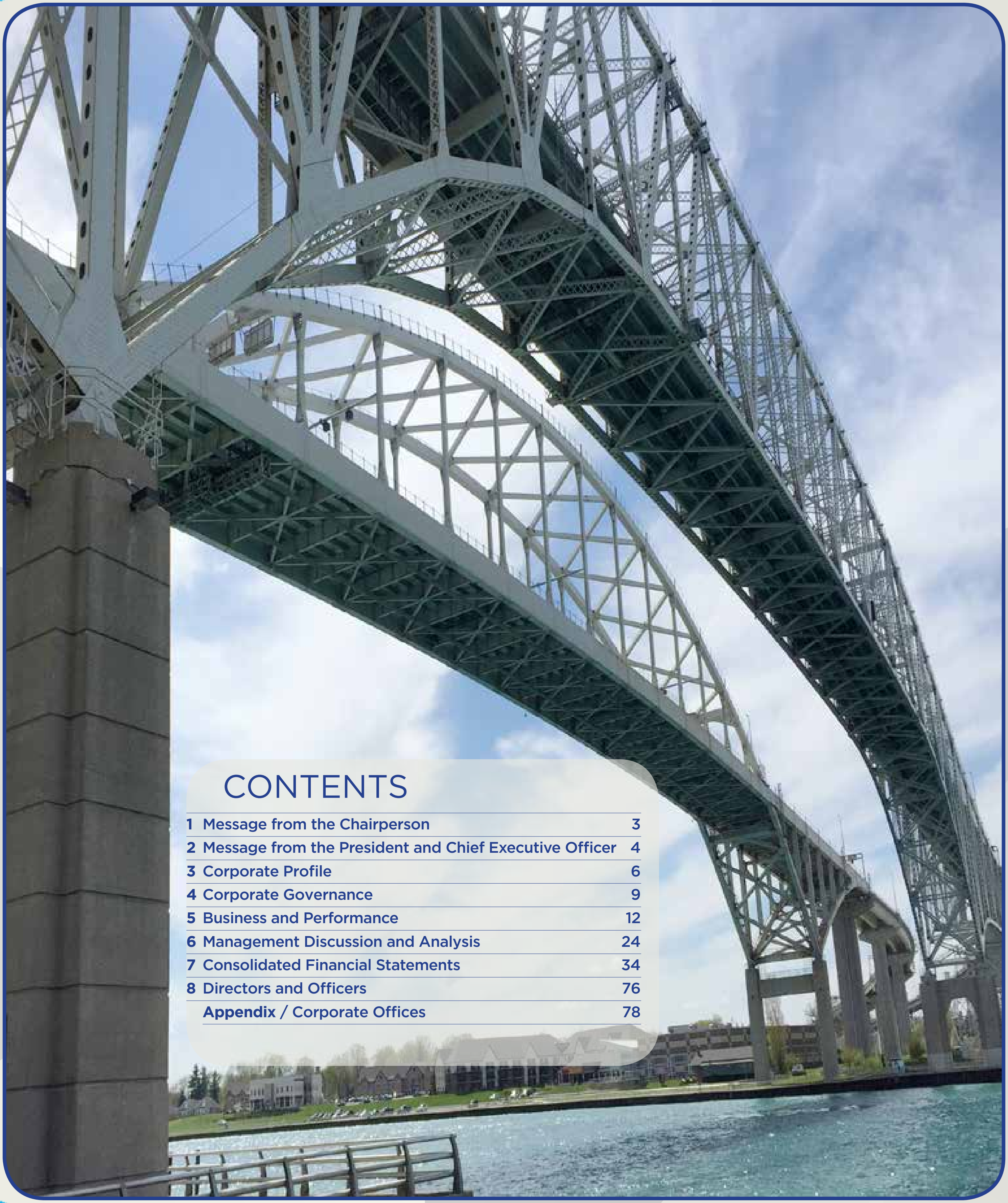
CANADA 150

FEDERAL BRIDGE CORPORATION

ANNUAL REPORT 2016-17

Canada



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1 MESSAGE FROM THE CHAIRPERSON

Bridges generate a wide range of emotions. For some, they are simply a means to an end, a utilitarian link from one place to another. For others, they offer a gateway to new opportunities and destinies. At The Federal Bridge Corporation Limited (FBCL), we are "bridge people". We embody all of these sentiments and personally live them every day. We aim to diligently fulfill our mandated infrastructure management objectives so as to open new horizons and opportunities for Canada, her citizens and her businesses.

