



**QUARTERLY
FINANCIAL
REPORT**

**3RD QUARTER
(Q3)**

UNAUDITED

For the three
months ended
**December 31,
2011**

**THE FEDERAL BRIDGE
CORPORATION LIMITED**





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Cover photo: *Digging and casting concrete for the South Abutment Structure of the new North Channel Bridge in Cornwall.*



1.0 FBCL

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

1.1 Mandate

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

1.2 FBCL Group

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



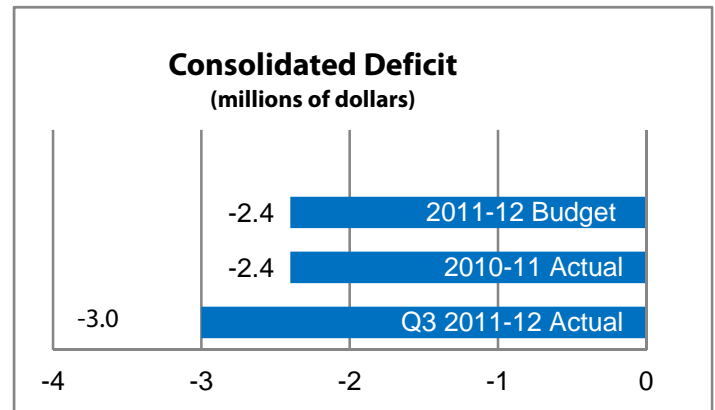
2.0 Q3 2011-2012 IN REVIEW

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 with the exception of the presentation of the comparative information presented against the 2010-2011 fiscal year versus the prior year comparative quarter due to the timing of the enactment of the legislation and the availability of the required financial information across the FBCL group including international partners.

This quarterly financial report assesses the operations and financial status of FBCL for the fiscal quarter ended December 31, 2011. 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 2010-2011 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 generally accepted accounting principles (GAAP) for the public sector.

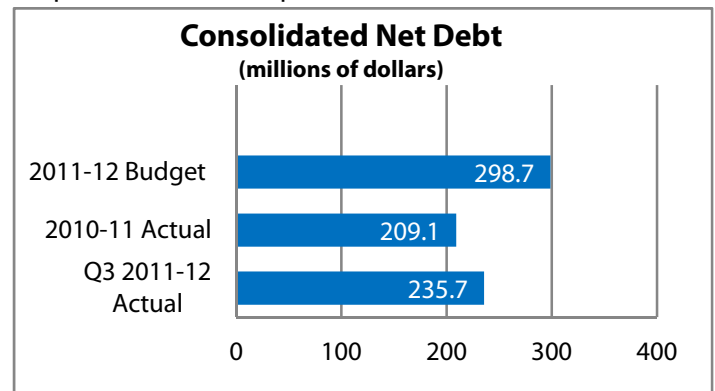
2.1 Summary

FBCL reports a consolidated deficit of \$0.8 million for the three months ended December 31, 2011 (Q3) and a year-to-date cumulative consolidated deficit of \$3.0 million compared to the consolidated deficit of \$2.4 million for the twelve months ended March 31, 2011. Revenues levels at international bridges have been sustained and are on track to exceed prior year revenues. Works on major projects have continued and the construction of the new North Channel Bridge in Cornwall is slightly ahead of schedule. Other major works include the ongoing painting of the South Channel Bridge in Cornwall, the important rehabilitation of the Honoré-Mercier Bridge and the ongoing 10-year maintenance program on the Champlain Bridge.



In addition, the subsidiary, JCCBI has initiated important capital works and required maintenance with the funding of \$227.6 million over 3 years allocated as part of Budget 2011.

The consolidated net debt of FBCL has increased to \$235.7 million at the end of Q3 due to the continued major investments in tangible capital assets. Notable investments year-to-date include the new North Channel Bridge construction project (\$12.3 million), the Honoré Mercier Bridge rehabilitation project (\$9.9 million) and the Champlain Bridge maintenance project (\$6.8 million).





2.2 Outlook

Looking ahead to the end of the fiscal year, FBCL expects to exceed the prior year total revenue by at least 5% due to sustained revenues at all international crossings and a gradual recovery of the Cornwall international crossing from the bridge closure disruption in 2009. It also continues to deliver on its major infrastructure projects at the Cornwall and Sault Ste Marie international bridge locations as well as on the Honoré Mercier Bridge and Champlain Bridge in Montreal. FBCL anticipates that its results will vary from plan in respect to some of these projects as works have been initiated later than planned as outlined in section 3.3 – Risk Analysis.



Q3 marked the end of the 2011 season in Montreal. Maintenance work totalled \$7,2 M at the Bonaventure Expressway and \$4,2 M on Highway 15 alone, in addition to the ongoing major work on the piers underneath the Champlain Bridge.



3.0 DISCUSSION OF FINANCIAL RESULTS

3.1 Results of Operations

SEASONAL TRENDS

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

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

STATEMENT OF FINANCIAL POSITION

Financial Assets

Total financial assets increased by \$3.4 million in Q3 to \$51.7 million at December 31, 2011, compared with \$48.3 million as at March 31, 2011.

The net cash position of FBCL has increased by \$0.3 million in Q3 to \$28.5 million at December 31, 2011 (\$28.5 million at March 31, 2011). The cash position is closely linked to the payment by the Government of Canada of parliamentary appropriations principally for domestic bridges in Montreal and the North Channel Bridge construction project in Cornwall. At December 31, 2011 the receivable Due from Canada has increased to \$17.6 million (\$5.0 million at March 31, 2011). The decrease of \$9.7 million in investments and the variation in receivables (\$0.7 million) is attributable to timing differences and variations in activity levels. Variations in other assets are minimal.

