QUARTERLY FINANCIAL REPORT

3RD QUARTER (Q3)

UNAUDITED

For the nine months ended December 31, 2014

THE FEDERAL BRIDGE CORPORATION LIMITED

Table of Contents

1.0 FBCL 1

1.1 Mandate 1

1.2 FBCL Group 1

1.3 Reorganization of FBCL 1

2.0 Q3 2014-15 in Review 2

2.1 Summary 2

2.2 Outlook 3

3.0 Discussion of Financial Results 4

3.1 Results of Operations 4

3.2 Cash Flow 7

3.3 Risk Analysis 8

3.4 Reporting on Use of Appropriations 10

4.0 FBCL Interim unaudited condensed Consolidated Financial Statements 11

4.1 Statement of Management Responsibility 12

4.2 Interim Consolidated Statement of Financial Position 13

4.3 Interim Consolidated Statement of Operations 14

4.4 Interim Consolidated Statement of Remeasurement Gains and Losses 15

4.5 Interim Consolidated Statement of Change in Net Assets (Debt) 16

4.6 Interim Consolidated Statement of Cash Flow 17

4.7 Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements 18

Cover photos:

Concrete deck removal of the old North Channel Bridge in Cornwall as seen from underneath in late November (top).

Aerial view of the concrete deck removal of the old North Channel Bridge in early December (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 responsible for three international bridges and associated structures in Ontario (Cornwall, Sault Ste. Marie and Thousand Islands crossings). Its international 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 subsidiary, 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 FBCL

In December 2013, the Government of Canada passed legislation, *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. In the Fall of 2014, additional necessary legislation to complete the amalgamation was tabled before Parliament.

The proposed consolidation includes:

- The FBCL subsidiary, The Jacques Cartier and Champlain Bridges Incorporated (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 occurred February 13, 2014, and the amalgamation of FBCL and SMRBC took place during the fourth quarter of this fiscal year (not reflected in these quarterly financial statements) on January 27, 2015. The amalgamation between FBCL and BWBA is to take place on February 1, 2015. There is no current date set for the remaining entity, SIBC, to be amalgamated.

This is a major organizational change for FBCL with significant financial impact. All entities involved in these amalgamations will be providing year-end financial statements for the respective periods up to the amalgamation dates. As all entities are government reporting entities, these changes are not expected to have an impact on the Government of Canada's consolidated financial statements.

1.3 Reorganization of FBCL (continued)

As a result of JCCBI becoming its own parent Crown Corporation, the FBCL results for Q3 ending December 31, 2014, include the financial information for international crossings only, similar to the Q2 financial information presented last quarter. As such, many of the comparison values between the current 2014-15 fiscal year vs. the same time period for the 2013-14 fiscal year will vary greatly as the prior year values contained financial information for JCCBI. The Statement of Financial Position as at March 31, 2014 excludes JCCBI.

2.0 Q3 2014-15 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 December 31, 2014 (Q3). 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 2013-14 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

At December 31, 2014, FBCL reports a consolidated surplus of $6.39 million for the first nine months of the fiscal year ($82.59 million - 2014). The deficit before government funding was $3.78 million at December 31, 2014 ($78.92 million – 2014). The consolidated surplus for the third quarter of this fiscal year was $3.22 million ($45.09 million – 2014), and the deficit before government funding was $1.62 million ($24.31 million – 2014).

Total revenue for FBCL in the nine months ended December 31, 2014, was $9.81 million ($12.52 million – 2014) which represents a decrease of $2.71 million from the same period last year. This decrease is attributed to the $3.04 million of revenue that was contributed to FBCL's financial statements last year from the Montreal area as it relates to JCCBI. The consolidated net debt of FBCL has increased by $1.93 million during the first three quarters of the fiscal year, to a consolidated net debt of $5.59 million. The year-to-date capital acquisitions and corresponding increase in net debt is largely due to FBCL's contribution to the joint U.S. Toll Plaza Redevelopment project at the Sault Ste. Marie crossing, acquisition of land for the Customs facility projects in Sault Ste. Marie and at the Thousand Islands crossing, and the initiation of an asset retirement obligation of $0.67 million in preparation for demolition activities as part of the Lansdowne Customs Facility Rehabilitation in the Thousand Islands.