Connie Graham
Chairperson

As gateways to international trade, FBCL's bridge operations offer a gauge of the Canadian economy. Our success is driven by increases or decreases in the number of international crossings. While the overall market in 2016 continued to contract slightly, the pace of decline has slowed leading to a cautiously optimistic outlook. An economic turn-around feels imminent. We are closely monitoring traffic patterns in order to better position the Company to react to market conditions. Year over year, through active management of traffic flows and toll rates, FBCL has steadily grown its share of the market and, most notably, the Blue Water Bridge remains entrenched as the second busiest commercial crossing between Canada and the U.S.

Blue Water Bridge in Point Edward, spanning the St. Clair River at the mouth of Lake Huron

Looking forward in the near-term, the Corporation's operational context continues to evolve. Although the Canadian economy has begun to show signs of stability, the value of the Canadian dollar is still the subject of volatility. Additionally, Canada's most important trade partner is undergoing a cycle of change and uncertainty. We believe FBCL's strategic emphasis on enhanced business development and customer relationship management will facilitate a greater ability to adjust quickly to shifting market forces.

The Board of Directors believes that the Company's executive leadership team is guiding the organization in exactly the right direction. This perspective is supported through the assessment of Standard & Poor's Financial Services LLC upgrade of FBCL's long-term issuer credit and senior unsecured debt ratings to 'A'. The overall financial position is positive and continually improving. The S&Ps financial outlook reflects their expectation that, in the next two years, FBCL's overall market will remain relatively stable and our debt burden will continue to decline.

As a newly amalgamated portfolio Crown Corporation as of 2015, FBCL's development is continuing at a furious pace. In the near-term, we are passionately committed to finalizing construction of US/ Canada border enhancements, modernization of our business operations through digital transformation, offering the traveling public efficient and friendly customer service, and supporting the continued professional growth and development of our valued and talented workforce at FBCL.

Connie Graham, Chairperson

3 MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Micheline Dubé
President and CEO

The Federal Bridge Corporation Limited enables an efficient transportation system and facilitates strong economic trade for Canada by offering safe and secure infrastructure for the vital movement of people and goods in support of cross-border exchanges. In this annual report, we highlight FBCL's notable achievements for the past year. Whereas the prior year was a time for assessing what the merged organization could and should be, 2016-2017 was dedicated to prioritizing and investing in the future.

Each bridge is a reflection of its unique heritage and brings valued attributes to strengthening the whole. Best practices are emerging and setting a foundation for corporate operational efficiency that will drive our growth. As my team executes on our corporate plan, we are directing our energies in four major activity areas. These are:

- Diligent management of bridge assets;
- Intensified focus on managing sources of revenues;
- Continuous improvements in support of trade and border services; and,
- Ongoing progress towards internal operational efficiency.

Visible progress towards completion of over $200M in major capital projects continues to advance on track. In Sault Ste. Marie, we welcomed the Honourable Marc Garneau, Minister of Transport who toured the international bridge and its new facilities that will have a lasting impact on this community. Major construction investments at The Seaway International Bridge Crossing are wrapping up leaving behind modern and efficient infrastructure for the fluid flow of traffic. Modernization of facilities progressed well at the Lansdowne Port of Entry. The effective management of resources and rejuvenated infrastructure will provide a springboard for future health, leading to the ultimate goal of financial self-sufficiency.

FBCL continues to achieve success in meeting strategic and tactical objectives. As reflected through performance indicators, FBCL has made significant progress in areas related to its corporate amalgamation and governance. Risk factors are known, well-articulated and under control. The coming year should see further procedural consolidation, the resolution of outstanding issues in toll automation at multiple crossings and improvements in customer engagement. All these actions support long-term financial well-being.

The past year witnessed increases in FBCL toll revenue, due in large part to an increase in the rate of commercial crossings. Recovery from the 2008 recession appears to finally be upon us. FBCL still faces challenges resulting from the disparity of currency exchange rates and from regional economic factors around the Sault Ste. Marie International Bridge and the Seaway International Bridge Crossing. Through resource management and collaboration with partners, the Corporation aims to mitigate these localized effects. Conversely, their fiscal impact is largely being offset by the solid dependability of the Thousand Islands crossing and robust growth in commercial transits particularly at the Blue Water Bridge.

The phased commissioning of expansive new facilities, in Sault Ste. Marie and Thousand Islands, for the primary purpose of the Canada Border Services Agency has required substantial coordination, training and resources. FBCL has received parliamentary appropriations in support of its substantial capital investments in this area. Careful budgeting and cost trimming has been implemented as it is expected that by 2018, the resources required to operate these border facilities will be three times that of the original buildings.