Liabilities

The increase in deferred capital funding of \$26.7 million in Q3 to \$240.5 million as at December 31, 2011 (\$213.8 million at March 31, 2011) is the results of the ongoing construction of the new North Channel Bridge and major works undertaken in Montreal on the Honoré Mercier Bridge. These sums will be amortized over the estimated useful life of the funded asset to which it relates.

In completing major projects, FBCL and its subsidiary JCCBI, have entered into construction contracts that include a portion of payment not payable until certain works are completed and meet the performance requirements. These holdbacks have increased to \$5.0 million at December 31, 2011 (\$2.3 million at March 31, 2011) as a part of the Honoré Mercier Bridge and the North Channel Bridge projects. These amounts will become payable once the works are completed over the next several years.



The asset retirement obligation of \$15.6 million at December 31, 2011 (\$15.4 million at March 31, 2011) relates to the intention of the Corporation to demolish the existing bridge in Cornwall once the construction of the new bridge is completed.

Variations in other liabilities are minimal.

Non-Financial Assets

Tangible capital assets have increased by \$23.6 million or 8.9% compared with the balance sheet of March 31, 2011 due to the ongoing construction of the new low-level North Channel Bridge in Cornwall (\$5.0 million for the three months ended December 31, 2011), the continued major rehabilitation works on the Honoré Mercier Bridge (\$0.9 million for the three months ended December 31, 2011) and the works on the Champlain Bridge (\$1.7 million for the three months ended December 31, 2011).

REVENUE

Consolidated Revenue

FBCL's consolidated revenue in Q3 totalled \$4.0 million and \$11.5 million for the cumulative nine months ended December 31, 2011 (\$14.0 million for the twelve months ended March 31, 2011) and represents 78% of budgeted annual revenues. This level of revenue is due to sustained traffic volume on international bridges throughout the summer months and an ongoing recovery of the Cornwall international crossing following the bridge closure disruption in 2009.

Tolls and Thousand Island Bridge Operating Revenue

The toll revenue levels from international bridges of \$1.5 million in Q3 (\$4.6 million for the nine months ended December 31, 2011) have been sustained mainly due to the continuing recovery in Cornwall since the bridge closure disruption in 2009, the positive volume of traffic at the Thousand Islands and Sault Ste. Marie bridges linked to the high Canadian dollar and its positive impact on cross-border shopping. This trend is offset by lower commercial traffic due to a decline in Canadian exports to the United States.

Leases and Permits

Revenues from leases and permits remained stable in Q3 at \$1.3 million (\$3.6 million for the nine months ended December 31, 2011) or 71% of budgeted annual revenues (\$4.5 million for the twelve months ended March 31, 2011).

Parliamentary Appropriations

Parliamentary appropriations for operating expenses totalled \$16.1 million in Q3 and \$50.5 million for the nine months ended December 31, 2011 (\$57.9 million for the twelve months ended March 31, 2011) representing the allocation to the subsidiary, JCCBI for its operations (\$31.0 million) and the operating funding for the Champlain Bridge maintenance (\$22.9 million).

Parliamentary appropriations for capital expenses for the nine months ending December 31, 2011 totalled \$31.3 million (\$21.6 million at March 31, 2011) and include capital funding for the new North Channel Bridge (\$11.9 million), the Honoré Mercier Bridge rehabilitation project (\$9.9 million), the Champlain Bridge maintenance (\$6.8 million) and for its ongoing capital program (\$2.6 million).



A schedule reporting on the use of parliamentary appropriations is included in section 3.5.

EXPENSES

Consolidated Expenses

FBCL Q3 consolidated expenses totalled \$22.5 million (\$69.6 million for the nine months ended December 31, 2011), representing 83% of budgeted annual expenses (\$79.9 million for the twelve months ended March 31, 2011). These expenses include the delivery of the third year of the 10-year maintenance plan for the Champlain Bridge in Montreal for which specific parliamentary appropriations have been received and the second year of a multi-year painting project on the South Channel Bridge in Cornwall.

Maintenance

Maintenance expenses account for 68% of expenses at the end of Q3 reaching \$47.4 million (\$52.3 million for the twelve months ended March 31, 2011) and are in line with annual budgeted expenses of \$57.6 million.

On the Champlain Bridge, the third year of the 10-year maintenance program is progressing with cumulative expenses totalling \$23.0 million at the end of Q3 (\$25.4 million for the twelve months ended March 31, 2011).

Also, the second year of a multi-year painting project on the South Channel Bridge in Cornwall is underway with cumulative expenses totalling \$2.4 million at the end of Q3 (\$1.6 million for the twelve months ended March 31, 2011).

Operation

Expenses for operations totalled \$1.6 million in Q3 (\$4.1 million for the nine months ended December 31, 2011) or 72% of total planned expenses (\$5.5 million for the twelve months ended March 31, 2011).

The costs of operations remain constant across the portfolio with minimal variation anticipated.

Administration

Administration expenses of \$2.4 million in Q3 (\$7.5 million for the nine months ended December 31, 2011), represent 70% of the annual budgeted amount (\$10.1 million for the twelve months ended March 31, 2011).

Thousand Islands Bridge Operating Expenses

Operating expenses at the Thousand Islands Bridge totalled \$0.7 million in Q3 and \$2.0 million for the cumulative nine months (\$2.7 million for the twelve months ended March 31, 2011) represent 3% of total expenses and are in line with budget.

Amortization

Amortization expenses totalled \$2.9 million in Q3 and \$8.5 million for the cumulative nine months (\$9.3 million for the twelve months ended March 31, 2011). These expenses account for 12% of total expenses in Q3 and vary depending on the completion date of the capital projects to which they relate and the initiation of the amortization period.