2.2 Outlook

During the fourth quarter of this fiscal year, FBCL completed two of the three proposed amalgamations encompassed in the *Economic Action Plan 2013 Act, No. 2*, as it pertains to the amalgamations with SMRBC and BWBA. The amalgamated Corporation is a new entity encompassing the federal Canadian activities of four international bridge crossings. A new Board of Directors has been appointed to oversee the Corporation.

Major capital projects of the legacy FBCL ongoing at amalgamation will continue including:

a) The demolition of the high-level North Channel Bridge in Cornwall began in Q2 and has continued through the fall and into the winter months. This work will continue to operate year-round until late in the 2016-17 fiscal year. This work also includes improvements to the approaches.
b) Construction on the Canadian Customs Plaza Rehabilitation in Sault Ste. Marie has been on-going all year and will be completed in 2018.
c) The works for the joint Toll Plaza Redevelopment, on the US side of the border, are moving quickly with an expected completion of construction in 2015.
d) Design and construction of the Lansdowne Customs Facility Rehabilitation at the Thousand Islands International Bridge has also been initiated and is expected to be completed over the course of the next four years.

The new Duty Free Shop at the Canadian Plaza in Sault Ste. Marie, Ontario, opened to the public during the third quarter (left).

Final touches to the Maintenance Building at the Canadian Customs Plaza in Sault Ste. Marie are underway in the office areas while exterior and interior masonry is completed (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 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 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 nine months ended December 31, 2014, total financial assets have decreased by $8.89 million to $21.20 million, compared with $30.09 million at March 31, 2014. Much of the decrease, year-to-date, is due to cash being reduced by $5.10 million. A large payment ($2.55 million) to JCCBI (as a result of amounts owed at the prior fiscal year end), property acquisitions ($1.77 million), and money spent on the joint U.S. Toll Plaza Redevelopment ($1.93 million) were the primary drivers of this use of cash.

In this quarter, FBCL received its HST refund that had been owed over for over a year ($1.49 million). This was due to a ruling in FBCL's favour as to how HST was to be applied to the new bridge construction in Cornwall.

Liabilities

Total liabilities have decreased by $6.96 million to date this fiscal year, to $26.79 million from $33.75 million at March 31, 2014. Primarily, this is due to a reduction in the amounts due to federal departments and agencies of $3.86 million, largely related to a payment to JCCBI that was outstanding at the start of this fiscal year. Other payables have decreased by $2.35 million, as compared to the start of the fiscal year, due to the timing of invoices in relation FBCL's various construction projects. Expenses related to the demolition of the old high-level North Channel Bridge (NCB), that had commenced in the second quarter of this year, have been applied against the asset retirement obligation.

The Corporation is paying down the $5.00 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 $0.32 million have been made against this loan since payments started last year.

Variations in other liabilities are minimal.

3.1 Results of Operations (continued)

Non-Financial Assets

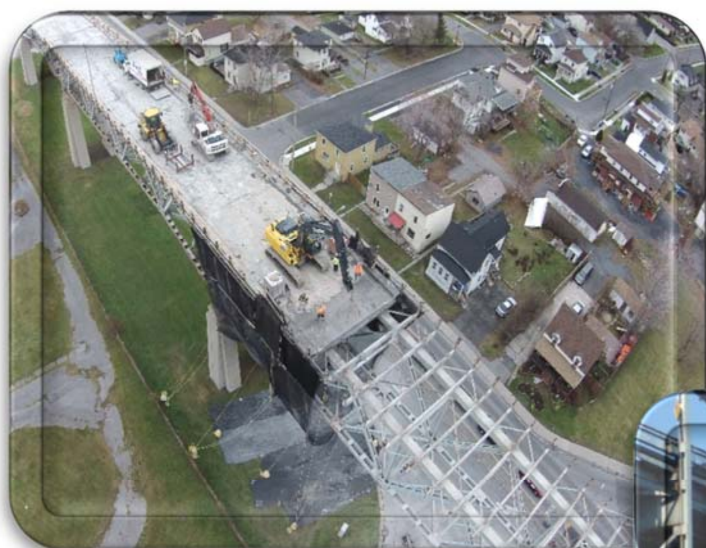
Tangible capital assets have increased by $8.82 million, to $93.12 million, when compared with the consolidated financial statements of March 31, 2014 ($84.29 million). This includes capital additions of $13.36 million, offset by $4.54 million of amortization expense. The majority of the capital works are completed with government funding. Of the $12.70 million in capital spending this year, $7.14 million has been spent on the Sault Ste. Marie Canadian Plaza Redevelopment project and $1.93 million being spent on the joint U.S. Toll Plaza Redevelopment project, outlined in prior sections. As part of each of the respective plans, property acquisitions were required both in Sault Ste. Marie and at the Thousand Islands, with spending on these properties being completed in the third quarter for $1.77 million.

