FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY FINANCIAL REPORT

1st QUARTER (Q1) – UNAUDITED

For the three months ended June 30, 2017

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1.0 INTRODUCTION

This interim financial report outlines the significant activities and initiatives, risks and financial results of The Federal Bridge Corporation Limited (FBCL) for the three month period ended June 30, 2017. This interim 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 and with International Financial Reporting Standards (IFRS) 34, Interim Financial Reporting. It should be read in conjunction with the interim unaudited condensed consolidated financial statements and related notes, included herein. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

1.1 Forward-looking statements

Readers are cautioned that this report includes certain forward-looking information and statements. These forward-looking statements contain information that is generally stated to be anticipated, expected or projected by FBCL. They involve known and unknown risks, uncertainties and other factors which may cause the actual results and performance of FBCL to be materiality different from any future results and performance expressed or implied by such forward-looking information.

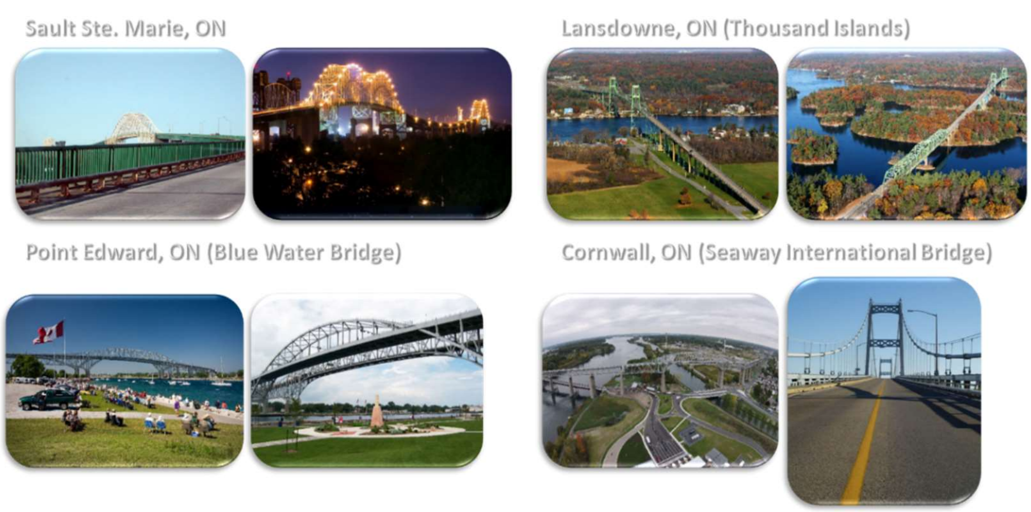
1.2 Materiality

In assessing what information is to be provided in the interim financial report, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence the economic decisions of FBCL's stakeholders.

2.0 CORPORATE OVERVIEW

FBCL is responsible for Canadian federal interests at four of eleven international bridge locations in Ontario and is headquartered in Ottawa, Ontario. FBCL's responsibilities and relationships are varied and reflect the unique origin of each bridge. FBCL owns crossing assets and provides oversight to bridge operations, administering international agreements associated with the bridges, leading bridge engineering and inspection duties and management of bridge capital investment projects.

The diversity of the operations across the bridge portfolio is significant. The Blue Water Bridge has the most volume, the Seaway International Bridge Crossing has the most challenging operating environment and the demographics and traffic patterns at the Thousand Islands International Bridge and the Sault Ste. Marie International Bridge differ significantly.



2.1 Mandate

FBCL's mandate is to provide the highest level of stewardship so that its international bridges and associated structures are safe and efficient for users.

The business or undertaking of FBCL is:

a) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of bridges or other related structures, facilities, works or properties, including approaches, easements, power or communication transmission equipment, pipelines integrated with any such bridge, other related structure, facility, work, or property, linking the Province of Ontario in Canada to the State of New York or the State of Michigan in the United States of America, either alone, jointly or in cooperation with any other person, legal entity or governmental authority in Canada or in the United States of America;

b) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of other bridges or other related structures, facilities, works or properties, as the Governor in Council may deem appropriate, on such terms and conditions as the Governor in Council may determine; and

c) Any business, undertaking or other activities incidental to any bridge, or other related structure, facility, work or property contemplated in paragraph (a) or (b).

