million – Q2 2013). The increase in the quarter, as compared to last year, was driven by higher revenues at the Thousand Islands Bridge. The consolidated net debt of FBCL has increased by $9.3 million during the second quarter, to a consolidated net debt of $47.6 million. This is primarily due of the acquisition of certain prepaid expenses and capital purchases in our Montreal region. Consolidated net debt has increased $11.9 million this fiscal year ($4.0 million – 2013). Capital acquisitions in the second quarter of this year totaled $31.6 million ($10.5 million – Q2 2013). In the current fiscal year, capital acquisitions of $49.3 million ($25.3 million – 2013) are primarily composed of spending of $17.0 million on the Honoré Mercier Bridge, $8.2 million on the Champlain Bridge, $6.3 million on the île des Soeurs temporary causeway-bridge, $5.8 million on the new North Channel Bridge, and $1.1 million on land acquisitions and work related to the Sault Ste. Marie Canadian Plaza Redevelopment project.

2.2 Outlook (per current corporate structure)

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. The new NCB in Cornwall is expected to open in the current fiscal year and demolition of the existing bridge will commence. The construction phase of the redevelopment of the Canadian Customs Plaza in Sault Ste. Marie is underway. The Champlain Bridge repairs will grow significantly as per the findings of the latest inspection report are addressed. Other projects funded by the government are continuing including the ongoing rehabilitation of the Honoré Mercier Bridge, repairs of the Champlain Bridge and construction of a temporary causeway for the eventual replacement of the île des Soeurs Bridge in Montreal.

CONSTRUCTION OF THE NEW NORTH CHANNEL BRIDGE IN CORNWALL

Q2 saw the demolition of the old Toll plaza on Cornwall Island (top left), the arrival of the first trailers and the construction of the new Toll plaza, both on Canal Lands.

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 six months ended September 30, 2013, total financial assets have increased by $13.8 million to $84.5 million, compared with $70.7 million at March 31, 2013. As in prior periods, a significant driver of this rise in financial assets is the timing of the receipts of federal appropriations in Montreal (which includes funding for major capital projects and JCCBI's operating expenses). This value has increased to $48.0 million at September 30, 2013, ($19.4 million at March 31, 2013).

The net cash position of FBCL has decreased by a further $8.6 million during Q2, to $16.1 million at September 30, 2013 ($30.7 million at March 31, 2013). A significant reason for this decrease in cash is $8.6 million advanced to contractors for works on the Honoré Mercier project.

Liabilities

Accounts payable and accrued liabilities increased by $17.1 million from $40.1 million at March 31, 2013 to September 30, 2013, to $57.2 million. In a continuation of the trend realized during the first quarter of this year, this line sees fluctuations that generally coincide with the accounts receivable from the federal government in the form of appropriations for major capital and JCCBI operating expenses. Vendors are paid once appropriations are received.

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 by $0.5 million in the fiscal year to $8.7 million at September 30, 2013 ($8.2 million at March 31, 2013). These amounts will become payable once the works are completed over the upcoming years.

3.1 Results of Operations (continued)

Liabilities (continued)

The asset retirement obligation of $16.6 million at September 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.

This fiscal year, 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. Principal payments of $0.1 million and interest of $0.1 million have been incurred since loan payments started this year.

The environmental obligation has been revised in the amount of $6.3 million during the second quarter of this year to reflect the most current information available.

Variations in other liabilities are minimal.

Non-Financial Assets

Tangible capital assets have increased by $41.3 million, to $404.3 million, when compared with the consolidated financial statements of March 31, 2013 ($363.0 million). This includes capital purchases of $49.3 million, offset by $8.0 million of amortization expense. The majority of these capital works are reimbursed through parliamentary appropriations. Some of these major works include the Champlain Bridge ($8.1 million), Honoré Mercier Bridge ($17.0 million), île de Soeurs bridge-causeway ($6.3 million), the new North Channel Bridge ($5.8 million), land acquisitions and work related to the Sault Ste. Marie Canadian Plaza Redevelopment project ($1.1 million), and $11.0 million on other projects in the Montreal area. Amortization expense in the three months ended September 30, 2013, amounted to $4.0 million ($3.2 million – Q2 2013).

