QUARTERLY FINANCIAL REPORT

3RD QUARTER (Q3)

UNAUDITED

For the nine months ended
December 31, 2012

THE FEDERAL BRIDGE CORPORATION LIMITED

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Cover photo: *Installed girder and deck of the NCB under construction at the North Channel Bridge(NCB) 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.

1.1 Mandate

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

1.2 FBCL Group

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

2.0 Q3 2012-2013 IN REVIEW

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

This quarterly financial report assesses the operations and financial status of FBCL for the fiscal quarter ended December 31, 2012 (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 2011-2012 Annual Report. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from FBCL's interim unaudited condensed consolidated financial statements prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

2.1 Summary

FBCL reports a consolidated surplus of $19.3 million for the three months ended December 31, 2012 ($1.1 million deficit - 2012), and a year-to-date consolidated surplus of $37.5 million ($2.8 million deficit – 2012). Most of the increase is due to the change in an accounting Standard for Government transfer payments described in note 1 c) to the consolidated financial statements now requiring the inclusion of parliamentary appropriations for capital projects ($46.1 million year-to-date) as a revenue item in the statement of operations (previously recorded as deferred capital funding and amortized on the same basis as the asset funded). The remainder of the parliamentary appropriations are for operations consistent with the prior year.

Overall revenue for FBCL, compared to the prior year, has increased $0.4 million. This corresponds to a 3.1% increase. This improvement comes from small increases in each of leases and permits, interest, and other revenue (of about $0.1 million improvement each).

The consolidated net debt of FBCL has decreased by $2.0 million during Q3, to a consolidated net debt of $27.2 million. This reflects an improvement year-to-date of $247.5 million from the consolidated net debt of $274.7 million at the year-end March 31, 2012. The majority of this improvement resulted from a one-time reclassification of deferred capital funding to accumulated surplus, in the amount of $249.5 million, as described in Note 1c). Notable capital investments year-to-date include the new North Channel Bridge construction project ($13.7 million), the Honoré Mercier Bridge rehabilitation project ($21.9 million), and Champlain Bridge maintenance projects ($5.6 million).

2.2 Outlook

Looking ahead to the last quarter, FBCL expects to maintain its revenue levels to that of the prior year. Maintenance expenditures at the Montreal bridges can be expected to continue to increase in comparison to prior years, however these expenses are funded by parliamentary appropriations. Major projects funded by the government are continuing including the construction of the new North Channel Bridge in Cornwall, the redevelopment of the Canadian Customs Plaza in Sault Ste. Marie, the ongoing rehabilitation of the Honoré Mercier Bridge, repairs of the Champlain Bridge and initiation of studies for a temporary causeway for the eventual replacement of the Nun's Island Bridge in Montreal. FBCL anticipates that its results will vary from plan in respect to some of these projects as works have been initiated later than planned as outlined in section 3.3 – Risk Analysis.

Q 3 concluded the busiest part of the 2012 construction season in Montreal including major works initiated on the Champlain Bridge (top) and the preparation planning for the deck repolacement of the federal portion of the Honoré-Mercier Bridge (bottom).

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 transits occur at international bridge crossings in the second and third quarters of the fiscal year and usually result in higher toll revenues. In the first and fourth quarters, there are historically a lower number of bridge transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers and climate resulting in preference for travel during the spring and summer months. Economic conditions in Canada and the United States also have an important influence on international vehicle traffic. 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 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, 2012, total financial assets have increased significantly by $18.9 million to $76.7 million, compared with $57.8 million at March 31, 2012. This is primarlily attributable to an increase ($19.3 million) in the amount of parliamentary appropriations due from the Government of Canada.

The net cash position of FBCL has decreased by $12.6 million at Q3, as compared to the start of the fiscal year, to $25.7 million at December 31, 2012 ($38.4 million at March 31, 2012). Much of this reduction in cash is due to a net $11.1 million in portfolio investments acquired during the fiscal year. Porfolio investments are primarily made up of federal and provincial near-term bonds, which can be converted to cash as needed. Variations in other assets are minimal.

Liabilities

The year-to-date increase in accounts payable and accrued liabilities of $18.4 million at Q3 to $43.1 million ($24.6 million at March 31, 2012) is the result of the contractual obligations for the major works undertaken for the NCB and on the Montreal bridges. These amounts are to be paid once the Government of Canada provides the corresponding parliamentary appropriations.