REVENUE

International Bridges Toll Revenue

Toll revenue for FBCL's three international bridge crossings totalled $8.19 million in the nine months ended December 31, 2014 ($7.80 million – 2014). This represents an increase of 5.0% over the prior year. This increase was a result of increased toll revenues at the Thousand Islands and Sault Ste. Marie crossings, derived from toll increases and foreign currency conversion rates.

Similarly, FBCL's toll revenue for the three months ended December 31, 2014, totalled $2.70 million ($2.51 million – 2014).



Concrete deck removal at the North Channel Bridge in Cornwall in late November.

3.1 Results of Operations (continued)

Government funding

In the prior year, government funding for JCCBI amounted to 94% of total government funding for FBCL at the end of the third quarter. This had been split into operating expenses and capital projects. Government funding for this third quarter has been split among three projects, encompassing all of FBCL's three bridge locations. Much of the work this year at the North Channel Bridge has been for demolition of the old high-level bridge. Spending for the Customs facility at the Thousand Islands crossing has just started this quarter and is still in the early stages of work, with site preparation by way of rock blasting to start during the fourth quarter of this year. Much of the first phase of construction at the Sault Ste. Marie Canadian Plaza Rehabilitation project was completed this year. Government funding can be summarized as follows:

	Third Quarter		Year-to-date	
(in $000's)	**2014-15**	2013-14	**2014-15**	2013-14
Government funding for operating expenses				
• JCCBI	**$ -**	$ 17,005	**$ -**	$ 60,458
Government funding for capital costs				
• JCCBI	**$ -**	$ 48,411	**$ -**	$ 90,873
• North Channel Bridge	**$ 2,178**	$ 3,512	**$ 2,298**	$ 9,424
• Lansdowne Customs Facility Rehabilitation (Thousand Islands)	**$ 572**	$ -	**$ 572**	$ -
• Sault Ste. Marie Canadian Plaza Rehabilitation	**$ 2,094**	$ 476	**$ 7,298**	$ 751
TOTAL	**$ 4,844**	$ 69,404	**$ 10,168**	$ 161,506

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

EXPENSES

Maintenance

Maintenance expenses this year account for 44% of total expenses at $5.92 million (Q3 2014 – $65.86 million). After removing JCCBI from last year's values, maintenance expenses compare to $5.12 million last year. This variance is entirely attributable to the amortization on the new North Channel Bridge which initiated in the last week of January 2014, as well as amortization of the newly created asset retirement obligation for the existing Thousand Islands Customs facilities. Maintenance expenses are currently recorded at 85% of the annual budget.

Maintenance expenses recorded in the third quarter account for 46% of total expenses, or $2.24 million (Q3 2014 – $20.04 million). After removing the effect of JCCBI from last year, maintenance expenses compare to $1.84 million, or an increase of $0.40 million reflecting the amortization for the new North Channel Bridge, of which $0.14 million is attributed to the new asset retirement obligation amortization recorded this quarter.

3.1 Results of Operations (continued)

EXPENSES (Continued)

Operations

Expenses related to operations account for 10% of the total expenses, or $1.39 million (Q3 2014 - $4.41 million). After JCCBI expenses are removed from last year, expenses this year are $0.10 million higher than last year's value of $1.29 million. Operations expenses are currently recorded at 64% of the annual budget.