Prepaid expenses also increased by $8.3 million during the fiscal year. This increase was mainly for prepayments for work to be done on the Honoré Mercier Bridge in Montreal, amounting to $8.6 million.

REVENUE

International Bridges Toll Revenue

Toll revenue for FBCL's three international bridge crossings totalled $5.3 million in the six months ended September 30, 2013 ($4.8 million – 2013). In the second quarter, tolls revenue amounted to $2.8 million, a $0.3 million increase from the same period last year ($2.5 million). This increase was driven by higher revenue reported from the Thousand Islands Bridge crossing. This fiscal year to date, the Seaway International Bridge has seen a 4% decrease in traffic, and a 2% decrease in commercial traffic. Much of this decrease is attributed to longer wait times at the bridge and traffic interruptions due to protests by the Mohawk community. Sault Ste. Marie has had a modest increase in passenger traffic of 2%, and commercial traffic remained stable, as compared to the same time last year. The Thousand Islands crossing, has maintained its passenger traffic, accompanied by an increase of 4% in commercial vehicles.

3.1 Results of Operations (continued)

Government funding

In the prior year, government funding for JCCBI operating expenses totalled 62% of total funding for the six months ended September 30, 2012. In the current fiscal year, despite higher operating appropriations, the percentage of total funding has slipped to 47%. This is due to significantly higher funding required in the Montreal region for capital projects. Government funding can be summarized for the second quarter and year-to-date, for both this fiscal year and last fiscal year, as such:

	Second Quarter		**Year-to-date**	
(in $000's)	**2013-14**	2012-13	**2013-14**	2012-13
Government funding for operating expenses				
• JCCBI	**$25,223**	$21,450	**$43,453**	$39,279
Government funding for capital costs				
• JCCBI	**$26,834**	$ 4,178	**$42,462**	$11,667
• North Channel Bridge	**$ 4,625**	$ 4,584	**$ 5,912**	$11,411
• Sault Ste. Marie Canadian Plaza Rehabilitation	**$ 275**	$ 14	**$ 275**	$ 490
TOTAL	**$56,957**	$30,226	**$92,102**	$62,847

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

EXPENSES

Maintenance

Maintenance expenses in the quarter account for some 68% of expenses during the quarter, totalling $25.7 million ($23.4 million - 2013). Maintenance expenses in the Montreal region, alone, amounted to $23.9 million ($22.0 million –Q2 2013).

In the six months ended September 30, 2013, maintenance expenses amounted to 73% of expenses, or $46.0 million ($42.4 million – 2013). Montreal area expenses amounted to $42.5 million ($39.3 million – 2013), including:

- $17.5 million on maintenance works on the Champlain Bridge;
- $6.7 million spent on projects on the Jacques Cartier Bridge;
- $5.6 million of work on the Bonaventure Expressway;
- $5.6 million in amortization;
- $1.9 million of work on Autoroute 15.

Operations

Expenses for operations in the second quarter were similar to those of the first quarter, at $1.5 million ($1.2 million – Q2 2013). This 4.8% of total expenses (4.2% - Q2 2013).

3.1 Results of Operations (continued)

In the six months ended September 30, 2013, expenses for operations were recorded at $2.9 million ($2.6 million – 2013). This represents 5.2% of total expenses (4.9% - 2013).

Administration

Administration expenses of $2.8 million in Q2 represent a decrease of $0.4 million from the prior year ($3.2 million – Q2 2013). During the second quarter, administration expenses were 9.1% (11.2% - Q2 2013) of the total expenses.

In the first six months of the current fiscal year, administration expenses amount to $5.5 million, or 9.8% of total expenses. This represents a $0.6 million decrease as compared to the prior year of $6.1 million, or 11.5% of total expenses.