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 $7.7 million at December 31, 2012 ($5.3 million at March 31, 2012) as a part of the Honoré Mercier Bridge and the North Channel Bridge projects. These amounts will become payable once the works are completed over the upcoming years.

3.1 Results of Operations (continued)

Liabilities (continued)

The asset retirement obligation of $16.2 million at December 31, 2012 ($15.9 million at March 31, 2012) relates to the intention of the Corporation to demolish the existing bridge in Cornwall once the construction of the new bridge is completed.

As a result of a change in an accounting standard for Government Transfer Payments (described in note 1 c) to the financial statements) the deferred capital funding that had been recorded as $249.5 million at March 31, 2012, has now been transferred directly to the accumulated surplus account in the current fiscal year. This is because parliamentary appropriations for capital projects are now recorded as income in the statement of operations.

Variations in other liabilities are minimal.

Non-Financial Assets

Tangible capital assets have increased by $37.5 million when compared with the consolidated financial statements of March 31, 2012, due to the ongoing construction of the new North Channel Bridge in Cornwall ($13.7 million), the re-development of the Canadian Customs Plaza in Sault Ste. Marie ($2.1 million), rehabilitation of the Honoré Mercier Bridge ($21.9 million), works on the Champlain Bridge ($5.6 million) and other capital projects in the Montreal region ($4.7 million). Amortization expense in the nine months ended December 31, 2012, amounted to $10.1 million ($8.5 million – 2012).

REVENUE

International Bridges Toll Revenue

Year-to-date tolls revenue of $4.6 million at Q3 ($4.7 million - 2012) are lower by 1.8%. For the nine months ended December 31, 2012, the Seaway International Bridge has had a 1.1% increase in the volume of paying passenger traffic crossing the bridge as compared to the prior year. The volume of traffic has increased by 3.6% in Sault Ste. Marie for their nine month reporting period, as compared to the same time period in the previous fiscal year.

Toll revenue was higher in the three months ended December 31, 2012, by $0.2 million, at $1.5 million (compared to $1.3 million - 2012), which corresponds to a 12.8% increase as compared to the prior year. During the third quarter, paying traffic at the Seaway International Bridge was lower by 2.0%, resulting in 1.2% lower revenue for the period, when compared to the same three month period from the prior year. Sault Ste. Marie passenger traffic had increased 2.7% in the third quarter as compared to last year, and commercial traffic increased by 2.6% in that time period. The variance in the quarter as compared to the prior year, results from the allocation of exchange rate gains.

3.1 Results of Operations (continued)

Government funding

Government funding has totalled $105.7 million year-to-date. This compares to $50.5 million in the nine months ended December 31, 2011. Operating funding in the amount of $59.6 million has been appropriated for expenses related to the Montreal area bridges. Capital funding in the amount of $46.1 million has been appropriated for various projects.

In the third quarter ended December 31, 2012, government funding amounted to $42.9 million. Of this total, $20.3 million was for operating expenses of the Montreal area bridges, and $22.6 million was used for funding of various capital projects.

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

EXPENSES

Maintenance

Year-to-date maintenance expenses account for 80.9% of expenses at the end of Q3 reaching $64.9 million ($54.9 million - 2012). Maintenance expenses of $59.4 million have been incurred in the Montreal region alone. Major Montreal area projects this year have included:

- $10.1 million in the fourth year of the Champlain Bridge 10-year maintenance program;
- $8.0 million in further work done on the Champlain Bridge;
- $5.5 million in work on Highway 15;
- $14.7 million spent on projects on the Jacques Cartier Bridge;
- $7.8 million of work on the Bonaventure Expressway.

Maintenance expenses in the quarter amounted to $22.5 million, as compared to $17.4 million in the third quarter of the previous fiscal year.

Operations

Expenses for year-to-date operations have totalled $4.0 million at Q3, a decrease of $0.3 million from the same time period last year. In the quarter, operations expenses were similarly lower at $1.4 million in the third quarter of this fiscal year, as compared to $1.6 million last year. The cost of operations is expected to remain constant across the portfolio.

Administration

Year-to-date administration expenses of $8.7 million at Q3 represent an increase of $0.7 million over the prior year. Year over year, in the three month period ending December 31, administration expenses are unchanged at $2.6 million. During the quarter, administration expenses were 9.5% (11.5% - 2012) of the total expenses.