For the foregoing purposes, the Corporation has, subject to the *Financial Administration Act*, the *Canada Business Corporations Act*, and these articles, as amended from time to time, the capacities and powers of a natural person.

2.2 Outlook

FBCL continues to be both a very mature organization, with some of its bridges having been built over 75 years ago, and at the same time a very young organization, with its current embodiment having only been formed in February of 2015. From the point of view of bridge operations on a location-by-location basis, FBCL's portfolio of crossings have performed well in the past and will continue to adapt to local issues and requirements as they arise. This gives FBCL a strong base from which to review its outlook.

From a consolidated entity point of view exciting times are underway and on the foreseeable horizon. Some large scale projects to improve and modernize crossings, which began 2009, have been finalized while others are in stages of nearing completion. Milestones within these projects are being completed on time and on budget. At the same time, other projects to ensure asset longevity are ongoing, and projects to update other facilities are being contemplated.

Significant construction projects in the quarter included:

a) In June 2017, FBCL announced the completion of phase one of the new Canada Border Service Agency (CBSA) integrated Traffic and Commercial Building which will provide a modern and expanded facility for border operations at the Thousand Islands Bridge in Lansdowne, Ontario. The project was announced in April 2013, and was financed through the Gateways and Border Crossings Funds to expand and redesign the existing CBSA facility.

   With the completion of this crucial phase of the project, the new facility will contribute significantly to the ongoing bridge safety, security and border infrastructure renewal. Phase two of the project includes the demolition of the existing traffic building, construction of six remaining traffic primary-inspection-lanes and construction of the staff parking lots which are planned to be completed by December 2017.

2.2 Outlook (Cont'd)

b) Officials gathered on June 26 to mark the reopening of Brookdale Avenue south of the traffic circle, the primary access route to the Seaway International Bridge Crossing, following an extensive multi-year reconstruction project in Cornwall, Ontario. The work involved the replacement of underground services and the reconstruction of Brookdale Avenue from Water Street and the international bridge crossing to the traffic circle at Seventh Street. It was one phase of a larger, multi-year project to remove the former high-level bridge crossing at Cornwall and replace it with a new low-level crossing to Cornwall Island.

c) The Canadian Plaza Redevelopment in Sault Ste. Marie has continued its construction. Currently, three of the four buildings within the complex are completed and operational. Through exhaustive planning efforts, FBCL has ensured no interruptions to international bridge operations during construction. The completion of the entire project is expected by December 2017 and includes the construction of the fourth building, the Commercial Building.

d) The Point Edward Master Plan was updated in 2016 in which key elements were identified as priorities and progress is currently underway to achieve results. Planning and design on an emergency return road is underway, improvements for emergency power generator load banks have been initiated, and the contract for planning of the demolition of the former Administration Building and creation of a commercial vehicle parking area has just recently been awarded. Additional projects are being contemplated for further plaza modernization.

2.3 Significant Changes

There have been no significant and material changes occurring during the three months ended June 30, 2017, related to operations, personnel and programs of FBCL.

3.0 RISK MANAGEMENT

CORPORATE RISK

In line with good governance practices, FBCL updates and revises its Enterprise Risk Management on an ongoing basis, identifying and including any changes in FBCL's environment. In order to address the risks within FBCL's corporate risk profile, effective risk mitigation strategies and action plans are developed, under the oversight of assigned members of executive management, to reduce the risk exposure to an acceptable and manageable level.

As previously reported, in the fall of 2016, FBCL updated its Enterprise Risk Management. Management monitors progress on the implementation of the mitigation strategies developed as part of the Enterprise Risk Management and reports to the Board of Directors on a regular basis. There have been no new risks identified during the three months ended June 30, 2017.

3.0 RISK MANAGEMENT (Cont'd)

FINANCIAL RISK

FBCL's funding model intends to generate sufficient revenue to cover disbursements including debt and to build necessary operational surpluses to fund repairs as well as most major capital projects. The current volatility in the Canadian dollar and economic outlook are significantly impacting passenger traffic at all locations. To mitigate the risk of not achieving financial self-sufficiency, FBCL will continue with regular toll rate reviews with US partners, ongoing financial restraint measures, value engineering studies for capital projects, investments in technology, completion of the current capital improvement program at all bridges, and full consideration of other revenue opportunities. The debt repayment will also be slightly accelerated to save on interest expenses in future years. There have been no changes to toll rates or operations during the three months ended June 30, 2017. There have been no accelerated debt repayments in the three months ended June 30, 2017, as the next accelerated repayment is scheduled for the fourth quarter of 2017-18.