Environmental obligation

In the Montreal region, an additional $6.3 million was added to the environmental obligation liability. This was done to revise estimates based on the latest information available. In addition to the $6.3 million expensed this quarter, $0.2 million has been spent on environmental expenses in the current fiscal year.

3.2 Cash Flow

During the second quarter, ended September 30, 2013, FBCL's cash balance decreased by $8.6 million to $16.1 million. In the current year, cash has decreased by $14.6 million. A significant driver of these outlays of cash is prepayments that were required for the Honoré Mercier project, amounting to $8.6 million in the year. A further $2.5 million has been paid in cash for properties for the Sault Ste. Marie Canadian Plaza Redevelopment project. Fluctuations in various accounts receivable, and accounts payable lines comprise the remainder of the cash decrease.

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 Q2.

Honoré Mercier Bridge Rehabilitation (Montréal)

The strengthening of JCCBI's section of the bridge continues in 2013. The re-decking works have begun begin in Q2 2013-2014. The fabrication of bridge deck panels are 70% completed and will be completed in 2014-2015. 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 now be ongoing through 2014-2015 for the federal portion of the bridge.

3.3 Risk Analysis (continued)

As part of the 3-year urgent works fund ($227 million), a total amount of $2.7 million is budgeted for piers caps reinforcement works plus an amount of $3.7 million will be spent for steel strengthening at this structure. The additional budget ($2 million) is coming from unused funds for the reconstruction of overpasses on Highway15, which has been delayed.

Champlain Bridge (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.

The current Champlain Bridge infrastructure is aging and requires a detailed inspection program plus technical surveillance instruments. The frequency of inspections has been increased. JCCBI is currently considering various maintenance strategies and risk mitigation measures for the current bridge. Those strategies must ensure that the passage between the South Shore and the Island of Montreal remains safe at all times until the new bridge opens. A significant investment is required to realize these works and the corporation is actively working with Transport Canada on funding mechanisms.

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 $25.2 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 $13.5 million (with $12.1 million committed) for Champlain Bridge from the 3-year urgent works fund ($227 million), will be used to complete the reconstruction / expansion of the existing deck installations to facilitate the realization of the construction program. This includes an amount of $4.9 million initially budgeted for Highway 15 and Bonaventure Expressway will be re-invested for the Champlain Bridge.

Further, a recent report stemming from a structural condition assessment study prepared by the consultant firm Buckland & Taylor has identified that previously planned works must be significantly accelerated in order to mitigate the risk associated with the uncertainty of the structural condition of the edge girders of the bridge. These works include immediate carbon fiber reinforcement of six critical edge girders and the installation of queenposts structural system on these spans. Carbon fiber reinforcement will also be applied to the remaining edge girders, waterproofing coatings to the top flange and outside faces as well as queenposts will be installed and possibly, some modular trusses.

Ile des Soeurs Bridge (Montreal)

In 2012, the Government 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 have been awarded in Q2 2013-2014 for laboratory services, supervisory services and the construction of the temporary bridge-causeway.

3.3 Risk Analysis (continued)

Ile des Soeurs Bridge (continued)

$3.8 million of works is planned for 2013-2014 for the existing Ile des Soeurs Bridge. A contract has been awarded in Q2 2013-2014 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 2013-2014, tenders for works to be carried out on piers and slabs have been launched.

Canadian Customs Plaza Rehabilitation (Sault Ste. Marie)

The Sault Ste. Marie Customs Plaza Rehabilitation project construction is being initiated in Q3 with site preparation and the Duty Free building construction with approved funding from the Gateways and Border Crossings Fund.

New Low Level North Channel Bridge (Cornwall)

Phase II of the new low-level bridge construction, its approaches and toll facilities are almost completed with an opening target of late 2013. The project is on time and on budget. FBCL is acting as project manager and is completing the infrastructure requirements for the interim temporary CBSA facilities to ensure alignment with the opening of the new bridge.