Thousand Islands Bridge Operating Expenses

The year-to-date operating expenses at the Thousand Islands Bridge totalled $2.7 million through Q3 ($2.5 million - 2012). For the three month period ended September 30, 2012, the expenses were $0.1 million higher than last year, in line with budget expectations.

3.2 Cash Flow

During the third quarter, ended December 31, 2012, FBCL's cash balance rose $3.7 million to $25.7 million. However, this balance is $12.6 million lower than at the start of the fiscal year. Of this decrease in cash, $11.1 million is due to investments in near term portfolio investments. 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. During Q3, the amount due from Government Transfer Payments has grown by $14.5 million to $32.9 million as a result of balances due for major projects and the ongoing operations of the subsidiary, JCCBI. Much of the amount claimed from the Government of Canada remains payable to FBCL vendors at the end of Q3. The remainder of the fluctuation is due to ongoing investments in capital assets, regular operations and variances in working capital.

3.3 Risk Analysis

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

Major Projects

FBCL and its subsidiaries are currently performing major projects on the bridges and associated structures for which it is responsible. The following describes the key project accomplishments in Q3.

Honoré Mercier Bridge Rehabilitation (Montréal)

Contract A (original scope) has been completed. Quebec has requested additional important repairs to be added into Contract A. These works are expected to continue into 2013. Strengthening of JCCBI's section of the bridge was started in Q3 2012-13 and will continue in 2013. The re-decking works will begin in Q1 2013-14.

Contract B involves fabrication of bridge deck panels being carried out, off of the Mohawk territory. Fabrication of panels are 66% completed and will be 100% completed in Q4 2012-2013. These panels are planned to be installed by the Mohawk Consortium retained under Contract A. The required steel reinforcements and repairs are underway and will be ongoing through 2013-2014 to the federal portion of the bridge. An amount of $18.5 million has been committed for steel repair at this structure.

Champlain Bridge (Montreal)

2012-2013 is the fourth year of delivery of the 10-year $212.0 million Champlain Bridge maintenance program. Works totalling $26.5 million are planned. At the end of December 2012, a total of $17.89 M is committed for the current fiscal year following the award in 2012 of new contracts, which will be carried out in a two-year period.

As part of the 3-year $227.6M funding for urgent repairs and asset preservation, an additional amount of $13.5M was budgeted for the Champlain Bridge, and $19.8M for Highway 15, for engineering and construction works. An amount of $10.2M is already committed for the Bridge and $7.5M for Highway 15. An amount of $11.3M initially budgeted for Highway 15 will be invested for the Honoré Mercier Bridge deck replacement.

3.3 Risk Analysis (continued)

New Bridge Across the St. Lawrence (Montreal)

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

On July 12th, 2012, the Minister of Transport, Infrastructure and Communities and Minister of the Economic Development Agency of Canada for the Regions of Quebec announced the replacement of three overpasses on Highway 15 and the construction of a temporary causeway between Nun's Island and Montreal to be managed by the subsidiary, JCCBI. This causeway to be constructed by 2014 will be in place until the Nun's Island Bridge is permanently replaced as part of the construction of the new crossing over the St. Lawrence River.

Canadian Customs Plaza Rehabilitation (Sault Ste. Marie)

This project is governed by a contribution agreement of $44.1 million originating from the Gateways and Border Crossings Fund managed by Transport Canada. The project's design works are essentially completed and are tender ready. Negotiations for the necessary property acquisitions to realize the project were mostly concluded. Timelines are being adjusted to complete the property acquisitions. Currently the project is expected to require an extension from the planned completion date of 2014.

New Low Level North Channel Bridge (Cornwall)

The construction of the bridge and the approaches is progressing very well with the completion of the box girder installation and ongoing deck form works. In addition to these works, permanent tolling facilities are being planned and surveys were completed for this purpose on the Canal Lands adjacent to the north abutment of the new bridge, which are within the City of Cornwall. Preparations and negotiations are continuing for the temporary CBSA facilities and plans are being developed to align with the new bridge and new tolling facilities.

FINANCIAL SUSTAINABILITY

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

ENVIRONMENT

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

3.3 Risk Analysis (continued)

HUMAN RESOURCES

The employment levels at FBCL and its subsidiaries, SIBC and SMRBC, have remained stable. The subsidiary, JCCBI is continuing to staff additional personnel to meet its maintenance and capital requirements. This subsidiary also manages two collective agreements. The white collar workers' collective bargaining agreement has been signed on August 24th, 2012. The blue collar workers' collective bargaining agreement expired on December 31st, 2011. The negotiations planned for the Fall 2012 have been deferred to Q4.

