QUARTERLY FINANCIAL REPORT

2ND QUARTER (Q2)

UNAUDITED

For the six months ended September 30, 2014

THE FEDERAL BRIDGE CORPORATION LIMITED

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Cover photos:

Aerial view of the concrete deck removal of the old North Channel Bridge in Cornwall (top).
General aerial view of the new Cornwall Toll Plaza with the old and the new bridges (bottom)

1.0 FBCL

The Federal Bridge Corporation Limited (FBCL) is a parent Crown Corporation operating at arm's length from the federal government. FBCL is responsible for three international bridges and associated structures in Ontario (Cornwall, Sault Ste. Marie and Thousand Islands crossings). Its international bridges are some of the most important fixed-link crossings in Canada.

1.1 Mandate

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

1.2 FBCL Group

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

1.3 Reorganization of FBCL

In December 2013, the Government of Canada passed legislation, *Economic Action Plan 2013 Act, No. 2*, to reorganize Crown corporations involved in the management of international bridges crossing the waterways between the Province of Ontario and the States of New York and Michigan. In the Fall of 2014, additional necessary legislation to complete the amalgamation was tabled before Parliament.

The proposed consolidation includes:

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

The establishment of JCCBI as a parent Crown Corporation occurred February 13, 2014. The amalgamation of FBCL with its subsidiaries and the BWBA is expected to take place within the 2014 calendar year.

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

1.3 Reorganization of FBCL (continued)

As a result of JCCBI becoming its own parent Crown Corporation, the FBCL results for Q2 ending September 30, 2014 include the financial information for international crossings only, similar to the Q1 financial information presented last quarter. As such, many of the comparison values between the current 2014-15 fiscal year vs. the same time period for the 2013-14 fiscal year will vary greatly as the prior year values contained financial information for JCCBI. The Statement of Financial Position as at March 31, 2014 excludes JCCBI.

2.0 Q2 2014-15 in Review

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

This quarterly financial report assesses the operations and financial status of FBCL for the fiscal quarter ended September 30, 2014 (Q2). It should be read in conjunction with the interim unaudited condensed consolidated financial statements and related notes included herein and the annual audited consolidated financial statements and supporting notes included in FBCL's 2013-14 Annual Report. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from FBCL's interim unaudited condensed consolidated financial statements prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

2.1 Summary

At September 30, 2014, FBCL reports a consolidated surplus of $3.16 million for the first six months of the fiscal year ($37.49 million - 2014). The deficit before government funding was $2.16 million at September 30, 2014 ($54.61 million – 2014). The consolidated surplus for the second quarter of this fiscal year was $2.95 million ($23.90 million – 2014), and the deficit before government funding was $0.68 million ($33.06 million – 2014).

Overall revenue for FBCL in the six months ended September 30, 2014, was $6.57 million ($8.32 million – 2014) which represents a decrease of $1.75 million from the same period last year. This decrease is attributed to the $2.01 million of revenue that was contributed to FBCL's financial statements last year from the Montreal area as it relates to JCCBI. The consolidated net debt of FBCL has increased by $0.86 million during the first two quarters of the fiscal year, to a consolidated net debt of $4.52 million. The increase in net debt is due to work that has been accrued at quarter-end for various capital projects, for which eligible government funding claims have not yet been made, as of September 30, 2014. Year-to-date capital acquisitions have totaled $7.14 million ($49.31 million – 2014) and is largely attributed to $5.18 million spent on the Sault Ste. Marie Canadian Plaza Redevelopment project, as well as $1.03 million which has been contributed to the joint U.S. Toll Plaza Redevelopment project.