3.2 Cash Flow

FBCL's cash flow is primarily dependent on the timing of receipt of parliamentary appropriations for its major project expenditures. These appropriations are received only once the expenditures are incurred. At the end



of Q3, the amount Due from Canada has fluctuated by some \$12.6 million to \$17.6 million at December 31, 2011 (\$5.0 million at March 31, 2011). Also related to the major projects is the amount for construction holdbacks and the deferred capital funding that have increased by \$2.7 million and \$26.7 million respectively and are related to the Honoré Mercier Bridge rehabilitation project and the North Channel Bridge construction in Cornwall. The remainder of the fluctuation is due to regular operations and variance 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.

SAFETY OF BRIDGES

The infrastructure in the portfolio is aged and some bridge assets, particularly in Cornwall and in Montreal are operating beyond their intended lifecycle. There is a delicate balance between preserving the existing bridges and ensuring their safety at all times. There is a critical point where regular maintenance and repairs are no longer sufficient and decisions on major rehabilitation or replacement of structures is required.

In delivering its mandate, FBCL and its subsidiaries are currently engaged in a number of significant infrastructure projects. The primary risk in each of these projects is the ability to deliver on time and on budget within the pre-established scope of works as any changes can impact overall budgets. As of Q3, each of the major projects is progressing as planned with the exception of some delays being incurred in the Honoré Mercier Bridge rehabilitation and the Canadian Customs Plaza rehabilitation projects as noted below.

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 Q3.

Honoré Mercier Bridge Rehabilitation (Montréal)

The replacement of the deck on the federal portion of the Honoré-Mercier Bridge continues to be carried out by way of two contracts and in partnership with the Ministère des Transports du Québec (MTQ). The federal portion of Contract A (original scope) related to the approaches was completed in Q1. The second phase of this project, Contract B, consisting of the complete replacement of the bridge deck has progressed only with works off the Mohawk territory. This contract is one year beyond plan due to labour and jurisdictional issues between the Mohawk community and the Province of Quebec that through ongoing discussions are now mostly resolved. The federal portions of the work will continue through 2012 and the Quebec portions will be completed thereafter.

Champlain Bridge (Montreal)

2011-2012 is the third year of delivery of the 10-year, \$212.0 million Champlain Bridge maintenance program. Works totalling nearly \$33.0 million are planned. Currently, works of \$31.3 million are committed and are underway. Safety and security risks are being managed through this program.

The subsidiary JCCBI completed a pre-feasibility study in partnership with MTQ examining options for the Champlain Bridge corridor. 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 will be managed by Transport Canada. In the next quarters, parliamentary appropriation levels of the subsidiary JCCBI will need to be reviewed with Transport Canada to ensure that authority and funding levels for the new project are consistent.

Canadian Customs Plaza Rehabilitation (Sault Ste. Marie)

This project is governed by a budget of \$44.1 million originating from the Gateways and Border Crossings Fund managed by Transport Canada and is in the construction design phase. Efforts continue to be focused on the necessary land acquisitions to realize the project. Funding for additional property acquisitions is not included in the project budget and is planned to be financed through a commercial loan with an upset limit of \$5.0 million, in accordance with the financial capacity of this location. Timelines are being adjusted to allow for the continued negotiations for the property acquisitions. Currently the project is approximately one year behind the original completion date of 2014.

New Low Level North Channel Bridge (Cornwall)

Construction of this new bridge was initiated in Q1 with the in-water works being completed in November 2011. The contract for the construction of the bridge itself and the approaches in the amount of \$32.5 million was awarded in October 2011 and planned works were immediately initiated. This construction continues to have a positive impact on the local economy with the sourcing of materials and participation of the Mohawk community in the works. This project is progressing well and within the allocated \$74.8 million. A comprehensive communication strategy including a live blog site has been established to keep the local community and stakeholders well informed of the project progress.

In addition to these works, permanent tolling facilities will also be constructed in Cornwall. Options for the location of CBSA facilities as of the new bridge opening are also being developed. Additional federal funding will be required for the CBSA facilities at this crossing.

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 capital projects and CBSA requirements at international crossings as well as to have sufficient and longer-term funding to maintain the federal domestic bridges in Montreal without additional federal government support/appropriations. Longer-term funding for these assets will require further assessment in the upcoming years to address critical infrastructure needs.

Expenditure Restraint and Governmental Review Initiatives

In recent budgets, the federal government has provided guidance on a number of areas of expenditure such as wage increases, hospitality, training and conferences, amongst others. Each of the entities within the portfolio has, in support of the government direction, been actively reviewing its expenditures in order to maintain and where feasible reduce costs.

In addition to the above noted financial risks, FBCL in its operations faces specific financial risks related to credit, liquidity, interest, currency and market. These risks are described in FBCL's 2010-2011 annual report



and are not considered significant due to the nature of the transactions and the policies, practices and internal controls in place.

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.

HUMAN RESOURCES

The employment levels at FBCL and its subsidiaries, SIBC and SMRBC have remained stable. Overall, there are no labour issues within the portfolio. In Q3, FBCL and its subsidiary SIBC have modified its termination policies in order to eliminate termination benefits upon voluntary termination or retirement in line with the federal public service. The subsidiary, JCCBI is continuing to staff additional personnel to meet the increasing maintenance and capital requirements. This subsidiary also manages two collective agreements. The first collective agreement with white collar workers has expired and negotiations have been initiated. The second collective agreement with the blue collar workers has expired on December 31, 2011 and negotiations will begin shortly.

3.4 Significant Changes

CHANGE IN ACCOUNTING POLICY

The Public Sector Accounting Board has published an amendment to the Public Sector Accounting (PSA) Handbook which eliminates the "government business-type organization" category. The Corporation has determined that it is an "other government organization (OGO)".