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.

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.

At the top, model of the new île des Sœurs temporary bridge in Montreal, and beginning of the construction of the access.

3.4 Reporting on Use of Appropriations

Parliamentary appropriations to be spent in the current fiscal year are planned at $249.9 million, an increase of $20.2 million over the Q1 forecast. The increase is primarily in JCCBI's forecasted operating expenses.

FBCL

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

JCCBI

During the year, $41.5 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 $39.0 million in planned works to future years.

	Six months ended September 30, 2013					Six months ended September 30, 2012				
	FBCL Vote 30	JCCBI Vote 50			Total	FBCL Vote 30	JCCBI Vote 50			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)**
Additional Funding Requests [1]	-	-	53,466	53,466	**53,466**	-	-	-	-	**-**
Reprofiling Request [1]										
from Prior Years	1,338	4,745	12,765	17,510	**18,848**	11,241	-	48,377	48,377	**59,618**
To Future Years	-	(24,243)	(14,744)	(38,987)	**(38,987)**	-	-	(32,372)	(32,372)	**(32,372)**
Funding Available	**14,338**	**107,682**	**127,897**	**235,579**	**249,917**	**26,224**	**92,441**	**66,022**	**158,463**	**184,687**
Drawdown [2]										
Actual	5,912	43,503	42,412	85,915	**91,827**	11,411	39,279	11,667	50,946	**62,357**
Plan	8,426	64,179	85,485	149,664	**158,090**	14,813	47,778	59,739	107,517	**122,330**
Total Drawdown	**14,338**	**107,682**	**127,897**	**235,579**	**249,917**	**26,224**	**87,057**	**71,406**	**158,463**	**184,687**
Remaining Appropriations	**-**	**-**	**-**	**-**	**-**	**-**	**5,384**	**(5,384)**	**-**	**-**

[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 six months ended September 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

November 27, 2013

4.2 Consolidated Statement of Financial Position

(Unaudited)

as at September 30, 2013
(thousands of dollars)

	Sept. 30, 2013	March 31, 2013
FINANCIAL ASSETS		
Cash and cash equivalents	**16,079**	30,722
Accounts receivable		
Federal departments and agencies	**47,990**	19,410
Other	**5,372**	5,004
Accrued interest receivable	**-**	40
Portfolio investments	**15,106**	15,522
TOTAL FINANCIAL ASSETS	**84,547**	70,698
LIABILITIES		
Accounts payable and accrued liabilities		
Federal departments and agencies	**202**	357
Other	**56,987**	39,763
Due to a government partner	**1,586**	1,427
Client deposits	**1,691**	138
Holdback	**8,695**	8,203
Employee future benefits	**1,376**	1,346
Environmental obligation	**39,500**	33,200
Asset retirement obligation	**16,608**	16,365
Credit facility	**4,911**	5,000
Deferred revenue	**631**	602
TOTAL LIABILITIES	**132,187**	106,401
NET DEBT	**(47,640)**	(35,703)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	**404,331**	363,025
Prepaid expenses	**9,144**	817
TOTAL NON-FINANCIAL ASSETS	**413,475**	363,842
ACCUMULATED SURPLUS	**365,835**	328,139
Accumulated surplus is comprised of:		
Accumulated operating surplus	**365,725**	328,231
Accumulated remeasurement losses	**110**	(92)
	365,835	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 six months ended September 30, 2013
(thousands of dollars)