2.2 Outlook

Looking ahead, FBCL expects to maintain its overall toll revenue levels to that of the prior year. FBCL continues to pursue the reorganization stated in the *Economic Action Plan 2013 Act, No. 2*, as it pertains to the amalgamations with SMRBC, SIBC, and BWBA. The demolition of the high-level North Channel Bridge in Cornwall has begun in Q2, and this work will continue year-round until late in the 2016-17 fiscal year. This work also includes improvements to the approaches. Construction on both sides of the border at the Sault Ste. Marie crossing has been on-going in earnest. The works for the joint Toll Plaza Redevelopment, on the US side of the border, are moving quickly with an expected completion of construction in 2015, and the Canadian Customs Plaza Rehabilitation will be completed in 2018. Design and construction of the Lansdowne Customs Facility Rehabilitation at the Thousand Islands International Bridge has also been initiated and is expected to be completed over the course of the next four years.

New Duty Free Shop at the Canadian Plaza in Sault Ste. Marie, Ontario.

3.0 DISCUSSION OF FINANCIAL RESULTS

3.1 Results of Operations

SEASONAL TRENDS

FBCL has traditionally experienced seasonal variations in its financial results. From a revenue perspective, a greater number of transits occur at international bridge crossings in the second and third quarters of the fiscal year and usually result in higher toll revenues. In the first and fourth quarters, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers and climate resulting in preference for travel during the spring and summer months. Economic conditions in Canada and the United States also have an important influence on international vehicle traffic.

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

STATEMENT OF FINANCIAL POSITION

Financial Assets

During the six months ended September 30, 2014, total financial assets have decreased by $3.63 million to $26.47 million, compared with $30.09 million at March 31, 2014. This was unchanged from the values at the end of the first quarter. Of the decrease during the first six months of the year, $2.83 million was related to cash, and $1.73 million was related to amounts due from the federal government, for funded capital projects. A large payment ($2.55 million) to JCCBI (see below) was mainly responsible for the decreased cash balance.

The $3.17 million balance in accounts receivable from federal departments is made up of $1.09 million in government funding of capital projects, and $2.08 million for HST refunds due to FBCL. Most of this HST that is due to FBCL is the result of a ruling in FBCL's favour from last year in relation to how HST applied to the new bridge in Cornwall, however reimbursement of this amount is not expected until early in the 2015 calendar year.

Liabilities

Total liabilities have decreased by $2.77 million to date this fiscal year, to $30.98 million from $33.75 million at March 31, 2014. Primarily, this is due to a reduction in the amounts due to federal departments and agencies of $3.45 million, largely related to a payment to JCCBI that was outstanding at the start of this fiscal year. Other payables have increased by $0.75 million, as compared to the start of the fiscal year, due to the timing of invoices in relation FBCL's various construction projects. The demolition of the North Channel Bridge (NCB) has commenced in the second quarter of this year and these expenses have been applied against the asset retirement obligation.

3.1 Results of Operations (continued)

Liabilities (continued)

The Corporation is paying down the $5.00 million loan that is being used to finance the purchases of land for the Sault Ste. Marie Canadian Plaza Redevelopment project. This loan is being repaid over a twenty year period, from net toll revenues at Sault Ste. Marie. Principal payments of $0.27 million have been made against this loan since payments started last year.

Variations in other liabilities are minimal.

Non-Financial Assets

Tangible capital assets have increased by $4.21 million, to $88.50 million, when compared with the consolidated financial statements of March 31, 2014 ($84.29 million). This includes capital purchases of $7.14 million, offset by $2.93 million of amortization expense. The majority of the capital works are completed with government funding. Of the $7.14 million in capital spending this year, $5.18 million has been spent on the Sault Ste. Marie Canadian Plaza Redevelopment project with $3.14 million being spent in the second quarter. Additionally, $1.03 million has been contributed to the joint U.S. Toll Plaza Redevelopment project, which is funded through toll revenues.

REVENUE

International Bridges Toll Revenue

Toll revenue for FBCL's three international bridge crossings totalled $5.48 million in the six months ended September 30, 2014 ($5.29 million – 2014). This represents an increase of 3.6% over the prior year. In Cornwall, paying transits are consistently down 4.5% for the year, despite total transits being up by 5.4% as compared to the same time period in the prior year.