In the third quarter, expenses for operations accounted for 7% of total expenses, totalling $0.36 million (Q3 2014 - $1.28 million). When JCCBI values are discounted from last year, operations expenses were similar between years.

Administration

Administration expenses this year account for 23% of total expenses, $3.17 million (Q3 2014 – $8.67 million). After JCCBI expenses are removed from last year's values, administration expenses are higher by $0.22 million, from $2.95 million. A year-to-date foreign exchange loss of $0.30 million this year (as compared to a marginal gain last year) is responsible for this higher expense in the current year. Administration expenses to date this year are 77% of the annual budgeted amount.

Administration expenses of $1.27 million in the third quarter represent 26% of total expenses in the quarter (Q3 2014 - $3.16 million). After removing the effect of JCCBI in the prior year values, administration expenses were $0.91 million in last year's third quarter. The increase in the expense when comparing the quarters is due to the foreign currency conversion loss recorded in the period.

International Thousand Islands Bridge operating expenses

Year-to-date expenses related to the International Thousand Islands Bridge crossing account for 23% of the total expenses reported, or $3.12 million (Q3 2014 – $2.89 million). This represents an increase of 8% from last year. This increase is also due to the fact that many of the expenses for the operation of this bridge are in US dollars, as operated by the U.S. partner, resulting in higher expenses related to converting US dollar to Canadian dollar financial statements. Expenses reported to date represent 84% of the annual budget.

In the third quarter, expenses related to the International Thousand Islands Bridge crossing represent 20% of the total expenses, or $0.99 million (Q3 2014 - $0.96 million)

3.2 Cash Flow

In the first three quarters of the fiscal year, FBCL's cash balance has decreased by $5.10 million to $5.50 million. Significant contributors to this decrease include the $2.55 million paid to JCCBI, $1.93 million in capital asset purchases related to the joint U.S Toll Plaza Redevelopment project, and $1.77 million worth of property acquisitions.

During the third quarter, ended December 31, 2014, FBCL's cash balance decreased by $2.27 million. This was largely due to the fact that the property acquisitions both occurred in this quarter ($1.77 million). Additionally, $0.90 million was spent on the joint U.S. Toll Plaza Redevelopment, which is funded through surplus toll revenues at the Sault Ste. Marie International Bridge.

3.3 Risk Analysis

Major Projects

FBCL continues to monitor and implement mitigation measures to address its primary responsibility, that of the ongoing safety and security of its crossings. As well, it continues to address its financial sustainability issues and strive for improvements in its corporate structure. 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 Q3.

Canadian Customs Plaza Redevelopment (Sault Ste. Marie)

This project has approved funding of $51.60 million from the Gateways and Border Crossings Fund. The general contractor for the first phase of works (the maintenance garage, Duty Free facility and civil works) has completed a majority of the works. The new Duty Free was opened November 2014 and the remainder of the works were to be completed by end of January. With an early onset of winter in Sault Ste. Marie, final paving and landscaping will occur in the Spring of 2015. Transport trucks are now accessing the new Canadian Customs Plaza site through a newly-opened commercial entrance on Carmen's Way avoiding lineups of commercial vehicles on busy streets easing traffic. The demolition contract for the existing Duty Free is closed. The tender encompassing all of the CBSA plaza scope was tendered and came in over budget. This scope of works is being reviewed again with the entire project team in order to identify savings to meet budget. The revised contract works are planned to be retendered in January.

New Low Level North Channel Bridge (Cornwall)

This $74.82 million project, funded through government appropriations has advanced significantly, with the successful opening of the new low-level bridge to traffic in January 2014 including the completion of the SIBC permanent tolling facilities and a more permanent CBSA building on the north end of the new bridge. The contract for the demolition of the old high-level structure has been awarded and the works were initiated in August 2014. These highly technical demolition works will span up to 24 months, dependent on winter conditions. The necessary improvements to the approaches and final alignment of roadways, required as per federal commitments to the City of Cornwall and the Mohawk Council of Akwesasne, will follow. The project completion is planned for 2016-17.