4.0 QUARTERLY RESULTS

4.1 Results of Operations

SEASONAL TRENDS

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. 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 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 a preference for travel during the spring and summer months. However, economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country.

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

Consolidated Statement of Financial Position
(in thousands of Canadian dollars)

	June 30, 2017 (unaudited)	March 31, 2017	Variance
Assets			
Current assets	49,184	42,881	6,303
Non-current assets	401,379	391,451	9,928
Total assets	**450,563**	**434,332**	**16,231**
Liabilities			
Current liabilities	32,936	30,608	2,328
Non-current liabilities	179,586	166,022	13,564
Total liabilities	**212,522**	**196,630**	**15,892**
Total equity	**238,041**	**237,702**	**339**

4.1 Results of Operations (Cont'd)

Current Assets: Cash and cash equivalents and investments have increased by $6.9 million. FBCL has invested a significant portion of its cash into investments as these funds will be used to fund future capital projects and debt repayments. Receivables have decreased by $0.5 million. Nearly all of the receivables relate to government funding claims made in relation to FBCL's three major capital projects and therefore fluctuations are expected as receivables are dependent on the level of spending on capital projects and the timing of when the funding is received.

Non-Current Assets: Capital assets accounted for $9.1 million of this increase, which resulted from $13.0 million in acquisitions offset by $3.9 million of associated depreciation. Non-current investments have increased by $1.0 million.

Current Liabilities: The accrual of bond interest is $1.0 million higher at June 30 as compared to March 31 as the next semi-annual bond payment is in July. Trade and other payables, holdbacks and provisions have also further increased by a net of $1.4 million in which the most significant portion relating to work performed on the three major capital projects.

Non-Current Liabilities: Deferred capital funding has increased by $13.5 million and is entirely driven by government funding of the three major capital projects, refer to section 4.3 for additional details on government funding.

STATEMENT OF COMPREHENSIVE INCOME

Revenue and government funding
(in thousands of Canadian dollars)

	June 30, 2017 (unaudited)	June 30, 2016 (unaudited)	Variance
Tolls	7,834	8,125	(291)
Thousand Islands International Bridge	1,635	1,448	187
Leases and permits	989	990	(1)
Interest	137	156	(19)
Foreign exchange gain	177	281	(104)
Currency exchange	102	307	(205)
Other	71	102	(31)
Total revenue	**10,945**	**11,409**	**(464)**
Government funding	**498**	**1,794**	**(1,296)**

Tolls and Thousand Islands International Bridge: There has been a decrease in total paid traffic across the four international bridges of 2.0% (5.7% decrease – Q1 2016-17), with variances between locations ranging from an increase of 0.7% to a decrease of 3.1%. Passenger traffic has increased at two bridges and decreased at two bridges with an overall decrease of 1.7% (8.9% decrease – Q1 2016-17). Commercial traffic crossings have increased at one bridge and decreased at three bridges with an overall decrease of 1.8% (4.6% increase – Q1 2016-17).

Foreign exchange: The biggest component of the decrease in foreign exchange relates to the translation of cash held in USD and SSMBA's assets and liabilities being translated into Canadian dollars. The foreign exchange rate increased from C$0.7513 on April 1, 2017 to C$0.7706 on June 30, 2017.

Currency exchange: The strengthening of the Canadian dollar resulted in a loss on cash held at the Currency Exchange. This resulted in an exchange loss of $0.2 million as compared to Q1 2016-17, when the exchange rate was flat.

4.1 Results of Operations (Cont'd)

Government funding: Government funding includes amortization of deferred capital funding of $0.1 million ($0.1 million – Q1 2016-17) and funding with respect to provisions of $0.4 million ($1.7 million – Q1 2016-17). For the provisions, refer to section 4.3 for additional details on government funding.