Toll revenue for the three months ended September 30, 2014, totalled $3.14 million ($2.83 million – 2014). This increase was a result of increased toll revenues at the Thousand Islands and Sault Ste. Marie crossings, derived from toll increases and foreign currency conversion rates, as both crossings actually had lower traffic volumes as compared to the prior year.

3.1 Results of Operations (continued)

Government funding

In the prior year, government funding for JCCBI amounted to more than 93% of total government funding for FBCL at the end of the second quarter. This had been split into operating expenses and capital projects. All of the government funding recognized in the second quarter of this year relates to the Sault Ste. Marie Canadian Plaza Rehabilitation project ($3.63 million). This project has also received the majority of the funding this year, due to the construction activities underway. The third and fourth quarters of this year will see an increase in government funding for the North Channel Bridge project with the initiation of demolition activities. Government funding can be summarized as follows:

	Second Quarter		**Year-to-date**	
(in $000's)	**2014-15**	2013-14	**2014-15**	2013-14
Government funding for operating expenses				
• JCCBI	**$ -**	$ 25,223	**$ -**	$ 43,453
Government funding for capital costs				
• JCCBI	**$ -**	$ 26,834	**$ -**	$ 42,462
• North Channel Bridge	**$ -**	$ 4,625	**$ 120**	$ 5,912
• Sault Ste. Marie Canadian Plaza Rehabilitation	**$ 3,633**	$ 275	**$ 5,204**	$ 275
TOTAL	**$ 3,633**	$ 56,957	**$ 5,324**	$ 92,102

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

EXPENSES

Maintenance

Maintenance expenses for the year account for 42% of total expenses at $3.68 million (Q2 2014 - $45.82 million). After removing JCCBI from last year's values, maintenance expenses compare to $3.28 million last year. This variance is entirely attributable to the amortization on the North Channel Bridge which initiated in the last week of January 2014. Maintenance expenses are currently recorded at 53% of the annual budget.

Maintenance expenses in the second quarter account for 37% of total expenses, or $1.68 million (Q2 2014: $25.51 million). After removing the effect of JCCBI from last year, maintenance expenses compare to $1.57 million, or an increase of $0.11 million reflecting the amortization for the new North Channel Bridge.

Operations

Expenses related to operations account for 12% of the total expenses, or $1.02 million (Q2 2014 - $3.13 million). After JCCBI expenses are removed, expenses this year are equivalent to last year's value of $1.05 million. Operations expenses are currently recorded at 47% of the annual budget.

In the second quarter, expenses for operations accounted for 15% of total expenses, totalling $0.68 million (Q2 2014 - $1.70 million). When JCCBI values are discounted from last year, operations expenses were largely similar between years, with last year's value of $0.64 million.

3.1 Results of Operations (continued)

EXPENSES (Continued)

Administration

Administration expenses this year account for 22% of total expenses, $1.90 million (Q2 2014 – $ 5.51 million). After JCCBI expenses are removed from last year's values, administration expenses are lower by $0.15 million, from $2.05 million. Much of this lower expense, as compared to last year, is due to a lower foreign exchange loss recorded year-to-date. Administration expenses to date this year are 46% of the annual budgeted amount.

Administration expenses of $0.84 million in the second quarter represent 19% of total expenses in the quarter (Q2 2014 - $2.85 million) in the prior year's second quarter. After removing the effect of JCCBI in the prior year values, administration expenses were $0.17 million lower than the prior year's quarter.

International Thousand Islands Bridge operating expenses

Year-to-date expenses related to the International Thousand Island Bridge crossing account for 24% of the total expenses reported, or $2.13 million (Q2 2014 – 1.93 million). This represents an increase of 10% from last year. The increase is attributed to a correction between the general operations expenses as they relate to CBSA facilities and these operating expenses attributed to the operation of the international crossing. Expenses reported to date represent 58% of the annual budget.

In the second quarter, expenses related to the International Thousand Island Bridge crossing represent 29% of the total expenses, or $1.35 million ($0.97 million) The difference recorded in the quarter, as compared to last year, represents the same correction between operating expenses and CBSA facility operating expenses as they relate specifically to the Thousand Islands crossing.