Internally, this year saw FBCL firmly establish its foundations. The team has realized major accomplishments with alignment occurring throughout all operational layers of the organization, including toll policies, bridge inspections, project management, remuneration and terms of employment while promoting the physical and mental well-being of all employees. Equally important, in December we established a robust framework for labour peace at the Blue Water Bridge in Point Edward with a new engagement with staff through the successful negotiation of a collective bargaining agreement. Our processes and policies have been the focus of refinement and alignment. While embracing the diversity of our staff and facilities, we have taken great strides towards unifying our business through a consolidated, portfolio management approach.

The delivery of our renewed mandate over the past few years could not have been carried out as efficiently and effectively without the active collaboration of our international partners and bridge operators. FBCL wishes to acknowledge and recognize the invaluable assistance received in planning, operating and executing on its plans at all crossings from:

- the International Bridge Administration;
- the Michigan Department of Transportation;
- the Thousand Islands Bridge Authority; and,
- the Saint Lawrence Seaway Development Corporation.

The waves stemming from the 2015 amalgamation have now settled into mere ripples. FBCL is presently positioned to look to the future. As the Canadian economy starts to show signs of stability and growth, FBCL is poised to deliver on its vision of optimizing the safety, security, sustainability and capacity of bridge operations to the benefit of Canada.

Micheline Dubé, President and CEO

In 2016, as part of the Canadian Plaza Redevelopment Project in Sault Ste. Marie, FBCL decided to name its new Service Building to the memory of James L. McIntyre, a long-standing Chair of the Sault Ste. Marie Bridge Authority and the Chair of the St. Mary's River Bridge Company. James L. McIntyre passed away unexpectedly in February 2015.

Photos from left to right: Natalie Kinloch, Chief Financial and Operating Officer introduces members of the McIntyre family and other guests, Micheline Dubé, President and CEO poses in front of the new building with FBCL Board member Rick Talvitie and Micheline Dubé pays tribute to James L. McIntyre

3 CORPORATE PROFILE

3.1 BACKGROUND

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 present form of FBCL was created through an amalgamation with the St. Mary's River Bridge Company, previously a wholly-owned subsidiary, on January 27, 2015 and the Blue Water Bridge Authority, another parent Crown corporation, on February 1, 2015. FBCL was also authorized by Bill C-4, the *Economic Action Plan 2013 Act, No. 2*, to amalgamate with its remaining subsidiary, The Seaway International Bridge Corporation, Limited (SIBC). The amalgamation will occur when Transport Canada reaches an agreement with the international partner.

1 SAULT STE. MARIE INTERNATIONAL BRIDGE
Linking Sault Ste. Marie (Ontario) to Sault Ste. Marie (Michigan)

2 BLUE WATER BRIDGE
Linking Point Edward (Ontario) to Port Huron (Michigan)

3 THOUSAND ISLANDS BRIDGE
Linking Lansdowne (Ontario) to Alexandria Bay (New York)

4 SEAWAY INTERNATIONAL BRIDGE
Linking Cornwall (Ontario) to Rooseveltown (New York)

The organizational structure outlined below allows FBCL to manage all bridges as a portfolio, sharing of staff, expertise, support infrastructure, revenues, expenses and best practices through a common administrative framework for the collective benefit of the four assets.

	Sault Ste. Marie International Bridge	Blue Water Bridge	Thousand Islands Bridge	Seaway International Bridge
FBCL OWNERSHIP	50% of the bridge; 100% of Canadian bridge plaza and port of entry	50% of each of the twin bridges; 100% of Canadian bridge plaza and port of entry	100% Canadian Bridge; 50% Rift Bridge; 100% of Canadian bridge plaza and port of entry	100% North Channel Bridge, 100% of Canadian toll plaza and International Road; 32% South Channel Bridge
INTERNATIONAL PARTNER	Michigan Department of Transportation	Michigan Department of Transportation	Thousand Islands Bridge Authority, a public benefit corporation under New York State Public Authorities Law	Saint Lawrence Seaway Development Corporation, an agency of the United States Department of Transportation
BRIDGE OPERATOR	International Bridge Administration, a distinct administrative unit within the Michigan Department of Transportation with delegated authority from Sault Ste. Marie Bridge Authority a separate legal entity constituted by Michigan Department of Transportation and FBCL	Canadian portion: FBCL; American portion: Michigan Department of Transportation	Thousand Islands Bridge Authority	Seaway International Bridge Corporation, Ltd, a subsidiary Canadian Crown corporation
GOVERNANCE STRUCTURE	Eight Directors: four Americans appointed by the Governor of Michigan; four Canadians appointed by FBCL	Eight Directors: four Americans appointed by the Governor of Michigan; four Canadians appointed by FBCL Canadian portion: FBCL; American portion: Michigan Department of Transportation	U.S. Chair and six Directors appointed by Jefferson County: three Americans and three Canadians (recommended by FBCL)	Eight Directors appointed by FBCL, four Canadians and four Americans (recommended by Saint Lawrence Seaway Development Corporation)