Lansdowne Customs Facility Rehabilitation (Thousand Islands)

FBCL is managing the rehabilitation project for the CBSA's Lansdowne Port of Entry in 2014-15. It is estimated to take four years to complete at a cost of $60.00 million. There are five components to the Lansdowne Customs Facility Rehabilitation Project: planning, site investigation and design; civil works and rock removal; construction of the new commercial and traffic building; demolition of the existing facilities; and the final improvements and alignment of the roadways and landscaping. Initial studies to support this design and the preliminary construction works such as environmental effects evaluation, surveying, geotechnical, hydro and communications have been completed. The invitation to tender for rock excavation was issued for works to begin throughout the winter months. CBSA operations and security at the crossing will be maintained throughout the construction phase. The overall project is planned for completion in 2017-18.

3.3 Risk Analysis (continued)

FINANCIAL SUSTAINABILITY

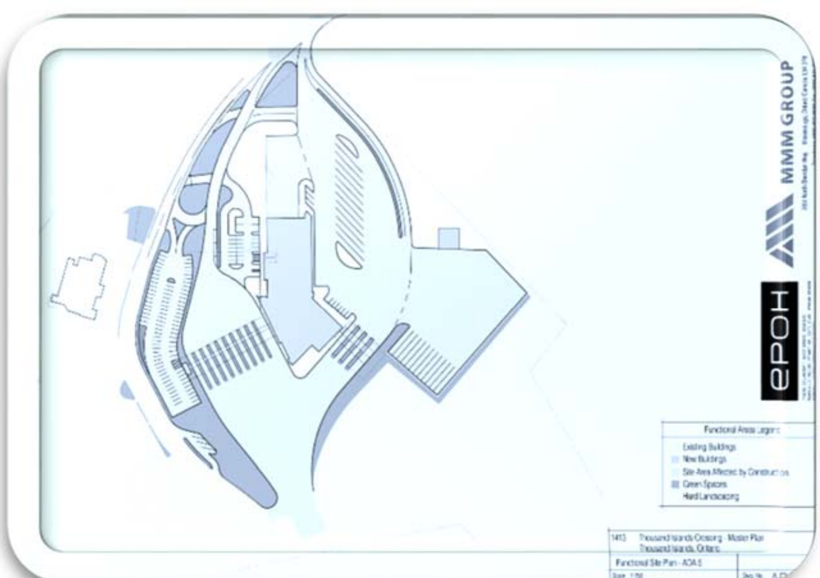
FBCL must continue to review its plans to ensure long-term financial sustainability of its operations at all international crossings. At issue is the inability of FBCL to finance major long-term capital projects and increasing CBSA requirements at international crossings. The amalgamation of international bridges presents a new portfolio funding model across all four international bridges.

HUMAN RESOURCES

The employment levels at FBCL and its subsidiaries, SIBC and SMRBC, have remained stable. The only changes relate to seasonal hiring, which remain similar from year to year.

Aerial view of the old and the new North Channel bridges in Cornwall (late November) (top).

During Q3, FBCL has continued initiating the rehabilitation of the CBSA facilities at Thousand Islands (bottom).



3.4 Reporting on Use of Appropriations

Parliamentary appropriations to be spent in the current fiscal year are now planned at $9.42 million, which represents a decrease of $11.62 million as compared to the budget and main estimates for this year. Reprofiling requests have been made to move this funding to future years, primarily with respect to the Cornwall North Channel Bridge project. The delay of the demolition component of the project was unavoidable due to FBCL's requirement to complete the CBSA facilities first and managing access to the construction site.

The project at the Thousand Islands crossing is expected to have $4.00 million worth of spending in the current fiscal year. The timing of the rock blasting to occur at this site will play the major factor in how much funding will have to be moved to future years.