Operating and interest expense
(in thousands of Canadian dollars)

	June 30, 2017 (unaudited)	June 30, 2016 (unaudited)	Variance
Operations	1,899	1,555	344
Thousand Islands International Bridge	1,550	1,351	199
Currency exchange	190	205	(15)
Maintenance	2,715	2,980	(265)
CBSA & CFIA operations	1,608	1,020	588
Administration	1,887	1,890	(3)
Total expenses	**9,849**	**9,001**	**848**
Interest expense	**1,202**	**1,290**	**(88)**

Operations: Consulting fees on two significant projects are $0.2 million higher in Q1 2017-18 and amortization of capital assets has increased by $0.1 million as the repaving of Span 1 of the Point Edward bridge was finalized in Q2 2016-17.

Thousand Islands International Bridge: Amortization of capital assets is $0.1 million higher and general toll and maintenance operating costs are $0.1 million higher in Q1 2017-18 compared to Q1 2016-17.

Maintenance: There are several factors affecting the variance with the most significant being a $0.2 million decrease due to the timing of maintenance at the Sault Ste. Marie location and a $0.1 million decrease due to the timing of inspections at the Point Edward location.

CBSA & CFIA operations: Amortization of capital assets is $0.6 million higher which consists of fully depreciating the old CBSA building in Lansdowne ($0.5 million) and amortization on the CBSA building in Sault Ste. Marie which opened in Q2 2016-17.

Interest expense: The decrease is due the payment of bank loans as they reach their respective renewal dates. The latest bank loan repaid was of $3.5 million in Q2 2016-17.

STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flow
(in thousands of Canadian dollars)

	June 30, 2017 (unaudited)	June 30, 2016 (unaudited)	Variance
Net cash generated by operating activities	7,360	3,441	3,919
Net cash used by investing activities	(8,166)	(2,737)	(5,429)
Net cash used by financing activities	(131)	(158)	27
Net (decrease) increase in cash	**(937)**	**546**	**(1,483)**

Operating activities: Cash flow from operations continue to be positive in which $4.4 million ($6.1 million – Q1 2016-17) was received from operations before considering the changes in the working capital of $2.9 million. The difference between Q1 2017-18 and Q1 2016-17 of cash flow from operations before considering the changes in the working capital of $2.9 million relates primarily to government funding received relating to decommissioning liabilities.

Investing activities: In this quarter, FBCL has invested an additional $8.7 million ($1.8 million – Q1 2016-17). This is offset by a net increase in cash relating to capital projects of $0.7 million (use of cash of $0.9 million – Q1 2016-17), when taking into account government funding.

4.2 Financial Performance Against Corporate Plan

FBCL's Summary of the 2017-18 to 2021-22 Corporate Plan has not been tabled in Parliament at the time of publishing. Until it is tabled in Parliament and made publicly available, FBCL will not be in a position to provide an explanation of **significant differences between its financial results compared to those anticipated in its Summary of the 2017-18 to 2021-22** Corporate Plan.

4.3 Reporting on Use of Appropriations

FBCL parliamentary appropriations are currently only received in relation to its projects at the Cornwall and Lansdowne crossings, and certain additional CBSA requirements in Sault Ste. Marie and Lansdowne. The project in Sault Ste. Marie is funded by the Government of Canada, but through a contribution agreement.

(in thousands of Canadian dollars)	June 30, 2017 (unaudited)	June 30, 2016 (unaudited)
Main estimates	**22,885**	**31,414**
Reprofiling request		
from prior years	-	2,638
to future years [1]	(3,473)	-
Funding available	**19,412**	**34,052**
Drawdown [2]		
actual	8,704	4,017
plan	10,708	30,035
Total Drawdown	**19,412**	**34,052**
Remaining appropriations	**-**	**-**

[1] approvals to be sought in future budgetary exercises

[2] FBCL is generally allocated funding only once expenses are incurred

Of the $19.4 million in spending forecast for the year, $16.8 million is forecast to be spent on the project at Lansdowne ($8.0 million had been drawn in the first quarter), and $2.3 million is to be spent on Cornwall projects ($0.5 million has been drawn down in the first quarter).