3.2 Cash Flow

In the first two quarters of the fiscal year, FBCL's cash balance has decreased by $2.83 million to $7.77 million. Significant contributors to this decrease include the $2.55 million paid to JCCBI, and $1.03 million in capital asset purchases related to the joint U.S Toll Plaza Redevelopment project.

During the second quarter, ended September 30, 2014, FBCL's cash balance decreased by $0.76 million. The decrease in the quarter was largely related to the $1.03 million contributed towards the joint U.S Toll Plaza Redevelopment project previously referenced. Cash balances when compared to the prior year are significantly lower due to the $10.97 million that was held by JCCBI last year at this time.

3.3 Risk Analysis

Major Projects

FBCL continues to monitor and implement mitigation measures to address its primary responsibility, that of the ongoing safety and security of its crossings. As well, it continues to address its financial sustainability issues and strive for improvements in its corporate structure. FBCL and its subsidiaries are currently performing major projects on the bridges and associated structures for which it is responsible. The following describes the key project accomplishments in Q2.

Canadian Customs Plaza Redevelopment (Sault Ste. Marie)

This project has approved funding of $51.60 million from the Gateways and Border Crossings Fund. The Sault Ste. Marie Customs Plaza Redevelopment project construction is continuing on the maintenance garage, as well as the ramp widening and other related civil works. The new Duty Free Store is complete, and ready for move in. FBCL will soon be taking possession of the old Duty Free and its demolition in preparation for construction works that will follow.

New Low Level North Channel Bridge (Cornwall)

This $74.8 million project, funded through government appropriations has advanced significantly, with the successful opening of the new low-level bridge to traffic on January 24, 2014 including the completion of the SIBC permanent tolling facilities on the north end of the new bridge. Additionally, a more permanent CBSA building was opened in Q2 with FBCL continuing the project and construction management roles as requested by CBSA. The contract for the demolition of the old high-level structure has been awarded and the works were initiated in August 2014. These highly technical demolition works will span up to 24 months, dependent on winter conditions. The necessary improvements to the approaches and final alignment of roadways, required as per federal commitments to the City of Cornwall and the Mohawk Council of Akwesasne, will follow. The project completion is planned for 2016-17.

Lansdowne Customs Facility Rehabilitation (Thousand Islands)

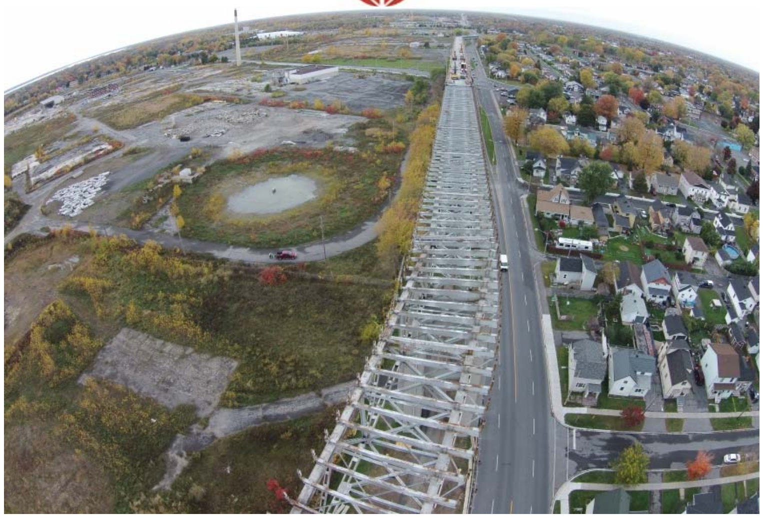
FBCL is managing the rehabilitation project for the CBSA's Lansdowne Port of Entry in 2014-15. It is estimated to take four years to complete at a cost of $60.00 million. There are five components to the Lansdowne Customs Facility Rehabilitation Project initiated in 2014: planning, site investigation and design; civil works and rock removal; construction of the new commercial and traffic building; demolition of the existing facilities; and the final improvements and alignment of the roadways and landscaping. The project is in its early stages. CBSA operations and security at the crossing will be maintained throughout the construction phase. The planning, site investigation and design component is underway and the overall project is planned for completion in 2017-18.