	Nine months ended December 31, 2014	Nine months ended December 31, 2013				
	FBCL Vote 30	**FBCL Vote 30**	**JCCBI Vote 60**			**Total**
(' in thousands)	Capital	Capital	Operating	Capital	Sub-total	
Main Estimates	21,040	13,000	127,180	76,410	203,590	**216,590**
Supplementary Estimates (B)	-	-	10,515	60,461	70,976	**70,976**
Reprofiling Request						
from Prior Years	1,147	1,338	-	-	-	**1,338**
To Future Years (1)	(12,770)	-	(40,762)	(4,622)	(45,384)	**(45,384)**
Funding Available	**9,417**	**14,338**	**96,933**	**132,249**	**229,182**	**243,520**
Drawdown (2)						
Actual	2,438	9,424	60,458	90,873	151,331	**160,755**
Plan	6,979	4,914	36,475	41,376	77,851	**82,765**
Total Drawdown	**9,417**	**14,338**	**96,933**	**132,249**	**229,182**	**243,520**
Remaining Appropriations	**-**	**-**	**-**	**-**	**-**	**-**

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

(2) FBCL is generally allocated funding only once expenses are incurred.

4.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2014

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 determine are 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 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
President and Chief Executive Officer

Natalie Kinloch
Chief Operating Officer

Ottawa, Canada

January 30, 2015

4.2 Interim Consolidated Statement of Financial Position

(Unaudited)
as at December 31, 2014
(thousands of dollars)

	Dec. 31, 2014	March 31, 2014
FINANCIAL ASSETS		
Cash and cash equivalents	**5,499**	10,600
Accounts receivable		
Federal departments and agencies	**669**	4,900
Other	**1,232**	781
Portfolio investments	**13,802**	13,813
TOTAL FINANCIAL ASSETS	**21,202**	30,094
LIABILITIES		
Accounts payable and accrued liabilities		
Federal departments and agencies	**8**	3,872
Other	**1,836**	4,188
Due to a government partner	**1,706**	1,644
Holdback	**809**	852
Employee future benefits	**146**	133
Asset retirement obligation	**17,297**	17,869
Credit facility	**4,681**	4,820
Deferred revenue	**310**	374
TOTAL LIABILITIES	**26,793**	33,752
NET DEBT	**(5,591)**	(3,658)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	**93,116**	84,292
Prepaid expenses	**99**	173
TOTAL NON-FINANCIAL ASSETS	**93,215**	84,465
ACCUMULATED SURPLUS	**87,624**	80,807
Accumulated surplus is comprised of:		
Accumulated operating surplus	**86,589**	80,204
Accumulated remeasurement losses	**1,035**	603
	87,624	80,807

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

4.3 Interim Consolidated Statement of Operations

(Unaudited)
for the nine months ended December 31, 2014
(thousands of dollars)

	Twelve months ended	Three months ended		Nine months ended	
	March 31, 2015	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
	Budget	**Actual**	Actual	**Actual**	Actual
			(restated)		(restated)
REVENUE					
Tolls	6,107	**1,647**	1,498	**4,551**	4,285
International Thousand Islands Bridge operating revenue	4,222	**1,056**	1,012	**3,635**	3,512
Leases and permits	1,334	**379**	1,309	**1,139**	3,834
Interest	377	**84**	175	**341**	516
Other	30	**70**	208	**144**	373
TOTAL REVENUE	12,070	**3,236**	4,202	**9,810**	12,520
EXPENSES					
Maintenance	6,934	**2,241**	20,040	**5,924**	65,859
Operations	2,152	**364**	1,284	**1,386**	4,411
Administration	4,129	**1,266**	3,156	**3,166**	8,670
International Thousand Islands Bridge operating expenses	3,703	**986**	963	**3,117**	2,888
Environmental obligation	-	**-**	3,071	**-**	9,612
TOTAL EXPENSES	16,918	**4,857**	28,514	**13,593**	91,440
Deficit before government funding	(4,848)	**(1,621)**	(24,312)	**(3,783)**	(78,920)
Government transfers	37,068	**4,844**	69,404	**10,168**	161,506
SURPLUS	32,220	**3,223**	45,092	**6,385**	82,586
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	85,622	**83,366**	365,725	**80,204**	328,231
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	117,842	**86,589**	410,817	**86,589**	410,817