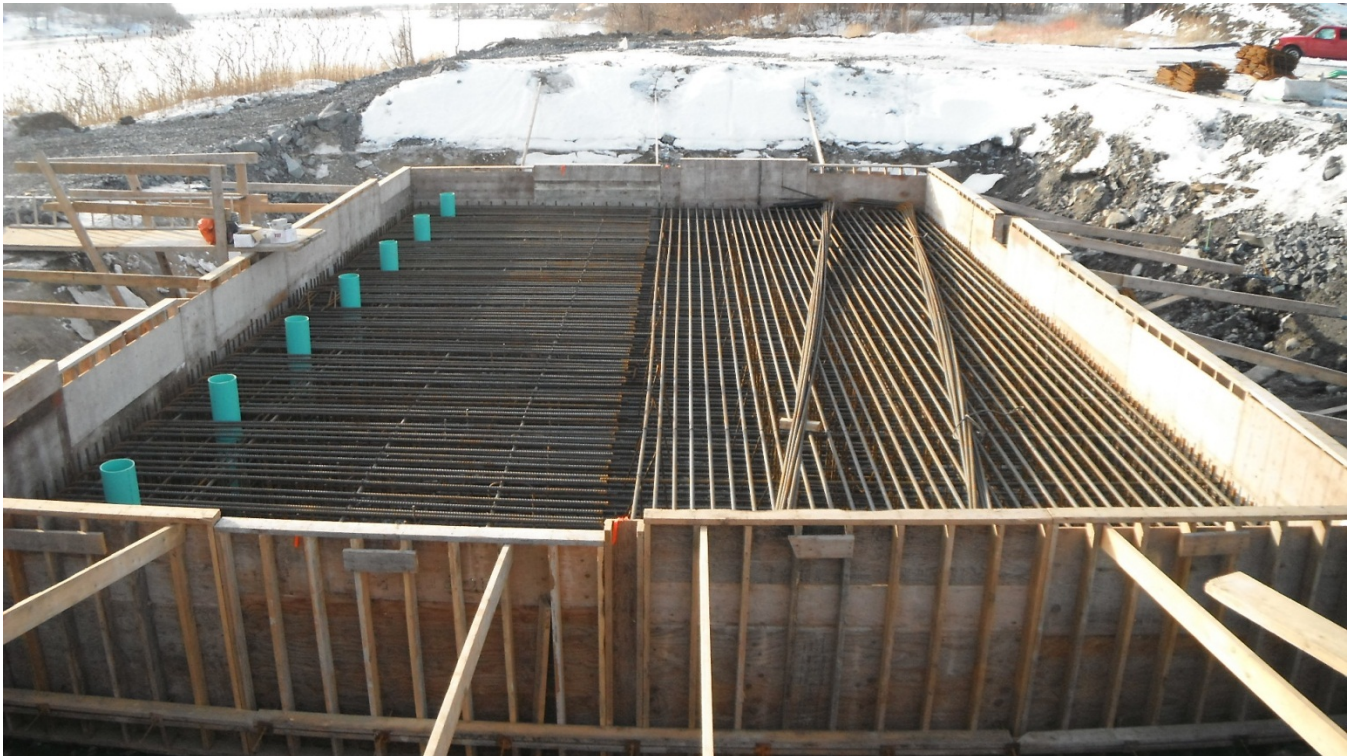
The Corporation has concluded that Public Sector Accounting Standards ("PSA Standards") is the most appropriate framework for reporting purposes, based on the needs of the users of the financial statements. The Corporation has implemented a plan for transition to the new accounting standards on a retrospective basis for the current fiscal year beginning on April 1, 2011.

As a result of adopting the PSA Standards, FBCL was required to make minor adjustments to its opening balance sheet and comparative results that include the recording of a liability for sick leave benefits that accrue but do not vest. The adjustments are outlined in note 2 of the interim unaudited condensed consolidated financial statements.

Due to timing difference in the preparation of budgetary documents, FBCL's 2011-2012 operating and capital budget was prepared according to GAAP of the Canadian Institute of Chartered Accountants' (CICA's) Handbook Part V. In completing the transition analysis, FBCL reviewed its budgets and determined that there are no material adjustments to the operating and capital budgets for 2011-2012.



Pumping out water from inside the cofferdam (north abutment of the new North Cannel Bridge in Cornwall).



Installation of the sleeves inside of the footing for the rock anchor installation at the new North Channel Bridge site in Cornwall.



3.5 Reporting on Use of Appropriations

The new North Channel Bridge project budget for 2011-2012 has been revised to \$16.2 million reflecting the advancement of works. A deferral of \$48.5 million in parliamentary appropriations for the project that had been allocated for 2011-2012 will be requested to reflect the current project phasing.

The Honoré Mercier Bridge rehabilitation project is approximately one year beyond plan as such, a portion of the federal project funding in place for the prior year \$17.6 million, has been approved to be reallocated to upcoming quarters to reflect the current project phasing. Additional reprofiling requests to reflect the 12-month project delay will be assessed in the next quarter.

The Champlain Bridge maintenance program budget has been revised to include \$4.6 million in works planned for the prior year but not realized due to the cancellation of a tender call for certain steel works. The work will be undertaken in the current fiscal year.

Parliamentary appropriations of \$0.2 million for contaminated sites allocated in 2010-2011 under the Federal Contaminated Sites Action Plan has been approved to be re-allocated to the current year in order to complete the planned works. An additional \$0.7 million in funding has also been approved.

Assessment of any other reprofiling requests is to be completed in Q4 following the construction season.