FINANCIAL SUSTAINABILITY

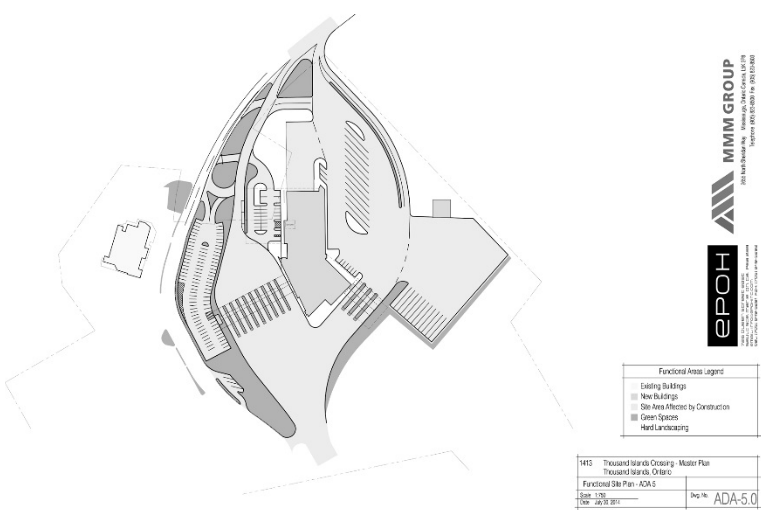
FBCL must continue to review its plans to ensure long-term financial sustainability of its operations at all international crossings. At issue is the inability of FBCL to finance major long-term capital projects and increasing CBSA requirements at international crossings.

HUMAN RESOURCES

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



In Cornwall, the demolition of the old high-level North Channel Bridge was initiated during Q2 and is progressing very well.



FBCL has initiated the rehabilitation of the CBSA facilities at Thousand Islands.

3.4 Reporting on Use of Appropriations

Parliamentary appropriations to be spent in the current fiscal year are now planned at $9.42 million, which represents a decrease of $11.62 million as compared to the budget and main estimates for this year. The reprofiling requests were made to move this funding to future years, primarily with respect to the Cornwall North Channel Bridge project. This delay of the demolition component of the project was due to FBCL's requirement to complete the CBSA facilities first. Had the demolition activities commenced at the same time, there would have been safety issues for workers and the public, so the delay was unavoidable.

Cornwall North Channel Bridge

The new North Channel Bridge project funding for 2014-2015 is estimated to be $5.42 million for current year, down from the $15.04 million that was budgeted. As detailed above, this is due to the requirement to delay demolition activities.

Lansdowne Customs Facility Rehabilitation

The project at the Thousand Islands crossing is expected to have $4.00 million worth of spending in the current fiscal year.

	Six months ended September 30, 2014	Six months ended September 30, 2013				
	FBCL Vote 30	FBCL Vote 30	JCCBI Vote 60			Total
(' in thousands)	Capital	Capital	Operating	Capital	Sub-total	
Main Estimates	21,040	13,000	127,180	76,410	203,590	**216,590**
Supplementary Estimates (A)	-	-	-	-	-	**-**
Supplementary Estimates (B)	-	-	-	-	-	**-**
Additional Funding Requests [(1)]	-	-	-	53,466	53,466	**53,466**
Reprofiling Request						
from Prior Years	1,147	1,338	4,745	12,765	17,510	**18,848**
To Future Years	(12,770)	-	(24,243)	(14,744)	(38,987)	**(38,987)**
Funding Available	**9,417**	**14,338**	**107,682**	**127,897**	**235,579**	**249,917**
Drawdown [(2)]						
Actual	120	5,912	43,503	42,412	85,915	**91,827**
Plan	9,297	8,426	64,179	85,485	149,664	**158,090**
Total Drawdown	**9,417**	**14,338**	**107,682**	**127,897**	**235,579**	**249,917**
Remaining Appropriations	**-**	**-**	**-**	**-**	**-**	**-**