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

4.4 Interim Consolidated Statement of Remeasurement Gains and Losses

(Unaudited)
for the nine months ended December 31, 2014
(thousands of dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2014	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
ACCUMULATED REMEASUREMENT GAINS / (LOSSES), BEGINNING OF PERIOD	**794**	110	**603**	(92)
Unrealized gains (losses) attributable to:				
Foreign exchange	**354**	(100)	**619**	465
Portfolio investments	**178**	158	**388**	(181)
Amounts reclassified to the Statement of Operations:				
Foreign exchange	**(233)**	6	**(341)**	(178)
Portfolio investments	**(58)**	(199)	**(234)**	(39)
NET REMEASUREMENT GAINS / (LOSSES) FOR THE PERIOD	**241**	(135)	**432**	67
ACCUMULATED REMEASUREMENT GAINS / (LOSSES) END OF PERIOD	**1,035**	(25)	**1,035**	(25)

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

4.5 Interim Consolidated Statement of Change in Net Assets (Debt)

(Unaudited)

for the nine months ended December 31, 2014

(thousands of dollars)

	Twelve months ended	Three months ended		Nine months ended	
	March 31, 2015	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
	Budget	**Actual**	Actual	**Actual**	Actual
SURPLUS	32,220	**3,223**	45,092	**6,385**	82,586
Acquisition of tangible capital assets	(25,325)	**(6,229)**	(52,812)	**(13,365)**	(102,120)
Amortization of tangible capital assets	5,789	**1,613**	4,161	**4,541**	12,163
	12,684	**(1,393)**	(3,559)	**(2,439)**	(7,371)
Acquisition of prepaid expenses	(200)	**(66)**	(117)	**(231)**	(8,880)
Use of prepaid expenses	201	**142**	7,545	**305**	7,981
	1	**76**	7,428	**74**	(899)
Net remeasurement gains	-	**241**	247	**432**	67
(INCREASE) / DECREASE IN NET DEBT	12,685	**(1,076)**	4,116	**(1,933)**	(8,203)
NET DEBT, BEGINNING OF PERIOD	(4,756)	**(4,515)**	(48,022)	**(3,658)**	(35,703)
NET ASSETS / (DEBT), END OF PERIOD	7,929	**(5,591)**	(43,906)	**(5,591)**	(43,906)

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

4.6 Interim Consolidated Statement of Cash Flow

(Unaudited)

for the nine months ended December 31, 2014

(thousands of dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2014	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
CASH FLOW PROVIDED BY OPERATING ACTIVITIES				
Surplus	**3,223**	45,092	**6,385**	82,586
Adjustments for non-cash items:				
Amortization of tangible capital assets	**1,613**	4,161	**4,541**	12,163
Environmental obligation	**-**	3,000	**-**	9,300
Remeasurement gains / (losses)	**241**	(135)	**432**	67
Changes in non-cash working capital items:				
Accounts receivable	**2,740**	(10,739)	**3,780**	(39,647)
Asset retirement obligation	**(738)**	122	**(572)**	365
Holdback	**110**	2,591	**(43)**	3,083
Accounts payable and accrued liabilities	**(3,512)**	(4,470)	**(6,216)**	14,152
Deferred revenue	**(10)**	264	**(64)**	293
Employee future benefits	**-**	(107)	**13**	(77)
Prepaid expenses	**76**	7,428	**74**	(899)
CASH PROVIDED BY OPERATING ACTIVITIES	**3,743**	47,207	**8,330**	81,386
CASH FLOW FROM CAPITAL TRANSACTIONS				
Cash used to acquire tangible capital assets	**(6,229)**	(52,812)	**(13,365)**	(102,120)
CASH APPLIED TO CAPITAL ACTIVITIES	**(6,229)**	(52,812)	**(13,365)**	(102,120)
INVESTING TRANSACTIONS				
Acquisition of investments	**(824)**	(2,875)	**(5,349)**	(11,091)
Disposal of investments	**1,074**	2,890	**5,360**	11,522
CASH PROVIDED BY INVESTING ACTIVITIES	**250**	**15**	**11**	**431**
CASH FLOW FROM FINANCING ACTIVITIES				
Increase in amount due to joint venturer	**10**	(24)	**62**	135
Payments on credit facility principal	**(47)**	(45)	**(139)**	(134)
CASH PROVIDED BY / (APPLIED TO) FINANCING ACTIVITIE	**(37)**	(69)	**(77)**	1
NET DECREASE IN CASH	**(2,273)**	(5,659)	**(5,101)**	(20,302)
CASH, BEGINNING OF PERIOD	**7,772**	16,079	**10,600**	30,722
CASH, END OF PERIOD	**5,499**	10,420	**5,499**	10,420

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.

