



**QUARTERLY
FINANCIAL
REPORT**

1ST QUARTER (Q1)

UNAUDITED

**For the three
months ended
June 30, 2014**



**THE FEDERAL BRIDGE
CORPORATION LIMITED**



Canada



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Cover photos:

View of the new operational temporary Interim Canadian Customs Plaza in Cornwall (top)

Construction of the new Canadian Customs Plaza well underway in Sault Ste. Marie (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.

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 over 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 consolidated financial statements.

As a result of JCCBI becoming its own parent Crown corporation, the FBCL results for Q1 ending June 30, 2014 include the financial information for international crossings only. As such, many of the comparison values between Q1 in the 2014-15 fiscal year vs. the same quarter in 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 Q1 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 June 30, 2014 (Q1). 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

FBCL reports a consolidated surplus of \$0.21 million for the three months ended June 30, 2014 (\$13.59 million -2014). The deficit before government funding was \$1.48 million at June 30, 2014 (\$21.55 million – 2014).

Overall revenue for FBCL for the three months ended June 30, 2014, was \$1.10 million lower than the previous year, at \$2.71 million (\$3.81 million – 2014). The decrease is entirely attributable to the decrease in leases and permits of \$0.90 million in the Montreal area that no longer fall under the control of FBCL. The consolidated net debt of FBCL has increased by \$0.47 million during the first quarter, to a consolidated net debt of \$4.13 million. Decreases in total financial assets and total liabilities occurred throughout the quarter, largely due to the payments of outstanding invoices from the 2014 year-end values. The increase in net debt at the end of the first quarter is primarily due to liabilities associated with government funded projects, including holdbacks (increase of \$0.20 million) and asset retirement obligations (increase of \$0.13 million). When these expenses come due, government funding that is already in place will cover these obligations. Capital acquisitions in the first quarter of this year totaled \$2.40 million (\$17.68 million – Q1 2014) and is largely attributed to \$2.04 million spent on the Sault Ste. Marie Canadian Plaza Redevelopment project.

2.2 Outlook

Looking ahead, FBCL expects to maintain its 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 contract for the demolition of the high-level North Channel Bridge in Cornwall has been awarded and works will begin in Q2. The project including improvements to the approaches is expected to be completed in 2016-17. The redevelopment of the Canadian Customs Plaza in Sault Ste. Marie has had construction work begin this year and will continue to 2018. Design and construction of the Lansdowne Customs Facility Rehabilitation at the Thousand Islands bridge has also been initiated and is expected to be completed over the course of the next four years.



CANADIAN PAZA REDEVELOPMENT PROJECT

The Canadian Plaza in Sault Ste. Marie, Ontario, before (top) and after completion (bottom).





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 three months ended June 30, 2014, total financial assets have decreased by \$3.55 million to \$26.54 million, compared with \$30.09 million at March 31, 2014. Of this decrease, \$1.94 million was related to amounts due from the federal government, for funded capital projects. In the quarter, payments for these projects were received from the federal government and released to contractors and vendors.

The net cash position of FBCL has decreased by \$2.06 million during Q1, to \$8.54 million at June 30, 2014 (\$10.60 million at March 31, 2014). Payments due to JCCBI, that were recorded at March 31, 2014, were the driver of this decrease in cash.

Liabilities

Total liabilities decreased by \$3.08 million in the period from April 1, 2014 to June 30, 2014. Total accounts payable and accrued liabilities decreased by \$3.28 million in this period. This decrease represented payments to JCCBI and large construction related payables.

As previously discussed, liabilities related to major capital projects increased in the normal course of the quarter, in relation to holdbacks and the asset retirement obligations. These accounts increased by \$0.31 million, and as payments of these obligations come due, government funding (through appropriations or contribution agreements) will pay for these costs. Holdbacks are payable as the works related to specific contracts are completed, and the asset retirement obligation results from demolition requirements of the old North Channel Bridge in Cornwall and buildings related to the Sault Ste. Marie Canadian Plaza Redevelopment project.



3.1 Results of Operations (continued)

Liabilities (continued)

The Corporation is paying down the \$5 million loan that is being used to finance the purchases of land for the Sault Ste. Marie Canadian Plaza Redevelopment project. This loan is being repaid over a twenty year period, from net toll revenues at Sault Ste. Marie. Principal payments of \$0.23 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 \$0.94 million, to \$85.23 million, when compared with the consolidated financial statements of March 31, 2014 (\$84.29 million). This includes capital purchases of \$2.40 million, offset by \$1.46 million of amortization expense. As in previous years, the majority of these capital works are realized with government funding. The project with the most work this quarter was related to the Sault Ste. Marie Canadian Plaza Redevelopment project (\$2.04 million).