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

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

4.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2014

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

4.1 Statement of Management Responsibility

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

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

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

Micheline Dubé	Natalie Kinloch
President and Chief Executive Officer	Chief Operating Officer

Ottawa, Canada

November 26, 2014

4.2 Interim Consolidated Statement of Financial Position

(Unaudited)

as at September 30, 2014
(thousands of dollars)

	Sept. 30, 2014	March 31, 2014
FINANCIAL ASSETS		
Cash and cash equivalents	**7,772**	10,600
Accounts receivable		
Federal departments and agencies	**3,174**	4,900
Other	**1,467**	781
Portfolio investments	**14,052**	13,813
TOTAL FINANCIAL ASSETS	**26,465**	30,094
LIABILITIES		
Accounts payable and accrued liabilities		
Federal departments and agencies	**423**	3,872
Other	**4,933**	4,188
Due to a government partner	**1,696**	1,644
Holdback	**699**	852
Employee future benefits	**146**	133
Asset retirement obligation	**18,035**	17,869
Credit facility	**4,728**	4,820
Deferred revenue	**320**	374
TOTAL LIABILITIES	**30,980**	33,752
NET DEBT	**(4,515)**	(3,658)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	**88,500**	84,292
Prepaid expenses	**175**	173
TOTAL NON-FINANCIAL ASSETS	**88,675**	84,465
ACCUMULATED SURPLUS	**84,160**	80,807
Accumulated surplus is comprised of:		
Accumulated operating surplus	**83,366**	80,204
Accumulated remeasurement losses	**794**	603
	84,160	80,807

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

4.3 Interim Consolidated Statement of Operations

(Unaudited)
for the six months ended September 30, 2014
(thousands of dollars)

	Twelve months ended	Three months ended		Six months ended	
	March 31, 2015 Budget	**Sept. 30, 2014 Actual**	Sept. 30, 2013 Actual (restated)	**Sept. 30, 2014 Actual**	Sept. 30, 2013 Actual (restated)
REVENUE					
Tolls	6,107	**1,614**	1,344	**2,904**	2,787
International Thousand Islands Bridge operating revenue	4,222	**1,523**	1,488	**2,579**	2,500
Leases and permits	1,334	**523**	1,390	**760**	2,525
Interest	377	**176**	160	**257**	341
Other	30	**31**	127	**74**	165
TOTAL REVENUE	12,070	**3,867**	4,509	**6,574**	8,318
EXPENSES					
Maintenance	6,934	**1,677**	25,508	**3,683**	45,819
Operations	2,152	**683**	1,698	**1,022**	3,127
Administration	4,129	**843**	2,849	**1,900**	5,514
International Thousand Islands Bridge operating expenses	3,703	**1,345**	970	**2,131**	1,925
Environmental obligation	-	**-**	6,541	**-**	6,541
TOTAL EXPENSES	16,918	**4,548**	37,566	**8,736**	62,926
Deficit before government funding	(4,848)	**(681)**	(33,057)	**(2,162)**	(54,608)
Government transfers	37,068	**3,633**	56,957	**5,324**	92,102
SURPLUS	32,220	**2,952**	23,900	**3,162**	37,494
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	85,622	**80,414**	341,825	**80,204**	328,231
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	117,842	**83,366**	365,725	**83,366**	365,725

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

4.4 Interim Consolidated Statement of Remeasurement Gains and Losses

(Unaudited)
for the six months ended September 30, 2014
(thousands of dollars)