	Three months ended December 31, 2011					Nine months ended December 31, 2011				
	FBCL	JCCBI			Total	FBCL	JCCBI			Total
	Vote 30	Operating	Capital	Sub-total		Vote 30	Operating	Capital	Sub-total	
(' in thousands)	Capital	Operating	Capital	Sub-total		Capital	Operating	Capital	Sub-total	
Main Estimates	64,699	43,378	55,566	98,944	163,643	64,699	43,378	55,566	98,944	163,643
Supplementary Estimates (A)	-	18,170	13,638	31,808	31,808	-	18,170	13,638	31,808	31,808
Supplementary Estimates (B)	-	5,171	17,964	23,135	23,135	-	5,171	17,964	23,135	23,135
Additional Funding Requests ⁽¹⁾	-	-	-	-	-	-	-	-	-	-
Reprofiling Request ⁽¹⁾	(48,504)	-	-	-	(48,504)	(48,504)	2,637	(2,637)	-	(48,504)
Funding Available	16,195	66,719	87,168	153,887	170,082	16,195	69,356	84,531	153,887	170,082
Drawdown ⁽²⁾										
Actual	4,656	21,081	3,978	25,059	29,715	12,347	54,352	18,992	73,344	85,691
Plan	-	-	-	-	-	3,848	15,004	12,042	27,046	30,894
Appropriations	4,656	21,081	3,978	25,059	29,715	16,195	69,356	31,034	100,390	116,585
Remaining Appropriations	-	-	53,497	53,497	53,497	-	-	53,497	53,497	53,497

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

⁽²⁾ FBCL and its subsidiary, JCCBI are generally allocated funding only once expenses are incurred with the exception of cash flow advances for the subsidiary, JCCBI. Operating appropriations are recorded in the consolidated statement of operations and capital appropriations are recorded in the



4.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended December 31, 2011

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



4.1 Statement of Management Responsibility

Management of The Federal Bridge Corporation Limited is responsible for the preparation and fair presentation of these interim unaudited condensed consolidated financial statements in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* and for such internal controls as management determines is necessary to enable the preparation of the interim unaudited condensed consolidated financial statements. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the interim unaudited condensed consolidated financial statements.

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

Based on our knowledge of the financial position, results of operations and cash flows of The Federal Bridge Corporation Limited and our reliance on the financial information provided and internal controls established and maintained by the wholly-owned subsidiaries and international partners, these unaudited condensed consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the interim unaudited condensed consolidated financial statements.

Micheline Dubé
President and Chief Executive Officer

Natalie Kinloch
Chief Financial and Administrative Officer

Ottawa, Canada

February 24, 2012



4.2 Consolidated Statement of Financial Position

(Unaudited)

as at December 31, 2011

(thousands of dollars)

	December 31, 2011	March 31, 2011	April 1, 2010
FINANCIAL ASSETS			
Cash	28,509	28,475	16,801
Investments	3,516	13,206	12,968
Accounts receivable	2,097	1,394	735
Accrued interest receivable	29	137	86
Due from Canada	17,591	5,042	13,119
TOTAL FINANCIAL ASSETS	51,742	48,254	43,709
LIABILITIES			
Accounts payable and accrued liabilities	21,295	21,402	16,463
Due to joint venturer	1,551	1,843	1,414
Client deposits	46	100	110
Holdback	4,964	2,266	1,041
Employee future benefits	1,822	959	967
Environmental obligation	1,000	1,000	1,000
Deferred revenue	691	496	861
Asset retirement obligation	15,551	15,433	-
Deferred capital funding	240,517	213,843	192,225
TOTAL LIABILITIES	287,437	257,342	214,081
NET DEBT	(235,695)	(209,088)	(170,372)
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 3)	289,804	266,209	230,306
Prepaid expenses	796	745	363
TOTAL NON-FINANCIAL ASSETS	290,600	266,954	230,669
ACCUMULATED SURPLUS	54,905	57,866	60,297

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 December 31, 2011

(thousands of dollars)

	Three months ended December 31, 2011	Nine months ended December 31, 2011	Twelve months ended March 31, 2011
REVENUE			
Tolls	1,530	4,587	5,278
Leases and permits	1,257	3,616	4,535
International Thousand Islands Bridge operating revenues	985	2,943	3,590
Interest	88	269	320
Other	164	125	279
TOTAL REVENUE	4,024	11,540	14,002
EXPENSES			
Maintenance	14,912	47,415	52,290
Operation	1,574	4,108	5,457
Administration	2,433	7,525	10,117
International Thousand Islands Bridge operating expenses	678	2,016	2,707
Amortization of tangible capital assets	2,852	8,487	9,336
TOTAL EXPENSES	22,449	69,551	79,907
(Deficit) before government funding	(18,425)	(58,011)	(65,905)
Parliamentary appropriations	16,073	50,456	57,901
Amortization of deferred capital funding (Note 4)	1,538	4,594	5,573
SURPLUS / (DEFICIT)	(814)	(2,961)	(2,431)
ACCUMULATED SURPLUS BEGINNING OF PERIOD	55,719	57,866	60,297
ACCUMULATED SURPLUS END OF PERIOD	54,905	54,905	57,866

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 December 31, 2011

(thousands of dollars)

	Three months ended December 31, 2011	Nine months ended December 31, 2011	Twelve months ended March 31, 2011
DEFICIT / (SURPLUS)	(814)	(2,961)	(2,431)
Acquisition of tangible capital assets (Note 3)	(9,614)	(32,276)	(45,240)
Amortization of tangible capital assets (Note 3)	2,852	8,487	9,336
	(7,576)	(26,750)	(38,335)
Acquisition of prepaid expenses	426	(1,804)	(381)
Use of prepaid expenses	654	1,947	-
	1,080	143	(381)
(INCREASE) / DECREASE IN NET DEBT	(6,496)	(26,607)	(38,716)
NET DEBT AT BEGINNING OF PERIOD	(229,199)	(209,088)	(170,372)
NET DEBT AT END OF PERIOD	(235,695)	(235,695)	(209,088)