Prepaid expenses remained largely the same as the March 30, 2014 value with an increase of only \$0.01 million.

REVENUE

International Bridges Toll Revenue

Toll revenue for FBCL's three international bridge crossings totalled \$2.35 million in the three months ended June 30, 2014 (\$2.46 million – 2014). In the reporting period the crossings in Sault Ste. Marie and Thousand Islands have had a slight increase in commercial traffic that is offset by a greater decrease in passenger traffic. This fluctuation is directly linked to the decline in the value of the Canadian dollar. Paying transits in Cornwall were 4.4% lower than last year in addition to foreign exchange adjustments as this crossing is also under considerable rehabilitation.



3.1 Results of Operations (continued)

Government funding

In the prior year, government funding for JCCBI amounted to more than 96% of total government funding for FBCL. Much of the government funding this quarter was related to the Sault Ste. Marie Canadian Plaza Rehabilitation project. Appropriations related to the North Channel Bridge in Cornwall will pick up again once work on the demolition of the old bridge commences. Government funding can be summarized for the first quarter, for both this fiscal year and last fiscal year, as such:

(in \$000's)	First Quarter	
	2014-15	2013-14
Government funding for operating expenses		
• JCCBI	\$ -	\$ 18,229
Government funding for capital costs		
• JCCBI	\$ -	\$ 15,628
• North Channel Bridge	\$ 120	\$ 1,288
• Sault Ste. Marie Canadian Plaza Rehabilitation	\$ 1,571	\$ -
TOTAL	\$ 1,691	\$ 35,145

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

EXPENSES

Maintenance

Maintenance expenses in the quarter account for 48% of expenses during the quarter, totalling \$2.01 million. This is down from the 80%, or \$20.31 million in the first quarter of last year. After removing the effect of JCCBI no longer a part of FBCL's financial results, maintenance expenses are largely similar as compared to last year, with the exception of amortization expense realized on the new North Channel Bridge in Cornwall (\$0.24 million) started as of January 2014.

Operations

Expenses for operations in the first quarter were 8% of total expenses, totalling \$0.34 million. This compares to 6% (\$1.43 million) last year. Operations expenses are largely consistent year over year, when reviewed on a crossing by crossing basis.

Administration

Administration expenses of \$1.06 million in Q1 represent 25% of total expenses in the quarter. This compares to 11% (\$2.67 million) in the prior year. After removing the effect of JCCBI in the prior year values, administration expenses have increased by \$0.13 million, due to a foreign exchange loss of \$0.20 million included in this year's results. This expense line is currently 26% of the budget for the year.



3.1 Results of Operations (continued)

EXPENSES (Continued)

International Thousand Islands Bridge operating expenses

This line accounts for 19% of the total expenses (\$0.79 million) in the quarter, as compared to \$0.96 million in the prior year. Expenses here are currently at 21% of the budget for the year.

3.2 Cash Flow

During the first quarter, ended June 30, 2014, FBCL's cash balance decreased by \$2.06 million to \$8.54 million. This decrease was largely driven by the payment of an outstanding amount to JCCBI during the quarter and payments made to contractors for construction of the point-of-entry facility in Cornwall for Canada Border Services Agency (CBSA), of which payments were previously collected from CBSA.

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 Q1.

Canadian Customs Plaza Redevelopment (Sault Ste. Marie)

The Sault Ste. Marie Customs Plaza Redevelopment project construction is continuing on the maintenance garage, the Duty Free Store as well as the ramp widening and other related civil works. A key highlight in this phase of the project is the widening and connection of the plaza ramp to Carmen's Way, which will greatly improve the flow of commercial traffic at the plaza. This project has approved funding of \$51.6 M from the Gateways and Border Crossings Fund.

New Low Level North Channel Bridge (Cornwall)

This \$74.8 project, funded through government appropriations has advanced significantly with the successful opening of the new low-level bridge to traffic on January 24th, 2014 including the completion of the SIBC permanent tolling facilities on the north end of the new Bridge. As well, the CBSA interim temporary facilities were completed with FBCL assuming project and construction management roles as requested by CBSA. A more permanent CBSA building will be opened in Q2.