3.2 MANDATE

FBCL's mandate, approved by the Minister of Transport and established within the executed Amalgamation Agreement of its legacy corporations, 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 the Corporation shall be limited to the following:

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.

3.3 STRATEGIC DIRECTION

FBCL's mission, vision and pillars define the framework for the Corporation's strategic direction as approved by the Board of Directors.

3.3.1 Mission

FBCL is a Crown corporation responsible for the oversight of Canadian federal interests in four selected international bridge crossings between Canada and the United States.

3.3.2 Vision

Striving to optimize the safety, security, sustainability and capacity of bridge operations to the benefit of Canada while serving the traveling public with efficiency and respect.

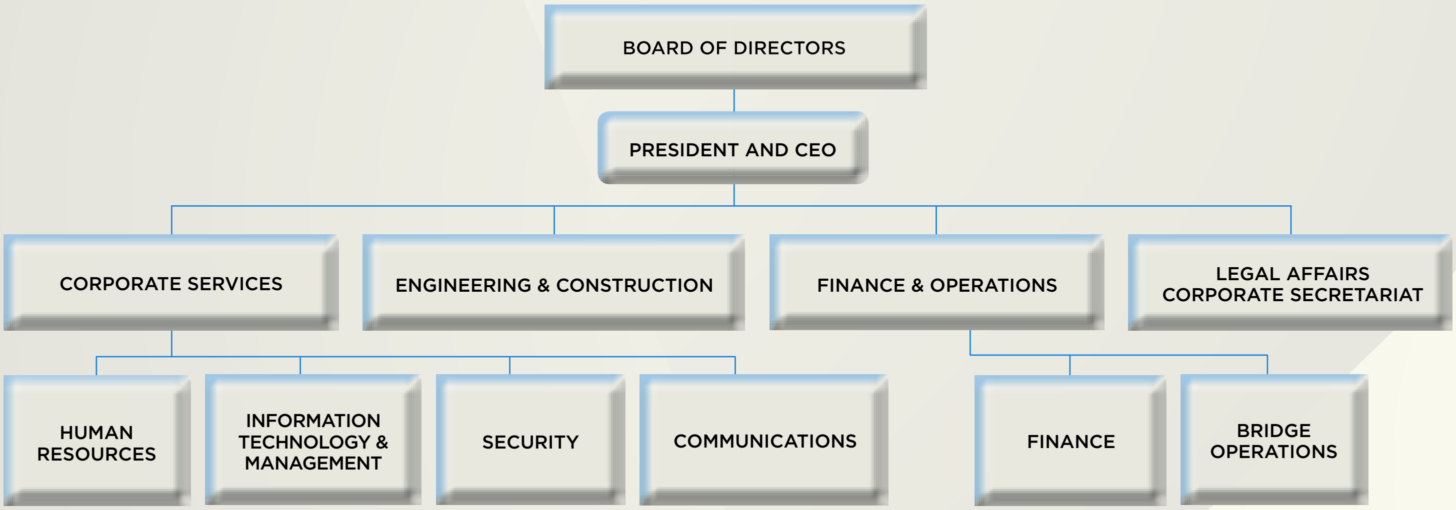
3.3.3 Pillars

FBCL will fulfill its mission through 5 key pillars:

- Operating with a unified portfolio management approach and strong corporate oversight;
- Stewardship of the bridge assets, focused on safety and security through a program of independent inspections, of appropriate asset management programs and on the provision of excellent customer service;
- Effective use of technology, utilizing common platforms to ensure efficiency of operations and accuracy of information, managed in a manner that limits risk and cost;
- Sustainability of operations, maintenance and administration through a shared revenue approach, prioritized investment, toll optimization and cost containment; and,
- Sound governance of the Corporation, through an optimized structure with the required capacity and skills, and strong relationships with stakeholders.