The recoating project at the Seaway International Bridge South Channel Bridge was completed. The original coating was replaced with a new environmentally safe, three-layer epoxy coating

The work zone was fully enclosed to contain dust, blasting abrasives and paint chips

3.4 Reporting on Use of Appropriations

Parliamentary appropriations are planned to be slightly higher than the prior year and are currently estimated at $175.7 million in 2012-2013.

FBCL

The new North Channel Bridge project funding for 2012-2013 has been revised to $17.2 million reflecting the ongoing construction activities. A request for the reallocation of $11.2 million in parliamentary appropriations for the project was made in the Supplementary Estimates (B) in order to reflect the current project phasing which includes the realization of certain sewer and infrastructure works at a later time once the bridge itself has been completed. Additionally, $9.0 million is being requested to reprofile to future years.

JCCBI

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

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

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

Parliamentary appropriations of $14.8 million for contaminated sites allocated under the Federal Contaminated Sites Action Plan have or will be requested to be reallocated to the upcoming years in order to complete the planned works. Planned current year spending for this program totals $0.5 million.

	Nine months ended December 31, 2012					Nine months ended December 31, 2011				
	FBCL Vote 30	JCCBI Vote 50			Total	FBCL Vote 30	JCCBI Vote 60			Total
(' in thousands)	Capital	Operating	Capital	Sub-total		Capital	Operating	Capital	Sub-total	
Main Estimates	14,983	100,346	50,017	150,363	**165,346**	64,699	43,378	55,566	98,944	**163,643**
Supplementary Estimates (A)	-	(7,905)	-	(7,905)	**(7,905)**	-	18,170	13,638	31,808	**31,808**
Supplementary Estimates (B)	11,242	-	40,475	40,475	**51,717**	-	5,171	17,964	23,135	**23,135**
Additional Funding Requests [1]	-	-	-	-	**-**	-	-	-	-	**-**
Reprofiling Request [1]										
from Prior Years	-	-	7,902	7,902	**7,902**	-	-	-	-	**-**
To Future Years	(9,001)	-	(32,372)	(32,372)	**(41,373)**	(48,504)	2,637	(2,637)	-	**(48,504)**
Funding Available	**17,224**	**92,441**	**66,022**	**158,463**	**175,687**	**16,195**	**69,356**	**84,531**	**153,887**	**170,082**
Drawdown [2]										
Actual	13,138	60,194	31,564	91,758	**104,896**	12,347	54,352	18,992	73,344	**85,691**
Plan	4,086	24,918	41,787	66,705	**70,791**	3,848	15,004	12,042	27,046	**30,894**
Total Drawdown	**17,224**	**85,112**	**73,351**	**158,463**	**175,687**	**16,195**	**69,356**	**31,034**	**100,390**	**116,585**
Remaining Appropriations	**-**	**7,329**	**(7,329)**	**-**	**-**	**-**	**-**	**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.

4.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2012

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

4.1 Statement of Management Responsibility

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

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

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

Micheline Dubé
President and Chief Executive Officer

Natalie Kinloch
Chief Financial and Administrative Officer

Ottawa, Canada

February 28, 2013

4.2 Consolidated Statement of Financial Position

(Unaudited)

as at December 31, 2012
(thousands of dollars)

	December 31, 2012	March 31, 2012
FINANCIAL ASSETS		
Cash and cash equivalents	**25,740**	38,370
Accounts receivable		
Federal departments and agencies	**32,886**	13,612
Other	**3,530**	2,370
Accrued interest receivable	**109**	81
Portfolio investments	**14,446**	3,343
TOTAL FINANCIAL ASSETS	**76,711**	57,776
LIABILITIES		
Accounts payable and accrued liabilities	**43,050**	24,614
Due to a government partner	**1,572**	2,075
Client deposits	**141**	140
Holdback	**7,723**	5,309
Employee future benefits	**1,307**	1,271
Environmental obligation	**28,100**	28,100
Asset retirement obligation	**16,224**	15,885
Credit facility	**5,000**	5,000
Deferred revenue	**784**	610
Deferred capital funding	**-**	249,472
TOTAL LIABILITIES	**103,901**	332,476
NET DEBT	**(27,190)**	(274,700)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	**337,873**	300,347
Prepaid expenses	**3,069**	1,118
TOTAL NON-FINANCIAL ASSETS	**340,942**	301,465
ACCUMULATED SURPLUS	**313,752**	26,765