	Three months ended		Six months ended	
	Sept. 30, 2014	Sept. 30, 2013	**Sept. 30, 2014**	Sept. 30, 2013
ACCUMULATED REMEASUREMENT GAINS / (LOSSES), BEGINNING OF PERIOD	**950**	(272)	**603**	(92)
Unrealized gains (losses) attributable to:				
Foreign exchange	**(200)**	309	**265**	565
Portfolio investments	**84**	(24)	**210**	(339)
Amounts reclassified to the Statement of Operations:				
Foreign exchange	**93**	(67)	**(108)**	(184)
Portfolio investments	**(133)**	164	**(176)**	160
NET REMEASUREMENT GAINS / (LOSSES) FOR THE PERIOD	**(156)**	382	**191**	202
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	**794**	110	**794**	110

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

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

(Unaudited)
for the six months ended September 30, 2014
(thousands of dollars)

	Twelve months ended	Three months ended		Six months ended	
	March 31, 2015 Budget	**Sept. 30, 2014 Actual**	Sept. 30, 2013 Actual	**Sept. 30, 2014 Actual**	Sept. 30, 2013 Actual
SURPLUS	32,220	**2,952**	23,900	**3,162**	37,494
Acquisition of tangible capital assets	(25,325)	**(4,735)**	(31,632)	**(7,136)**	(49,308)
Amortization of tangible capital assets	5,789	**1,468**	4,005	**2,928**	8,002
	12,684	**(315)**	(3,727)	**(1,046)**	(3,812)
Acquisition of prepaid expenses	(200)	**(9)**	(6,196)	**(165)**	(8,763)
Use of prepaid expenses	201	**94**	260	**163**	436
	1	**85**	(5,936)	**(2)**	(8,327)
Net remeasurement gains / (losses)	-	**(156)**	-	**191**	(180)
(INCREASE) / DECREASE IN NET DEBT	12,685	**(386)**	(9,663)	**(857)**	(12,319)
NET DEBT, BEGINNING OF PERIOD	(4,756)	**(4,129)**	(38,359)	**(3,658)**	(35,703)
NET ASSETS / (DEBT), END OF PERIOD	7,929	**(4,515)**	(48,022)	**(4,515)**	(48,022)

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

4.6 Interim Consolidated Statement of Cash Flow

(Unaudited)
for the six months ended September 30, 2014
(thousands of dollars)

	Three months ended		Six months ended	
	Sept. 30, 2014	Sept. 30, 2013 (restated)	**Sept. 30, 2014**	Sept. 30, 2013 (restated)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES				
Surplus	**2,952**	23,900	**3,162**	37,494
Adjustments for non-cash items:				
Amortization of tangible capital assets	**1,468**	4,005	**2,928**	8,002
Environmental obligation	**-**	6,300	**-**	6,300
Remeasurement gains / (losses)	**(156)**	382	**191**	202
Changes in non-cash working capital items:				
Accounts receivable	**(567)**	(21,329)	**1,040**	(28,908)
Asset retirement obligation	**37**	121	**166**	243
Holdback	**(335)**	243	**(153)**	492
Accounts payable and accrued liabilities	**575**	15,111	**(2,704)**	18,622
Deferred revenue	**(41)**	18	**(54)**	29
Employee future benefits	**-**	(32)	**13**	30
Prepaid expenses	**85**	(5,936)	**(2)**	(8,327)
CASH PROVIDED BY OPERATING ACTIVITIES	**4,018**	22,783	**4,587**	34,179
CASH FLOW FROM CAPITAL TRANSACTIONS				
Cash used to acquire tangible capital assets	**(4,735)**	(31,632)	**(7,136)**	(49,308)
CASH APPLIED TO CAPITAL ACTIVITIES	**(4,735)**	(31,632)	**(7,136)**	(49,308)
INVESTING TRANSACTIONS				
Acquisition of investments	**(5,555)**	(5,250)	**(6,293)**	(8,216)
Disposal of investments	**5,433**	5,437	**6,054**	8,632
CASH PROVIDED BY / (APPLIED TO) INVESTING ACTIVITIES	**(122)**	**187**	**(239)**	**416**
CASH FLOW FROM FINANCING ACTIVITIES				
Increase in amount due to joint venturer	**121**	74	**52**	159
Payments on credit facility principal	**(46)**	(45)	**(92)**	(89)
CASH PROVIDED BY / (APPLIED TO) FINANCING ACTIVITIES	**75**	29	**(40)**	70
NET DECREASE IN CASH	**(764)**	(8,633)	**(2,828)**	(14,643)
CASH, BEGINNING OF PERIOD	**8,536**	24,712	**10,600**	30,722
CASH, END OF PERIOD	**7,772**	16,079	**7,772**	16,079