4 CORPORATE GOVERNANCE

As a Crown corporation, FBCL is governed by a Board of Directors and is accountable to Parliament through the Minister of Transport.



4.1 LEGISLATIVE AUTHORITY

FBCL is a corporation constituted under the *Canada Business Corporations Act* (CBCA) and listed in Schedule III Part 1 of the *Financial Administration Act* (FAA) and is an agent of Her Majesty, following the amalgamation of the predecessor corporation, also known as The Federal Bridge Corporation Limited with several other bridge corporations.

The amalgamations have contributed significantly to resolving historical governance issues and allowing for increased focus and greater accountability for international bridges.

4.2 PUBLIC ACCOUNTABILITY

FBCL is governed by a Board of Directors which is accountable for the oversight and strategic direction. The President and CEO is a member of the Board and is accountable for the day-to-day management and performance of the corporation in addition to supporting the Board in its oversight role.

4.3 FBCL BOARD

The FBCL Board is composed of seven directors, including the Chairperson and the President and CEO. The Chairperson and the President and CEO are appointed by the Governor in Council, in accordance with section 105 of the FAA. The directors, other than the Chairperson and the President and CEO, are appointed by the Minister with the approval of the Governor in Council.

The Board sets corporate objectives and direction, ensures good governance, monitors financial performance, approves budgets and financial statements, approves policies and by-laws, appoints or nominates for appointment, the Canadian directors of International Bridge Boards, as well as ensures that risks are identified and managed.

The Board is currently supported in its role and responsibilities by the legally required Finance and Audit Committee as well as by a Governance, Policy and Human Resources Committee.

The Board has established a Charter for each standing Committee and operating guidelines that govern the operations of all committees. The Board may establish other committees as required to assist the Board in meeting its responsibilities.

4.4 COMMITTEES

4.4.1 Finance and Audit Committee

Mandate: As per the duties outlined in the *Financial Administration Act*, the Finance and Audit Committee (FAC) provides oversight and makes recommendations to the Board on the standards of integrity and behaviour, the reporting of financial information, management control practices, risk management and insurance needs.

The Committee is responsible for advising the Board on matters related to financial statements, any internal audit of the Corporation and the annual auditor's report of the Corporation. The FAC is also responsible to review and advise the Board with respect to a special examination, and the resulting plans and reports. The Committee performs other functions assigned to it by the Board and that are included in the corporate by-laws.

Membership: The Committee is composed of three Directors appointed by the Board, one of whom is appointed as Chair of the Committee. The Board Chair is also a non-voting ex officio member of the Committee.

4.4.2 Governance, Policy and Human Resources Committee

Mandate: The Mandate and Operational Guidelines of the Committee were ratified and approved by the Board. This Committee assists the Board in overseeing the Corporation's governance, board policy infrastructure and human resources. The role of the Committee is to support the Board in the discharge of its responsibilities by performing due diligence on matters within its area of responsibility. Its function is not to approve but make recommendations for approval by the Board.

Membership: This Committee is composed of at least two members of the Board who are appointed by the Board on the recommendation of the Board Chair. One of these members is designated by the Board, on the recommendation of the Board Chair, to be the Chair of the Committee. The Board Chair is also a non-voting ex officio member of the Committee.

4.5 BOARD OF DIRECTORS REMUNERATION

The Governor-in-Council establishes the remuneration paid to the Chair, other Board members and the President and CEO. The remuneration of the Chair and other Board members follows the Government's Remuneration Guidelines for Part-time Governor in Council Appointees in Crown corporations and is pursuant to section 108 of the FAA. The Chair receives an annual retainer of $6,400 - $7,500 and a per diem of $200 - $300 for attending regular and committee meetings, while other Board members are paid an annual retainer of $3,200 - $3,800 and a per diem of $200 - $300. Board members are reimbursed for all reasonable out-of-pocket expenses, including travel, accommodations, and meals, incurred in the performance of their duties.

The employment conditions of the President and CEO are provided by the Terms and Conditions of Employment for Full-Time Governor-in-Council Appointees. The salary range for the President and CEO position (CEO 3) is $179,200 - $210,800. The President and CEO does not receive a per diem for attending Board meetings. The Governor-in-Council may also grant to the President and CEO performance pay of up to 15 percent of the base salary, according to the achievement of key performance objectives, as determined by the Board of Directors.

Remuneration for senior management is modeled on the Government of Canada Executive Group (EX) salary scales.