The demolition of the old bridge has started in 2014-15 with the contract being awarded and works to be initiated in Q2. The final phase is for improvements to the approaches which is scheduled for completion in 2016-17.



3.3 Risk Analysis (continued)

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 \$60M. This project was identified as a priority in the Canada/U.S. Border Action Plan. CBSA operations and security will be maintained throughout the construction phase. The first contract for site investigation and design has been awarded and works are in progress.

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 hirings, which remain similar from year to year.



In Cornwall, the demolition of the old high-level North Channel Bridge will be initiated during Q2 (left). View of the Canadian Span of the Thousand Islands Bridge in Ivy Lea, Ontario (right). FBCL has also initiated the rehabilitation of the CBSA's Lansdowne Port of Entry project.



3.4 Reporting on Use of Appropriations

Parliamentary appropriations to be spent in the current fiscal year are planned at \$22.19 million, an increase of \$1.15 million over the current fiscal year budget. The increase is due to construction timing differences related to the Cornwall North Channel Bridge project.

Cornwall North Channel Bridge

The new North Channel Bridge project funding for 2013-2014 is estimated to be \$16.19 million for current year. Demolition expenses related to the old high-level structure are budgeted to be \$14.67 million of this total.

Lansdowne Customs Facility Rehabilitation

The project at the Thousand Islands crossing is expected to have \$6 million worth of spending in the current fiscal year.

	Three months ended June 30, 2014	Three months ended June 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⁾	-	-	-	47,696	47,696	47,696
Reprofiling Request ⁽¹⁾ from Prior Years	1,147	1,338	5,052	38,586	43,638	44,976
To Future Years	-	-	(40,726)	(38,793)	(79,519)	(79,519)
Funding Available	22,187	14,338	91,506	123,899	215,405	229,743
Drawdown ⁽²⁾						
Actual	120	1,288	18,229	15,628	33,857	35,145
Plan	22,067	13,050	73,277	108,271	181,548	194,598
Total Drawdown	22,187	14,338	91,506	123,899	215,405	229,743
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 three months ended June 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 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 Seaway International Bridge Corporation, Ltd. and The St. Mary's River Bridge Company as well as unaudited financial information provided by its international partners. The financial information provided by the subsidiaries and the international partners, as well as the internal controls established and maintained to collect such information, are the responsibility of each of these entities' management.

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

Micheline Dubé
President and Chief Executive Officer

Natalie Kinloch
Chief Operating Officer

Ottawa, Canada

August 25, 2014



4.2 Interim Consolidated Statement of Financial Position

(Unaudited)

as at June 30, 2014

(thousands of dollars)

	June 30, 2014	March 31, 2014
FINANCIAL ASSETS		
Cash and cash equivalents	8,536	10,600
Accounts receivable		
Federal departments and agencies	2,961	4,900
Other	1,113	781
Portfolio investments	13,930	13,813
TOTAL FINANCIAL ASSETS	26,540	30,094
LIABILITIES		
Accounts payable and accrued liabilities		
Federal departments and agencies	2,057	3,872
Other	2,724	4,188
Due to a government partner	1,575	1,644
Holdback	1,034	852
Employee future benefits	146	133
Asset retirement obligation	17,998	17,869
Credit facility	4,774	4,820
Deferred revenue	361	374
TOTAL LIABILITIES	30,669	33,752
NET DEBT	(4,129)	(3,658)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	85,233	84,292
Prepaid expenses	260	173
TOTAL NON-FINANCIAL ASSETS	85,493	84,465
ACCUMULATED SURPLUS	81,364	80,807
Accumulated surplus is comprised of:		
Accumulated operating surplus	80,414	80,204
Accumulated remeasurement gains	950	603
	81,364	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 three months ended June 30, 2014
(thousands of dollars)

	Twelve months ended March 31, 2015 Budget	Three months ended June 30, 2014 Actual	June 30, 2013 Actual
REVENUE			
Tolls	6,107	1,290	1,443
International Thousand Islands Bridge operating revenue	4,222	1,056	1,012
Leases and permits	1,334	237	1,135
Interest	377	81	181
Other	30	43	38
TOTAL REVENUE	12,070	2,707	3,809
EXPENSES			
Maintenance	6,934	2,006	20,311
Operations	2,152	339	1,429
Administration	4,129	1,057	2,665
International Thousand Islands Bridge operating expenses	3,703	786	955
TOTAL EXPENSES	16,918	4,188	25,360
Deficit before government funding	(4,848)	(1,481)	(21,551)
Government transfers	37,068	1,691	35,145
SURPLUS	32,220	210	13,594
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	85,622	80,204	328,231
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	117,842	80,414	341,825