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



4.5 Consolidated Statement of Cash Flow

(Unaudited)

for the three months ended December 31, 2011

(thousands of dollars)

	Three months ended December 31, 2011	Nine months ended December 31, 2011	Twelve months ended March 31, 2011
OPERATING TRANSACTIONS			
Surplus / (deficit)	(814)	(2,961)	(2,431)
Non-cash items			
Amortization of tangible capital assets (Note 3)	2,852	8,487	9,336
Amortization of deferred capital funding (Note 4)	(1,538)	(4,594)	(5,573)
Decrease of client deposit	46	(54)	(10)
Accretion expense	-	118	262
(Increase) decrease in due from Canada	430	(12,549)	8,077
Increase of holdback	(826)	2,698	1,225
Increase of employee future benefits	80	863	(31)
Net change in non-cash items	2,531	(134)	3,503
CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	2,761	(8,126)	14,358
CAPITAL TRANSACTIONS			
Cash used to acquire tangible capital assets	(11,583)	(30,778)	(24,495)
CASH PROVIDED / (USED) BY CAPITAL ACTIVITIES	(11,583)	(30,778)	(24,495)
INVESTING TRANSACTIONS			
Acquisition of investments	208	(1,981)	(12,825)
Disposal of investments	241	11,671	12,587
CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	449	9,690	(238)
FINANCING TRANSACTIONS			
Increase in amount due to joint venturer	(46)	(292)	431
Increase in deferred capital funding (Note 4)	9,833	29,540	21,618
CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	9,787	29,248	22,049
NET INCREASE IN CASH	1,414	34	11,674
CASH AT BEGINNING OF PERIOD	27,095	28,475	16,801
CASH AT END OF PERIOD	28,509	28,509	28,475

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



4.6 Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the three month period ended December 31, 2011

The interim unaudited condensed consolidated financial statements should be read in conjunction with FBCL's annual audited consolidated financial statements for the year ended March 31, 2011 published within FBCL's 2010-2011 annual report and with the narrative discussion included in this quarterly financial report.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Adoption of new accounting standard

Effective April 1, 2011, FBCL adopted the Public Sector Accounting Standards (PSAS). Please refer to Note 2 for more details.

b) 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 the presentation of the comparative information presented against the 2010-2011 fiscal year versus the prior year third quarter due to the timing of the enactment of the legislation and the availability of the required financial information across the FBCL group including international partners.

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.

c) Basis of consolidation

The interim unaudited condensed consolidated financial statements include the accounts of FBCL, its wholly owned subsidiaries, JCCBI and SMRBC and its proportionate share (50%) of its interest in its government partnership, 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, 2011. All inter-company transactions and balances have been eliminated within the interim unaudited condensed consolidated financial statements.



1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Investments

Temporary investments, which are transitional or current in nature, are recorded at the lower of cost or market value.

e) Employee future benefits

Post-employment benefits and compensated absences

Employees of FBCL and its subsidiary, SIBC, are entitled to sick leave benefits provided for under conditions of employment that accumulate but do not vest. FBCL recognizes the cost of future sick leave benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded as the benefits accrue to employees based on the probability of payment established per historical data.

Employees of JCCBI are entitled to sick leave benefits provided under conditions of employment that are paid on an annual basis. JCCBI recognizes the cost of the sick leave benefits within its statement of operations.

Severance benefits

Employees of FBCL, JCCBI and SIBC are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan that varies per entity and by employment classification. FBCL recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

Pension plan

All employees of the subsidiaries JCCBI and SIBC participate in the Public Service Pension Plan administered by the Government of Canada. The subsidiaries JCCBI's and SIBC's contributions to the plan reflect the full cost of the employer contributions.

This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the subsidiaries and are charged to operations on a current basis. The subsidiaries JCCBI and SIBC are not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

FBCL employees participate in a defined contribution private pension plan and the cost of this plan is shared by the employees and FBCL. FBCL's contributions are expensed when services are rendered and represent the total pension obligation of FBCL. The terms of payment of past service contributions are set by the application purchase conditions, generally over the number of years of services remaining prior to retirement.

The subsidiary, SMRBC, has no employees.



1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate in effect at the end of each fiscal year.

Gains and losses resulting from foreign currency translation are reported in the Statement of Operations.

g) Future accounting changes

Section PS 3260 – Liability for Contaminated Sites

In June 2010, the CICA issued a new section establishing recognition, measurement and disclosure standards for liabilities relating to contaminated sites. This guidance specifies that a liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage; a liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination. This section is effective for fiscal periods beginning on or after April 1, 2014.

Section PS 3410 – Government Transfers

In March 2011, the CICA issued various amendments to the Government Transfers guidance. Specifically, a transferring government recognizes an expense when the transfer is authorized and recipients have met the eligibility criteria. A recipient government recognizes the transfer as revenue when the transfer was authorized by the transferring government, unless a liability is created for the recipient. For a recipient, the transferring government's authorization must be in place by the financial statement date. Revenue is recognized as the liability is settled. This section is effective for fiscal years beginning on or after April 1, 2012.

Section PS 1201 – Financial Statement Presentation

In June 2011, the CICA issued this section which replaced Section PS 1200 – Financial Statement Presentation and comes into effect April 1, 2012. This new section requires that remeasurement gains and losses be reported in a new statement. Also, the accumulated surplus or deficit will be presented as the total of the accumulated operating surplus or deficit and the accumulated remeasurement gains and losses.

Section PS 3450 – Financial Instruments

In June 2011, the CICA issued a new section establishing standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Items within the scope of the section are assigned to one of two measurement categories: fair value, or cost of amortized cost. Fair value measurement will apply to portfolio investments in equity instruments that are quoted in an active market. Other financial assets and financial liabilities will generally be measured at cost or amortized cost. Until an item is derecognized, gains



and losses arising due to fair value remeasurement will be reported in the Statement of Remeasurement Gains and Losses. The section applies to fiscal years beginning on or after April 1, 2012.