The project in Sault Ste. Sault is a $51.6 million project that was initiated in 2009 and is funded by the Gateways and Border Crossing Fund. As part of this project, FBCL is also delivering $1.5 million of CBSA identified leasehold and furniture fit-up requirements (through appropriations) to meet the needs of their workforce which exceeds the project funded by the contribution agreement of $51.6 million. The spending forecast for the year is $11.9 million of which $3.4 million has been drawn down in the first quarter.

Of the $14.0 million total funding received in the first quarter, $0.1 million relates to decommissioning liability at Sault Ste. Marie and $0.3 million relates to the decommissioning liability at Lansdowne while the remaining $13.6 million relates to property and equipment acquisitions ($11.6 million) and payment of holdbacks ($2.0 million).

5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2017

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

5.1 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 International Financial Reporting Standard 34 Interim Financial Reporting, 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 interim financial report is consistent, where appropriate, with the restated 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 subsidiary, The Seaway International Bridge Corporation Ltd., as well as unaudited financial information provided by its international partners. The financial information provided by the subsidiary 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, 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 Financial and Operating Officer

Ottawa, Canada
August 31, 2017

5.2 Interim Unaudited Condensed Consolidated Statement of Financial Position

as at June 30, 2017

(in thousands of Canadian dollars)

	Notes	June 30, 2017 unaudited	March 31, 2017
		$	$
Assets			
Current Assets			
Cash and cash equivalents		**7,794**	8,731
Investments		**28,623**	20,805
Trade and other receivables		**12,259**	12,696
Prepaids		**508**	649
Total Current Assets		**49,184**	42,881
Non-Current Assets			
Property and equipment	**6**	**373,838**	364,752
Investment properties		**19,466**	19,618
Intangible assets		**14**	16
Lessor inducement		**261**	265
Investments		**7,800**	6,800
Total Non-Current Assets		**401,379**	391,451
Total assets		**450,563**	434,332
Liabilities			
Current Liabilities			
Trade and other payables		**16,133**	12,026
Employee benefits		**811**	820
Provisions	**7**	**1,014**	1,372
Holdbacks		**1,319**	2,663
Deferred revenue		**2,677**	2,698
Current portion of loans payable		**4,531**	4,578
Current portion of bonds payable		**4,556**	4,556
Current portion of deferred capital funding		**1,895**	1,895
Total Current Liabilities		**32,936**	30,608
Non-Current Liabilities			
Loans payable		**8,904**	8,988
Bonds payable		**61,915**	61,915
Employee benefits		**7,709**	7,573
Deferred revenue		**1,782**	1,820
Deferred capital funding		**94,798**	81,261
Provisions	**7**	**4,219**	4,194
Leasee inducement		**259**	271
Total Non-Current Liabilities		**179,586**	166,022
Equity			
Share capital - 2 shares @ no par value		**-**	-
Retained earnings		**238,127**	237,735
Accumulated other comprehensive income		**(86)**	(33)
Total Equity		**238,041**	237,702
Total Equity and Liabilities		**450,563**	434,332

5.3 Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

for the three-month period ended June 30, 2017

(in thousands of Canadian dollars)

	June 30, 2017 unaudited $	June 30, 2016 unaudited $
Revenue		
Tolls and services	**7,834**	8,125
Thousand Islands International Bridge revenue	**1,635**	1,448
Leases and permits	**989**	990
Interest	**137**	156
Currency exchange	**102**	307
Foreign exchange gain	**177**	281
Other	**71**	102
Total Revenue	**10,945**	**11,409**
Expenses		
Operations	**1,899**	1,555
Thousand Islands International Bridge expenses	**1,550**	1,351
Currency exchange	**190**	205
Maintenance	**2,715**	2,980
Canada Border Security Agency & Canadian Food Inspection Agency operations	**1,608**	1,020
Administration	**1,887**	1,890
Total Expenses	**9,849**	9,001
Operating Income Before Government Funding	**1,096**	2,408
Government Funding		
Amortisation of deferred capital funding	**147**	68
Funding with respect to provision	**351**	1,726
Total Government Funding	**498**	1,794
Non-Operating Items		
Interest expense	**(1,202)**	(1,290)
Total Non-Operating Income	**(1,202)**	(1,290)
Net Income	**392**	2,912
Other Comprehensive Income		
Items that may be reclassified subsequently to net income		
Investments revaluation loss on available-for-sale investments	**(53)**	85
Cumulative gain reclassified to income on sale of available-for-sale investments	**-**	(66)
Total Other Comprehensive Income	**(53)**	19
Total Comprehensive Income for the Period	**339**	2,931