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 three months ended June 30, 2014

(thousands of dollars)

	Three months ended	
	June 30, 2014	June 30, 2013
ACCUMULATED REMEASUREMENT GAINS / (LOSSES), BEGINNING OF PERIOD	603	(92)
Unrealized gains (losses) attributable to:		
Foreign exchange	465	256
Portfolio investments	126	(315)
Amounts reclassified to the Statement of Operations:		
Foreign exchange	(201)	(117)
Portfolio investments	(43)	(4)
NET REMEASUREMENT GAINS / (LOSSES) FOR THE PERIOD	347	(180)
ACCUMULATED REMEASUREMENT GAINS / (LOSSES), END OF PERIOD	950	(272)

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 three months ended June 30, 2014

(thousands of dollars)

	Twelve months ended	Three months ended	
	March 31, 2015	June 30, 2014	June 30, 2013
	Budget	Actual	Actual
SURPLUS	32,220	210	13,594
Acquisition of tangible capital assets	(25,325)	(2,401)	(17,676)
Amortization of tangible capital assets	5,789	1,460	3,997
	12,684	(731)	(85)
Acquisition of prepaid expenses	(200)	(156)	(2,567)
Use of prepaid expenses	201	69	176
	1	(87)	(2,391)
Net remeasurement gains / (losses)	-	347	(180)
(INCREASE) / DECREASE IN NET DEBT	12,685	(471)	(2,656)
NET DEBT, BEGINNING OF PERIOD	(4,756)	(3,658)	(35,703)
NET ASSETS / (DEBT), END OF PERIOD	7,929	(4,129)	(38,359)

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 three months ended June 30, 2014

(thousands of dollars)

	Three months ended	
	June 30, 2014	June 30, 2013
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Surplus	210	13,594
Adjustments for non-cash items:		
Amortization of tangible capital assets	1,460	3,997
Remeasurement gains / (losses)	347	(180)
Changes in non-cash working capital items:		
Accounts receivable	1,607	(7,579)
Asset retirement obligation	129	122
Holdback	182	249
Accounts payable and accrued liabilities	(3,279)	3,511
Deferred revenue	(13)	11
Employee future benefits	13	62
Prepaid expenses	(87)	(2,391)
CASH PROVIDED BY OPERATING ACTIVITIES	569	11,396
CASH FLOW FROM CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(2,401)	(17,676)
CASH APPLIED TO CAPITAL ACTIVITIES	(2,401)	(17,676)
INVESTING TRANSACTIONS		
Acquisition of investments	(738)	(2,966)
Disposal of investments	621	3,195
CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES	(117)	229
CASH FLOW FROM FINANCING ACTIVITIES		
Increase (Decrease) in amount due to joint venturer	(69)	85
Payments on credit facility principal	(46)	(44)
CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES	(115)	41
NET DECREASE IN CASH	(2,064)	(6,010)
CASH, BEGINNING OF PERIOD	10,600	30,722
CASH, END OF PERIOD	8,536	24,712

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 June 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 continually revisits its standards, providing further clarification or updates, as required. No new standards have been adopted by FBCL in the first fiscal quarter of the year. Management continues to review recent and upcoming changes to accounting policy, which might be expected to have a material effect on FBCL's financial statements.



2. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)

	Land	Bridges and roads	Vehicles and equipment	Buildings	Bridge and infrastructure betterments	Projects in progress	Asset retirement obligation	Total
Cost								
March 31, 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	-	-	-	31	-	2,370	-	2,401
Disposals	-	-	(19)	-	-	-	-	(19)
Transfers	-	-	-	-	-	-	-	-
June 30, 2014	4,839	89,577	3,577	6,247	1,109	9,036	16,182	130,568
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	-	475	58	40	-	-	887	1,460
Disposals	-	-	(19)	-	-	-	-	(19)
Write-downs	-	-	-	-	-	-	-	-
June 30, 2014	-	25,036	2,267	4,118	1,109	-	12,806	45,335
Net Book Value								
March 31, 2014	4,839	65,016	1,369	2,139	-	6,666	4,263	84,292
June 30, 2014	4,839	64,541	1,311	2,130	-	9,036	3,376	85,233



3. RESULTS FOR INTERIM STATEMENTS FOR JUNE 30, 2013

The results for the first quarter ending June 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.