	Twelve months ended	Three months ended		Six months ended	
	March 31, 2014 Budget	**Sept. 30, 2013 Actual**	Sept. 30, 2012 Actual (restated)	**Sept. 30, 2013 Actual**	Sept. 30, 2012 Actual (restated)
REVENUE					
Tolls	5,552	**1,344**	1,518	**2,787**	2,842
International Thousand Islands Bridge operating revenue	4,047	**1,488**	1,011	**2,500**	1,995
Leases and permits	5,003	**1,390**	1,374	**2,525**	2,462
Interest	563	**160**	157	**341**	228
Other	27	**127**	(123)	**165**	239
TOTAL REVENUE	15,192	**4,509**	3,937	**8,318**	7,766
EXPENSES					
Maintenance	128,932	**25,714**	23,442	**46,025**	42,365
Operations	5,982	**1,492**	1,193	**2,921**	2,602
Administration	10,049	**2,849**	3,213	**5,514**	6,080
International Thousand Islands Bridge operating expenses	4,432	**1,083**	861	**1,925**	1,741
Environmental obligation	-	**6,428**	-	**6,541**	-
TOTAL EXPENSES	149,395	**37,566**	28,709	**62,926**	52,788
Deficit before government funding	(134,203)	**(33,057)**	(24,772)	**(54,608)**	(45,022)
Government transfers	282,047	**56,957**	30,226	**92,102**	62,847
SURPLUS	147,844	**23,900**	5,454	**37,494**	17,825
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	352,118	**341,825**	288,608	**328,231**	26,765
Reclassification of deferred capital funding	-	**-**	-	**-**	249,472
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	499,962	**365,725**	294,062	**365,725**	294,062

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 six months ended September 30, 2013
(thousands of dollars)

	Twelve months ended	Three months ended		Six months ended	
	March 31, 2014 Budget	**Sept. 30, 2013 Actual**	Sept. 30, 2012 Actual (restated)	**Sept. 30, 2013 Actual**	Sept. 30, 2012 Actual (restated)
SURPLUS	147,844	**23,900**	5,454	**37,494**	17,825
Acquisition of tangible capital assets	(161,577)	**(31,632)**	(10,508)	**(49,308)**	(25,339)
Amortization of tangible capital assets	15,609	**4,005**	3,211	**8,002**	6,445
	1,876	**(3,727)**	(1,843)	**(3,812)**	(1,069)
Acquisition of prepaid expenses	-	**(6,196)**	(3,586)	**(8,763)**	(5,348)
Use of prepaid expenses	600	**260**	907	**436**	2,075
	600	**(5,936)**	(2,679)	**(8,327)**	(3,273)
Net remeasurement gains	-	**382**	362	**202**	362
(INCREASE) / DECREASE IN NET DEBT	2,476	**(9,281)**	(4,160)	**(11,937)**	(3,980)
NET DEBT, BEGINNING OF PERIOD	(28,773)	**(38,359)**	(25,048)	**(35,703)**	(274,700)
Reclassification of deferred capital funding	-	**-**	-	**-**	249,472
NET DEBT, END OF PERIOD	(26,297)	**(47,640)**	(29,208)	**(47,640)**	(29,208)

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 six months ended September 30, 2013
(thousands of dollars)

	Three months ended		Six months ended	
	Sept. 30, 2013	Sept. 30, 2012 (restated)	**Sept. 30, 2013**	Sept. 30, 2012 (restated)
ACCUMULATED REMEASUREMENT LOSSES, BEGINNING OF PERIOD	**(272)**	-	**(92)**	-
Unrealized gains (losses) attributable to:				
Foreign exchange	**309**	360	**565**	360
Portfolio Investments	**(24)**	25	**(339)**	25
Amounts reclassified to the Statement of Operations:				
Foreign exchange	**(67)**	(23)	**(184)**	(23)
Portfolio Investments	**164**	-	**160**	-
NET REMEASUREMENT GAINS FOR THE YEAR	**382**	362	**202**	362
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	**110**	362	**110**	362

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 six months ended September 30, 2013

(thousands of dollars)