5.4 Interim Unaudited Condensed Consolidated Statement of Changes in Equity

for the three-month period ended June 30, 2017

(in thousands of Canadian dollars)

	Retained Earnings	Accumulated Other Comprehensive Income	Total
	unaudited	unaudited	unaudited
	$	$	$
Balance, April 1, 2016	238,723	80	238,803
Total Comprehesive Income:			
Net income	2,912	-	2,912
Other Comprehesive Income:			
Cumulative gain reclassified to income on sale of available-for-sale investments	-	(66)	(66)
Investments revaluation loss on available-for-sale investments	-	85	85
Other Comprehensive Income total	-	19	19
Total Comprehensive Income	2,912	19	2,931
Balance at June 30, 2016	241,635	99	241,734
Balance, April 1, 2017	237,735	(33)	237,702
Total Comprehesive Income:			
Net income	392	-	392
Other Comprehesive Income:			
Cumulative gain reclassified to income on sale of available-for-sale investments	-	(53)	(53)
Investments revaluation gain on available-for-sale investments	-	-	-
Other Comprehensive Income total	-	(53)	(53)
Total Comprehensive Income	392	(53)	339
Balance at June 30, 2017	**238,127**	**(86)**	**238,041**

5.5 Interim Unaudited Condensed Consolidated Statement of Cash Flows

for the three-month period ended June 30, 2017

(in thousands of Canadian dollars)

	June 30, 2017	June 30, 2016
	unaudited	unaudited
	$	$
Cash Flows from Operating Activities		
Net income	**392**	2,912
Adjustments for:		
Amoritsation of deferred capital funding	**(147)**	(68)
Depreciation of property and equipment	**3,893**	3,020
Depreciation of intangible assets	**2**	3
Depreciation of investment properties	**152**	154
Change in employee benefits	**127**	82
	4,419	6,103
Changes in Non-cash Working Capital:		
Trade and other receivable	**437**	(2,923)
Lessor inducement	**4**	4
Prepaids	**141**	98
Trade and other payables	**4,107**	1,384
Provisions	**(333)**	(817)
Holdbacks	**(1,344)**	(463)
Leasee inducement	**(12)**	64
Deferred revenue	**(59)**	(9)
	2,941	(2,662)
Net cash generated by Operating Activities	**7,360**	3,441
Cash Flows from Investing Activities		
Payments for property and equipment	**(12,979)**	(9,567)
Government funding related to acquisitions of property and equipment	**13,684**	8,639
Proceeds on sale of investments	**2,835**	2,707
Purchase of investments	**(11,706)**	(4,516)
Net cash used for Investing Activities	**(8,166)**	(2,737)
Cash Flows from Financing Activities		
Repayment of loans payable	**(131)**	(158)
Net cash used for Financing Activities	**(131)**	(158)
Net (decrease) increase in cash and cash equivalents	**(937)**	546
Cash and cash equivalents, beginning of period	**8,731**	13,240
Cash and cash equivalents, end of period	**7,794**	13,786

5.6 Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements

1. AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited (the "Corporation") is a *Canada Business Corporations Act* (CBCA) corporation listed in Schedule III Part 1 of the *Financial Administration Act* (FAA). It is an agent of Her Majesty, not subject to income tax under the provisions of the *Income Tax Act*. It is a parent Crown Corporation that reports to the Parliament of Canada through the Minister of Transport. The Corporation resulted, on February 1, 2015, from an amalgamation between the legacy The Federal Bridge Corporation Limited (the "legacy FBCL"), which was a parent Crown corporation, with its subsidiary, St. Mary's River Bridge Company (SMRBC), on January 27, 2015, and with another parent Crown corporation Blue Water Bridge Authority (BWBA). This was done in accordance with the authorities provided by the *Economic Action Plan 2013 Act, No. 2.* The remaining planned amalgamation in this Act, with the Corporation's wholly owned subsidiary, The Seaway International Bridge Corporation Ltd. (SIBC), has not been realized to date.