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

4.3 Consolidated Statement of Operations

(Unaudited)
for the nine months ended December 31, 2012
(thousands of dollars)

	Three months ended		Nine months ended	
	December 31, 2012	December 31, 2011 (restated)	**December 31, 2012**	December 31, 2011 (restated)
REVENUE				
Tolls	**1,460**	1,294	**4,610**	4,693
Leases and permits	**1,282**	1,246	**3,771**	3,623
International Thousand Islands Bridge operating revenue	**985**	985	**2,980**	2,943
Interest	**194**	88	**422**	269
Other	**(3)**	164	**236**	125
TOTAL REVENUE	**3,918**	3,777	**12,019**	11,653
EXPENSES				
Maintenance	**22,510**	17,423	**64,875**	54,884
Operations	**1,362**	1,622	**3,964**	4,252
Administration	**2,607**	2,575	**8,686**	7,949
International Thousand Islands Bridge operating expenses	**910**	829	**2,651**	2,466
TOTAL EXPENSES	**27,389**	22,449	**80,176**	69,551
Deficit before government funding	**(23,471)**	(18,672)	**(68,157)**	(57,898)
Government transfers	**42,854**	16,073	**105,701**	50,456
Gain on investments	**(54)**	-	**(29)**	-
Amortization of deferred capital funding (Note 3)	**-**	1,538	**-**	4,594
SURPLUS / (DEFICIT)	**19,329**	(1,061)	**37,515**	(2,848)
ACCUMULATED SURPLUS, BEGINNING OF PERIOD	**294,423**	58,408	**26,765**	60,195
Reclassification of deferred capital funding (Note 3)	**-**	-	**249,472**	-
ACCUMULATED SURPLUS, END OF PERIOD	**313,752**	57,347	**313,752**	57,347

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 nine months ended December 31, 2012

(thousands of dollars)

	Three months ended		Nine months ended	
	December 31, 2012	December 31, 2011 (restated)	**December 31, 2012**	December 31, 2011 (restated)
SURPLUS / (DEFICIT)	**19,329**	(1,061)	**37,515**	(2,848)
Acquisition of tangible capital assets	**(22,302)**	(9,614)	**(47,641)**	(32,276)
Amortization of tangible capital assets	**3,669**	2,852	**10,114**	8,487
	696	(7,823)	**(12)**	(26,637)
Acquisition of prepaid expenses	**(235)**	426	**(5,583)**	(1,804)
Use of prepaid expenses	**1,558**	654	**3,633**	1,947
	1,323	1,080	**(1,950)**	143
(INCREASE) / DECREASE IN NET DEBT	**2,019**	(6,743)	**(1,962)**	(26,494)
NET DEBT, BEGINNING OF PERIOD	**(29,209)**	(228,839)	**(274,700)**	(209,088)
Reclassification of deferred capital funding	**-**	-	**249,472**	-
NET DEBT, END OF PERIOD	**(27,190)**	(235,582)	**(27,190)**	(235,582)

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 nine months ended December 31, 2012

(thousands of dollars)

	Three months ended		Nine months ended	
	December 31, 2012	December 31, 2011 (restated)	**December 31, 2012**	December 31, 2011 (restated)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES				
Surplus / (deficit)	**19,329**	(1,061)	**37,515**	(2,848)
Adjustments for non-cash items:				
Amortization of tangible capital assets	**3,669**	2,852	**10,114**	8,487
Amortization of deferred capital funding	**-**	(1,538)	**-**	(4,594)
Decrease of client deposit	**1**	46	**1**	(54)
Accretion expense	**226**	-	**339**	118
Increase in due from Canada	**(14,536)**	430	**(19,274)**	(12,549)
Increase of holdback	**485**	(826)	**2,414**	2,698
Increase of employee future benefits	**(360)**	80	**36**	863
Net change in non-cash working capital items	**17,384**	1,943	**15,472**	(247)
CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	**26,198**	1,926	**46,617**	(8,126)
CASH FLOW FROM CAPITAL TRANSACTIONS				
Cash used to acquire tangible capital assets	**(22,302)**	(11,583)	**(47,641)**	(30,778)
CASH APPLIED TO CAPITAL ACTIVITIES	**(22,302)**	(11,583)	**(47,641)**	(30,778)
INVESTING TRANSACTIONS				
Acquisition of investments	**(553)**	208	**(15,487)**	(1,981)
Disposal of investments	**1,017**	241	**4,384**	11,671
CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES	**464**	**449**	**(11,103)**	**9,690**
CASH FLOW FROM FINANCING ACTIVITIES				
Increase in amount due to joint venturer	**(632)**	(46)	**(503)**	(292)
Increase in deferred capital funding	**-**	9,833	**-**	29,540
CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES	**(632)**	9,787	**(503)**	29,248
NET INCREASE (DECREASE) IN CASH	**3,728**	579	**(12,630)**	34
CASH, BEGINNING OF PERIOD	**22,012**	27,930	**38,370**	28,475
CASH, END OF PERIOD	**25,740**	28,509	**25,740**	28,509