FBCL is currently analyzing the impacts of these standards on its financial statements.

2. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Prior to these interim unaudited condensed financial statements, FBCL classified itself as a Government Business-Type Organization ("GBTO") and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Part V. In October 2009, the Public Sector Accounting Board ("PSAB") determined that the category will cease to exist for fiscal years ending on or after January 1, 2011, and GBTOs are required to reclassify themselves in accordance with PSA Standards. In accordance with recommendations of the PSA Handbook, FBCL has determined that it is an "other government organization" and has determined that Public Sector Accounting Standards ("PSA Standards") is the most appropriate framework for reporting purposes.

These interim unaudited condensed consolidated financial statements represent FBCL's initial presentation of the financial results of operations and financial position under PSA Standards for the period ended December 31, 2011 in conjunction with FBCL's annual audited consolidated financial statements to be issued under PSA Standards as at and for the year ended March 31, 2012.

The adoption of PSA Standards is accounted for by retroactive application with restatement of prior periods. Although minor quantitative balances have changed, the following is a summary of the main qualitative differences for FBCL between its previous and current financial statements:

- The March 31, 2011 Consolidated Balance Sheet has been replaced by the Consolidated Statement of Financial Position, segregating financial and non-financial assets as well as the net debt (liabilities less financial assets) of FBCL; and accumulated surplus/deficit at the Statement of Financial Position date.
- The Consolidated Statement of Operations and Comprehensive Income for the year ended March 31, 2011 has been replaced by the Consolidated Statement of Operations, reporting both revenue and expenses.
 - Expenses are disclosed by function; and
 - A comparison of the current year results with the original comparative budget is disclosed.
- The Consolidated Retained Earnings has been replaced by the Consolidated Statement of Change in Net Debt, which represents the expenses of a public sector reporting entity less revenue, as well as acquisitions of tangible capital assets and other items explaining the difference between the surplus/deficit of the period and the change in net debt for the period.



2. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Continued)

The following tables present the reconciliation of account balances and transactions from the previous reporting framework to the current method of presentation:

a) PSA Opening Consolidated Statement of Financial Position as at April 1, 2010

(thousands of dollars)	PSA Adjustments					PSA
	Previous GAAP	Sick leave	Foreign Currency	Classification		
Assets						
Cash	\$ 16,801	\$ -	\$ -	\$ -	\$ -	\$ 16,801
Investments	12,968	-	-	-	-	12,968
Accounts receivable	735	-	-	-	-	735
Accrued interest receivable	86	-	-	-	-	86
Prepaid expenses	354	-	9	(363)	-	-
Due from Canada	13,119	-	-	-	-	13,119
Fixed assets	230,306	-	-	(230,306)	-	-
Total Assets	\$ 274,369	\$ -	\$ 9	\$ (230,669)	\$ -	\$ 43,709
Liabilities						
Accounts payable and accrued liabilities	\$ 16,246	\$ -	\$ -	\$ 217	\$ -	\$ 16,463
Deferred revenue	861	-	-	-	-	861
Client Deposit	110	-	-	-	-	110
Due to joint venturer	1,445	(31)	-	-	-	1,414
Holdback	1,041	-	-	-	-	1,041
Employee future benefits	1,141	43	-	(217)	-	967
Environmental obligation	1,000	-	-	-	-	1,000
Deferred capital funding	192,225	-	-	-	-	192,225
Total Liabilities	214,069	12	-	-	-	214,081
Net Debt	\$ 60,300	\$ (12)	\$ 9	\$ (230,669)	\$ -	\$ (170,372)
Non-Financial Assets						
Tangible capital assets	\$ -	\$ -	\$ -	\$ 230,306	\$ -	\$ 230,306
Prepaid expenses	-	-	-	363	-	363
Total Non-Financial Assets	-	-	-	230,669	-	230,669
Equity / Accumulated Surplus (Deficit)	\$ 60,300	\$ (12)	\$ 9	\$ -	\$ -	\$ 60,297



2. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Continued)

b) Reconciliation of the March 31, 2011 Statement of Financial Position

(thousands of dollars)	Previous GAAP	PSA Adjustments				PSA
		Sick leave	Foreign Currency	Classification		
Assets						
Cash	\$ 28,475	\$ -	\$ -	\$ -	\$ -	\$ 28,475
Investments	13,206	-	-	-	-	13,206
Accounts receivable	1,394	-	-	-	-	1,394
Accrued interest receivable	137	-	-	-	-	137
Prepaid expenses	730	-	15	(745)	-	-
Due from Canada	5,042	-	-	-	-	5,042
Fixed assets	266,209	-	-	(266,209)	-	-
Total Assets	\$ 315,193	\$ -	\$ 15	\$ (266,954)	\$ -	\$ 48,254
Liabilities						
Accounts payable and accrued liabilities	\$ 21,185	\$ -	\$ -	\$ 217	\$ -	\$ 21,402
Deferred revenue	496	-	-	-	-	496
Client Deposit	100	-	-	-	-	100
Due to joint venturer	1,874	(31)	-	-	-	1,843
Holdback	2,266	-	-	-	-	2,266
Employee future benefits	1,133	43	-	(217)	-	959
Environmental obligation	1,000	-	-	-	-	1,000
Asset retirement obligation	15,433	-	-	-	-	15,433
Deferred capital funding	213,843	-	-	-	-	213,843
Total Liabilities	257,330	12	-	-	-	257,342
Net Debt	\$ 57,863	\$ (12)	\$ 15	\$ (266,954)	\$ -	\$ (209,088)
Non-Financial Assets						
Tangible capital assets	\$ -	\$ -	\$ -	\$ 266,209	\$ -	\$ 266,209
Prepaid expenses	-	-	-	745	-	745
Total Non-Financial Assets	-	-	-	266,954	-	266,954
Equity / Accumulated Surplus (Deficit)	\$ 57,863	\$ (12)	\$ 15	\$ -	\$ -	\$ 57,866



2. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Continued)

c) Reconciliation of the Statement of Operations for the year ended March 31, 2011

(thousands of dollars)	PSA Adjustments					PSA
	Previous GAAP	Sick leave	Foreign Currency	Classification		
Revenue						
Tolls	\$ 5,278	\$ -	\$ -	\$ -	\$ -	5,278
Leases and permits	4,535	-	-	-	-	4,535
Thousand Islands Bridge operating revenue	3,590	-	-	-	-	3,590
Interest	320	-	-	-	-	320
Other	280	-	-	-	-	280
Total Revenue	\$ 14,003	\$ -	\$ -	\$ -	\$ -	14,003
Expenses						
Maintenance	\$ 52,290	\$ -	\$ -	\$ -	\$ -	52,290
Operations	5,456	3	(6)	-	-	5,453
Administration	10,124	(1)	-	-	-	10,123
Thousand Islands Bridge operating expenses	2,706	-	-	-	-	2,706
Amortization of fixed assets	9,336	-	-	-	-	9,336
Total Expenses	79,912	2	(6)	-	-	79,908
Parliamentary appropriations for operating expenses	57,901	-	-	-	-	57,901
Amortization of deferred capital funding	5,573	-	-	-	-	5,573
Net loss and comprehensive loss	\$ (2,435)	\$ (2)	\$ 6	\$ -	\$ -	(2,431)



2. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Continued)

The following discussion explains the significant differences between FBCL's previous GAAP accounting policies and those applied under PSA Standards. PSA Standards have been retrospectively applied except where specific exemptions permitted an alternative treatment upon transition to PSA Standards for first-time adoption. The descriptive notes below correspond to the adjustments presented in the preceding reconciliations.

d) Employee Future Benefits - Sick leave

Under previous GAAP, benefits that accumulated but did not vest were not recorded as liabilities. PSA Standards require that a liability be recorded for these types of arrangements. FBCL recognizes the cost of future sick leave benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees based on the probability of payment established per historical data. FBCL recognized a liability for sick leave benefits of \$43K in its opening balance sheet. The sick leave liability of the subsidiary, SIBC, also requires an adjustment to reflect the portion of \$31K assumed by the joint venture.

Employees of JCCBI are entitled to sick leave benefits provided under conditions of employment that are paid on an annual basis. JCCBI recognizes the cost of the sick leave benefits within its statement of operations.

e) Foreign Currency

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. For the subsidiary, SMRBC, the application of these rates has resulted in an opening balance sheet adjustment to prepaid expenses of \$9K and for the twelve months ended March 31, 2011, an adjustment of \$6K.



3. TANGIBLE CAPITAL ASSETS

(thousands of dollars)

	Cost			
	Opening Balance	Acquisitions	Write-downs	Closing Balance
Land	\$ 5,282	\$ 732	\$ -	\$ 6,014
Bridges and roads	324,215	532	-	324,747
Vehicles and equipment	7,525	192	-	7,717
Buildings	6,880	77	-	6,957
Bridge and infrastructure betterments	1,109	-	-	1,109
Projects in progress	78,475	30,549	-	109,024
Environmental obligation	1,000	-	-	1,000
Asset retirement obligation	15,171	-	-	15,171
Equipment under capital lease	53	-	-	53
TOTAL	\$ 439,710	\$ 32,082	\$ -	\$ 471,792

	Accumulated Amortization				
	Opening Balance	Amortization Expense	Disposals	Write-downs	Closing Balance
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Bridges and roads	161,049	4,867	-	-	165,916
Vehicles and equipment	5,780	186	-	-	5,966
Buildings	3,586	125	-	-	3,711
Bridge and infrastructure betterments	1,109	-	-	-	1,109
Projects in progress	-	-	-	-	-
Environmental obligation	-	-	-	-	-
Asset retirement obligation	1,924	3,309	-	-	5,233
Equipment under capital lease	53	-	-	-	53
TOTAL	\$ 173,501	\$ 8,487	\$ -	\$ -	\$ 181,988

	Net Book Value	Net Book Value	Net Book Value
	<u>December 31, 2011</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Land	\$ 6,014	\$ 5,282	\$ 4,556
Bridges and roads	158,831	163,166	152,972
Vehicles and equipment	1,751	1,745	1,560
Buildings	3,246	3,294	2,098
Bridge and infrastructure betterments	-	-	12
Projects in progress	109,024	78,475	68,108
Environmental obligation	1,000	1,000	1,000
Asset retirement obligation	9,938	13,247	-
Equipment under capital lease	-	-	-
TOTAL	\$ 289,804	\$ 266,209	\$ 230,306



4. DEFERRED CAPITAL FUNDING

(thousands of dollars)	December 31, 2011	March 31, 2011
Balance, beginning of year	213,843	192,225
Parliamentary appropriations to finance the acquisition of amortizable assets	31,268	27,191
Amortization	(4,594)	(5,573)
Balance, end of year	240,517	213,843

5. COMMITMENTS

a) Operations

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2012, is \$3.5 million on an annual basis. This agreement is renewable at maturity unless either party gives notice to the contrary.

b) Suppliers

FBCL has commitments principally for major repairs, supply contracts, maintenance contracts, professional service and rental agreements for amounts totalling \$103.1 million. Minimum payments over the next years are as follows:

(thousands of dollars)	
2013	47,288
2014	27,349
2015	788
2016 and subsequent years	746

6. SUBSEQUENT EVENTS

No subsequent events