The Corporation's primary activities involve the ownership and operation of four international bridges linking the Province of Ontario in Canada to the State of New York or the State of Michigan in the United States of America (U.S.). Moreover, the Corporation may also undertake other activities incidental to the bridge business.

The Corporation's wholly-owned subsidiary, SIBC, operates the Seaway International Bridge Crossing in Cornwall as a joint operation per agreement between the Corporation as Canadian owner and The St. Lawrence Seaway Development Corporation (SLSDC) as U.S. owner. As a Crown Corporation, SIBC, is also subject to the same authorities as the Corporation. The Corporation is also a party to two other agreements for the operation of the international bridges. In regards to the Sault Ste. Marie International Bridge, this agreement is with the U.S. owner, the Michigan Department of Transportation (MDOT). The bridge oversight is through a joint international entity, Sault Ste. Marie Bridge Administration (SSMBA), and its operation is done by the International Bridge Authority (IBA), an entity of MDOT. The agreement applicable to the operations of the Thousand Islands International Bridge, is also with the U.S. owner, the Thousand Islands Bridge Authority (TIBA), an entity of Jefferson County, State of New York. At the crossing between Point Edward, Ontario, and Port Huron, Michigan, the Corporation owns and operates the Canadian portion of the crossing. The U.S. side of the crossing is owned and operated by MDOT.

By Order in Council P.C. 2015-31 dated January 26, 2015, the Corporation was granted all necessary approvals of the *International Bridges and Tunnels Act* for the purposes of ownership and management of the international bridges under the Corporation's portfolio. The *Customs Act, section 6* requires the Corporation to provide, equip and maintain, free of charge, adequate buildings, accommodations or other facilities for customs and the Canada Border Services Agency (CBSA). A similar provision in the *Plant Protection Act* mandates similar support for the Canadian Food Inspection Agency (CFIA) based at the land crossings. The subsidiary, SIBC, is also subject to the *Canada Marine Act* for the purposes of the management of the international bridge that crosses the St. Lawrence River.

The registered office of the Corporation is 55 Metcalfe, Suite 200, Ottawa, Ontario K1P 6L5.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Corporation's interim unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and do not include all of the information required for a full annual consolidated financial statements. The interim unaudited condensed consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended March 31, 2017. These interim unaudited condensed consolidated financial statements follow the same accounting policies and methods of application as disclosed in Note 2 of the Corporation's audited consolidated financial statements for the year ended March 31, 2017.

3. SEASONALITY

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. 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 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 a preference for travel during the spring and summer months. However, economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country.

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.

4. USE OF JUDGMENTS AND ESTIMATES

The preparation of the interim unaudited condensed consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that can significantly affect the amounts recognized in the consolidated financial statements. Actual results may differ from these estimates. Where these differ, the impact will be recorded in future periods. Significant judgments and estimates as at June 30, 2017 were consistent with those disclosed in Note 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2017.

5. FUTURE CHANGES IN ACCOUNTING POLICIES

There were no new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) during the three month period that would affect the Corporation in the future other than those disclosed in Note 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2017.

6. PROPERTY AND EQUIPMENT

Cost	Land	Bridges and roads	Vehicles and equipment	Buildings	Property Improvements	Projects in progress	Total
	$	$	$	$		$	$
Balance, April 1, 2016	14,126	235,419	21,018	88,421	20,359	40,293	419,636
Additions	52	364	393	575	69	56,645	58,098
Disposals	-	(17,687)	(119)	(1,909)	-	-	(19,715)
Transfers	-	8,544	2,762	18,266	2,096	(31,354)	314
Balance, March 31, 2017	14,178	226,640	24,054	105,353	22,524	65,584	458,333
Additions	-	-	32	-	21	12,926	12,979
Disposals	-	-	-	(4,062)	-	-	(4,062)
Transfers	-	17,341	-	47,446	70	(64,857)	-
Balance, June 30, 2017	**14,178**	**243,981**	**24,086**	**148,737**	**22,615**	**13,653**	**467,250**