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

4.7 Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

FBCL has prepared its interim unaudited condensed consolidated financial statements in accordance with the requirements of the *Financial Administration Act* and the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board Secretariat.

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

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

b) Basis of consolidation

The interim unaudited condensed consolidated financial statements include the accounts of FBCL, its wholly owned subsidiary, SMRBC, and SIBC. The fiscal year-end of SIBC is March 31, while that of the wholly-owned subsidiary, SMRBC, is December 31. Consolidated financial results have been presented as of September 30, 2014. All inter-company transactions and balances have been eliminated within the interim unaudited condensed consolidated financial statements.

c) Other new Standards

The Public Sector Accounting Board (PSAB) continually revisits its standards, providing further clarification or updates, as required. No new standards have been adopted by FBCL in the first two fiscal quarters of the year. The PSAB has approved a post-implementation review document to be published for public comment in reference to Section 3410 (Government Transfers). This is in order to inform PSAB how the standard is being implemented and then the PSAB will deliberate on the findings to review and consider possible next steps. If any changes result from this review, or any new standards are announced, management will review the policies, as to their expected effect on FBCL's financial statements.

2. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)

	Land	Bridges and roads	Vehicles and equipment	Buildings	Bridge and infrastructure betterments	Projects in progress	Asset retirement obligation	Total
Cost								
March 31, 2013	10,909	424,492	9,666	6,139	1,109	96,180	15,171	563,667
Acquisitions	821	28,588	872	82	-	80,675	1,011	112,049
Disposals	(6,891)	(422,986)	(7,246)	(5)	-	(110,402)	-	(547,530)
Transfers	-	59,483	304	-	-	(59,787)	-	-
March 31, 2014	4,839	89,577	3,596	6,216	1,109	6,666	16,182	128,186
Acquisitions	-	-	163	33	-	6,940	-	7,136
Disposals	-	-	(33)	-	-	-	-	(33)
Transfers	-	-	-	-	-	-	-	-
Sept. 30, 2014	**4,839**	**89,577**	**3,726**	**6,249**	**1,109**	**13,606**	**16,182**	**135,289**
Accumulated Depreciation								
March 31, 2013	-	180,183	6,879	3,924	1,109	-	8,548	200,642
Amortization	-	11,444	626	159	-	-	3,371	15,600
Disposals	-	(167,066)	(5,277)	(5)	-	-	-	(172,348)
Write-downs	-	-	-	-	-	-	-	-
March 31, 2014	**-**	**24,561**	**2,228**	**4,078**	**1,109**	**-**	**11,919**	**43,894**
Amortization	-	951	122	80	-	-	1,775	2,928
Disposals	-	-	(33)	-	-	-	-	(33)
Write-downs	-	-	-	-	-	-	-	-
Sept. 30, 2014	**-**	**25,512**	**2,317**	**4,158**	**1,109**	**-**	**13,694**	**46,789**
Net Book Value								
March 31, 2014	4,839	65,016	1,369	2,139	-	6,666	4,263	84,292
Sept. 30, 2014	**4,839**	**64,065**	**1,410**	**2,092**	**-**	**13,606**	**2,488**	**88,500**

3. RESULTS FOR INTERIM STATEMENTS FOR SEPTEMBER 30, 2013

The results for the second quarter ending September 30, 2013, have been adjusted in presentation only, in order to reflect comparative values in a similar form as those values presented for the current year and the year-end statements of March 31, 2014. No material change has been reflected in the values presented, and no adjustments will be required for the current year-end statements.