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 subsidiary, SMRBC, and SIBC. The fiscal year-end of 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, 2014. 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 (PSAB) continually revisits its standards, providing further clarification or updates, as required. No new standards have been adopted by FBCL in the first three fiscal quarters of the year. At the PSAB meeting of December 15th and 16th, 2014, the PSAB approved two new Handbook sections. They relate to Related Party Disclosures and Inter-entity Transactions. These accounting sections will be considered as a part of the annual financial reporting process, as management is still reviewing the effect for reporting of financial information 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, 2013	10,909	424,492	9,666	6,139	1,109	96,180	15,171	563,667
Acquisitions	821	28,588	872	82	-	80,675	1,011	112,049
Disposals	(6,891)	(422,986)	(7,246)	(5)	-	(110,402)	-	(547,530)
Transfers	-	59,483	304	-	-	(59,787)	-	-
March 31, 2014	4,839	89,577	3,596	6,216	1,109	6,666	16,182	128,186
Acquisitions	1,770	-	266	40	-	10,619	670	13,365
Disposals	-	-	(43)	-	(943)	-	-	(986)
Transfers	-	-	-	-	-	-	-	-
Dec. 31, 2014	**6,609**	**89,577**	**3,819**	**6,256**	**166**	**17,285**	**16,852**	**140,565**
Accumulated Depreciation								
March 31, 2013	-	180,183	6,879	3,924	1,109	-	8,548	200,642
Amortization	-	11,444	626	159	-	-	3,371	15,600
Disposals	-	(167,066)	(5,277)	(5)	-	-	-	(172,348)
Write-downs	-	-	-	-	-	-	-	-
March 31, 2014	**-**	**24,561**	**2,228**	**4,078**	**1,109**	**-**	**11,919**	**43,894**
Amortization	-	1,426	188	126	-	-	2,801	4,541
Disposals	-	-	(43)	-	(943)	-	-	(986)
Write-downs	-	-	-	-	-	-	-	-
Dec. 31, 2014	**-**	**25,987**	**2,373**	**4,204**	**166**	**-**	**14,720**	**47,449**
Net Book Value								
March 31, 2014	4,839	65,016	1,369	2,139	-	6,666	4,263	84,292
Dec. 31, 2014	**6,609**	**63,590**	**1,447**	**2,053**	**-**	**17,285**	**2,132**	**93,116**

3. RESULTS FOR INTERIM STATEMENTS FOR DECEMBER 31, 2013

The results for the third quarter ending December 31, 2013, have been adjusted in presentation only, in order to reflect comparative values in a similar form as those values presented for the current year and the year-end statements of March 31, 2014. No material change has been reflected in the values presented, and no adjustments will be required for the current year-end statements.

4. SUBSEQUENT EVENTS

On January 27, 2015, FBCL amalgamated with its wholly owned subsidiary, The St. Mary's River Bridge Company (SMRBC). This amalgamation was part of the legislation, *Economic Action Plan 2013 Act, No. 2*, as amended in the Fall of 2014, 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 FBCL name is retained and all contracts and agreements for the former FBCL and SMRBC continue under the new FBCL entity.

Subsequently, on February 1, 2015, FBCL is to amalgamate with The Blue Water Bridge Authority (BWBA), also as a part of the *Economic Action Plan 2013 Act, No. 2*, as amended in the Fall of 2014. The FBCL name is retained for this new organization, and a new seven member Board will be appointed. All contracts and agreements for both FBCL and BWBA will continue under this new FBCL organization.