Accumulated depreciation	Land	Bridges and Roads	Vehicles and Equipment	Buildings	Property Improvements	Projects in Progress	Total
	$	$	$	$		$	$
Balance, April 1, 2016	-	54,751	10,428	20,186	13,539	-	98,904
Eliminated on disposal of assets	-	(17,687)	(119)	(1,841)	-	-	(19,647)
Transfers	-	-	-	767	-		767
Depreciation	-	7,457	1,678	3,741	681	-	13,557
Balance, March 31, 2017	-	44,521	11,987	22,853	14,220	-	93,581
Eliminated on disposal of assets	-	-	-	(4,062)	-	-	(4,062)
Transfers	-	-	-	-	-	-	-
Depreciation	-	1,894	400	1,417	182	-	3,893
Balance, June 30, 2017	**-**	**46,415**	**12,387**	**20,208**	**14,402**	**-**	**93,412**
Net book value, June 30, 2017	**14,178**	**197,566**	**11,699**	**128,529**	**8,213**	**13,653**	**373,838**
Net book value, March 31, 2017	14,178	182,119	12,067	82,500	8,304	65,584	364,752

During the quarter, the Corporation has entered into contractual commitments of $1,941 in order to further the delivery of major capital projects. The most significant contract of $1,722 relates to the painting of the bridge in Sault Ste. Marie.

7. PROVISIONS

	Cornwall[i]	Sault Ste. Marie[ii]	Lansdowne[iii]	Total
	$	$	$	$
Balance at April 1, 2017	4,194	161	1,211	5,566
Interest accretion	25	-	4	29
Reductions arising from payments	-	(63)	(299)	(362)
Balance at June 30, 2017	**4,219**	**98**	**916**	**5,233**
Less: Current portion	-	98	916	1,014
Long-term portion	4,219	-	-	4,219

i. The Corporation will be initiating the demolition of the in-water piers in Cornwall. This initiation will complete the demolition of the existing high-level bridge. There has been no change to this estimate when compared to the March 31, 2017 provision.

ii. The Corporation has initiated construction of a new Canadian Plaza in Sault Ste. Marie which in turn will result in the demolition of the existing assets. The demolition of these assets commenced in the fall of 2016 and will be completed by the end of the 2017 calendar year. There has been no change to this estimate when compared to the March 31, 2017 provision. These cash flows will be funded from government funding to be received at the time of demolition.

iii. The Corporation has initiated a project for the construction of a new customs plaza in Lansdowne, at the Thousand Islands International Bridge which in turn will result in the demolition of the existing assets. With the completion of the first phase of the new customs plaza in June 2017, the Corporation has commenced the demolition of the existing assets.

Additionally, at the Lansdowne location, a provision for contaminated land has been recorded based on management's best estimate of the probable cash outflows related to the remediation of the site under redevelopment. There has been no change to this estimate when compared to the March 31, 2017 provision.

Both the demolition and the environmental clean-up for contamination are expected to be completed in the summer of 2017. These cash flows will be funded from government funding to be received at the time of demolition and remediation.

8. FINANCIAL INSTRUMENTS

Fair Value

The fair values of trade and other receivables, trade and other payables, holdbacks, and the current portion of the loans payable and bonds payable approximate their carrying value due to the short-term nature of these instruments.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and,
- Level 3 inputs are unobservable inputs for the asset or liability.

8. FINANCIAL INSTRUMENTS (continued)

The carrying values and fair values of the Corporation's remaining financial assets and liabilities are listed in the following table:

As at June 30			**2017**
	Value **$**	**Cost** **$**	Level
Financial instruments measured at fair value on a recurring basis			
Available-for-sale investments	**15,576**	**15,576**	Level 2
Financial instruments measured at amortised costs			
Held-to-maturity investments	**21,128**	**20,847**	Level 1
Loans payable	**13,364**	**13,434**	Level 2
Bonds payable	**82,742**	**66,471**	Level 2

As at March 31			**2017**
	Value **$**	**Cost** **$**	Level
Financial instruments measured at fair value on a recurring basis			
Available-for-sale investments	**6,711**	**6,711**	Level 2
Financial instruments measured at amortised costs			
Held-to-maturity investments	**21,028**	**20,894**	Level 1
Loans payable	**13,601**	**13,566**	Level 2
Bonds payable	**82,773**	**66,471**	Level 2