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

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

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

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

b) Basis of consolidation

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Transfer payments

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

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

As a result, the amount previously reported as deferred capital funding at March 31, 2012 of $249.5 million has been eliminated within FBCL's opening accumulated surplus at April 1, 2012. Parliamentary appropriations and government contributions received by FBCL during the year-to-date ended December 31, 2012 for capital acquisitions in the amount of $46.8 million are now included in revenue.

d) Other new Standards

The CICA has issued new or revised sections, of which the relevant sections to FBCL include Section PS 1201 – Financial Statement Presentation, PS 3450 – Financial Instruments, PS 3041 – Portfolio Envestments, and PS 2601 – Foreign Currency Translation. These new Standards are required to be applied concurrently to fiscal years beginning on or after April 1, 2012. The Corporation has analyzed the impact of these new standards on its consolidated financial statements and has determined that the impact is not material. It will therefore be adopting these standards as of its fiscal year-end of March 31, 2013.

2. TANGIBLE CAPITAL ASSETS

As atDecember 31, 2012

	Cost				
	Opening Balance	Acquisitions	Disposals	Transfers	Closing Balance
Land	$ 8,611	$ -	$ -	$ -	$ 8,611
Bridges and roads	403,411	10,887	-	-	414,298
Vehicles and equipment	8,093	52	(63)	-	8,082
Buildings	8,419	42	-	-	8,461
Bridge and infrastructure betterments	1,109	-	-	-	1,109
Projects in progress	41,670	36,660	-	-	78,330
Asset retirement obligation	15,171	-	-	-	15,171
Equipment under capital lease	53	-	-	-	53
TOTAL	$ 486,537	$ 47,641	$ (63)	$ -	$ 534,115

	Accumulated Amortization				
	Opening Balance	Amortization Expense	Disposals	Transfers	Closing Balance
Land	$ -	$ -	$ -	$ -	$ -
Bridges and roads	169,962	9,736	-	-	179,698
Vehicles and equipment	6,040	252	(63)	-	6,229
Buildings	3,790	126	-	-	3,916
Bridge and infrastructure betterments	1,109	-	-	-	1,109
Asset retirement obligation	5,236	-	-	-	5,236
Equipment under capital lease	53	-	-	-	53
TOTAL	$ 186,190	$ 10,114	$ (63)	$ -	$ 196,241

	Net Book Value December 31, 2012
Land	$ 8,611
Bridges and roads	234,599
Vehicles and equipment	1,853
Buildings	4,545
Bridge and infrastructure betterments	-
Projects in progress	78,330
Asset retirement obligation	9,935
Equipment under capital lease	-
TOTAL	$ 337,873

2. TANGIBLE CAPITAL ASSETS (continued)

As at March 31, 2012

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

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

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

3. DEFERRED CAPITAL FUNDING

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

4. COMMITMENTS

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

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

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

5. RESTATED RESULTS FOR INTERIM STATEMENTS FOR DECEMBER 31, 2011

The results for the third quarter ending December 31, 2011, have been restated in order to reflect a correction to the PSAB opening balance as of April 1, 2010 in order to recognize the contributed tangible capital assets within the subsidiary, JCCBI, as well as a minor foreign currency translation error. The net impact for the third quarter ended December 31, 2011, is an increase in the accumulated surplus by $2.4 million. This amount has been included in the year-end results for the period ended March 31, 2012.