	Three months ended		Six months ended	
	Sept. 30, 2013	Sept. 30, 2012 (restated)	**Sept. 30, 2013**	Sept. 30, 2012 (restated)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES				
Surplus	**23,900**	5,454	**37,494**	17,825
Adjustments for non-cash items:				
Amortization of tangible capital assets	**4,005**	3,211	**8,002**	6,445
Environmental obligation	**6,300**	-	**6,300**	-
Remeasurement gains	**382**	362	**202**	362
Changes in non-cash working capital items:	**-**			
Accounts receivable	**(21,329)**	-	**(28,948)**	-
Accrued interest receivable	**-**	-	**40**	-
Client deposit	**1,552**	(1)	**1,553**	113
Asset retirement obligation	**121**	18,155	**243**	(4,738)
Holdback	**243**	1,266	**492**	1,929
Accounts payable and accrued liabilities	**13,559**	44	**17,069**	396
Deferred revenue	**18**	(6,034)	**29**	(1,912)
Employee future benefits	**(32)**	-	**30**	-
Prepaid expenses	**(5,936)**	-	**(8,327)**	-
CASH PROVIDED BY OPERATING ACTIVITIES	**22,783**	22,457	**34,179**	20,420
CASH FLOW FROM CAPITAL TRANSACTIONS				
Cash used to acquire tangible capital assets	**(31,632)**	(10,508)	**(49,308)**	(25,339)
CASH APPLIED TO CAPITAL ACTIVITIES	**(31,632)**	(10,508)	**(49,308)**	(25,339)
INVESTING TRANSACTIONS				
Acquisition of investments	**(5,250)**	(11,560)	**(8,216)**	(11,567)
Disposal of investments	**5,437**	-	**8,632**	-
CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES	**187**	(11,560)	**416**	(11,567)
CASH FLOW FROM FINANCING ACTIVITIES				
Increase in amount due to joint venturer	**74**	(3)	**159**	129
Payments on credit facility principal	**(45)**	-	**(89)**	-
CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES	**29**	(3)	**70**	129
NET INCREASE (DECREASE) IN CASH	**(8,633)**	386	**(14,643)**	(16,357)
CASH, BEGINNING OF PERIOD	**24,712**	21,627	**30,722**	38,370
CASH, END OF PERIOD	**16,079**	22,013	**16,079**	22,013

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 September 30, 2013. 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. Management continues to review recent and upcoming 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	253	126	4	-	48,104	-	49,308
Disposals	-	-	(157)	-	-	-	-	(157)
Transfers	-	-	-	-	-	-	-	-
September 30, 2013	**11,730**	**424,745**	**9,635**	**6,143**	**1,109**	**144,284**	**15,171**	**612,818**
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	-	5,964	304	78	-	-	1,656	8,002
Disposals	-	-	(157)	-	-	-	-	(157)
Write-downs	-	-	-	-	-	-	-	-
September 30, 2013	**-**	**186,147**	**7,026**	**4,002**	**1,109**	**-**	**10,204**	**208,487**
Net Book Value								
March 31, 2013	10,909	244,309	2,788	2,216	-	96,180	6,623	363,025
September 30, 2013	**11,730**	**238,598**	**2,610**	**2,142**	**-**	**144,284**	**4,967**	**404,331**

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

The results for the second quarter ending September 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.

4. SUBSEQUENT EVENTS

On November 12, 2013, the Corporation informed road users about the closure of one in three South Shore-bound lanes for a period of at least one month following the discovery of a crack in a girder during an inspection performed beneath the Champlain Bridge. After that, on November 19, the Corporation observed that the condition of the girder continued to deteriorate. As a preventive measure, the Corporation was required to close a second South Shore-bound lane in order to perform a special inspection for analyzing the extent of the situation. On November 22, the condition of the girder had changed so much that the original strategy and advocated repair method were no longer applicable. All of the span's other girders are doing well and show no sign of weakness. This timeframe of at least one month will make it possible to properly conduct the analyses , do the preparation and perform the repairs based on the current condition of the girder. For now, it is an urgent major maintenance operation for which the amounts required are available in fiscal year 2013-2014. The Corporation's 2014-2019 budget plan includes an additional funding for strengthening the girders of Champlain Bridge.