4.6 CODE OF CONDUCT

The purpose of the *Public Servants Disclosure Protection Act* (PSDPA) is to encourage employees in the public sector including Crown corporations and other public agencies to come forward if they have reasons to believe that serious wrongdoing has taken place and to provide protection to them against reprisal should they do so. One requirement of the PSDPA is to promptly provide public access to certain information respecting founded cases of wrongdoing resulting from a disclosure brought forward. Specifically, the Corporation must describe the wrongdoing; the recommendations made to the chief executive; and the corrective action taken by the chief executive.

The Board approved a Code of Values and Ethics which sets out FBCL's values, its commitment to ethics and expected behaviours from all employees in their dealing with their colleagues, the public, and other governmental or external entities. The Code is signed annually by all employees during their annual performance review.

The Corporation fully adheres to the spirit of the PSDSA, and has had no disclosures to date.

4.7 PORTFOLIO MANAGEMENT

The Corporation has adopted a portfolio management approach to deliver its mandate. It is not a portfolio of corporations but rather one parent Crown corporation overseeing a portfolio of federal assets which are used in pursuit of public policy objectives. Key aspects of the portfolio management approach include:

- Funds surplus to operating requirements used for capital re-investment in all portfolio bridges in support of public policy objectives;
- Revenues centrally managed, with each bridge established as a cost centre, including an appropriate corporate services allocation;
- Operational and maintenance expenditures of each bridge based on common policies;
- Integrated long-term capital plan developed as basis for capital prioritization and annual capital budget; and,
- Shared internal services.

The establishment of this management approach provides a unique opportunity to look at all possibilities, both through adopting best practices and a comprehensive common approach within the portfolio and through identifying broader strategic opportunities.


Blue Water Bridge in Point Edward

4.8 AUDIT REGIME

The audit regime consists of external and internal audits. The Office of the Auditor General conducts an annual audit of the consolidated financial statements to verify that they fairly reflect the operating results and financial position, and that the transactions have been carried out in accordance with International Financial Reporting Standards (IFRS) and Part X, FAA. The Office of the Auditor General also conducts a special examination at least once every ten years to confirm that assets are being safeguarded and controlled; that financial, human and physical resources are being managed efficiently; and that operations are being conducted effectively.

The internal audit regime aims to strengthen accountability, risk management, resource stewardship, and good governance by ensuring that internal audit is a key governance component. Risk-based, multi-year audit plans are developed to identify key risk areas common to all bridge locations. The current audit plan focuses on fraud prevention and ethics, internal controls, currency exchange policies and practices.

5 BUSINESS AND PERFORMANCE

We are in the business of international bridges and border crossing infrastructure. There is an inherent complexity to the operations and management of these structures as they cross provincial and state boundaries, along the Canada – US border. The international border requires us to provide and maintain an extensive network of associated structures related to border functions, such as customs, immigration, and food inspection enforcement activities.

In addition, FBCL works in close collaboration with its stakeholders and the surrounding communities to ensure efficient and effective border crossings at all locations. Our stakeholders include federal partners such as TC, Central Agencies, CBSA, CFIA, and Public Services and Procurement Canada (PSPC) as well as provincial and municipal governments and agencies, local First Nation communities, law enforcement agencies and first responders. Equally, on the American side of the border we deal with US Customs and Border Protection, US governments and agencies at the state and local levels. We work cooperatively to ensure the safe, efficient and reliable movement of international traffic. The process involves extensive communications and the establishment of a common understanding, as well as responsiveness to planned and unplanned events that arise in a dynamic border environment.

We ensure that our bridge operations, policy decisions and future projects are supported by bridge customers and host communities. North America, is quickly advancing towards non-cash models of toll payment, forcing FBCL to keep ahead of the technological curve in order to ensure ongoing efficiency of its operations. We strive to improve our community engagement and communications to ensure that community concerns are identified and addressed, and that our commitment and contribution to our international bridges are clearly understood.

Sault Ste. Marie International Bridge and Facilities Asset Manager Marcus Eidenier at 120 feet above the ground, reviewing plate steel bearing work (photo courtesy of IBA)

5.1 Operations, Capital and Special Projects

As stewards of four of Canada's international bridge crossings, it is necessary to invest prudently in the maintenance, rehabilitation and at times, complete replacement of bridge and bridge plaza assets. A summary of the bridge condition assessment and major projects being planned and realized are listed by location starting below. The full scope of other additional longer term projects is currently being reviewed to reconfirm priority levels and provide a selective allocation of funding over the long-term.

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 CBSA. A similar provision in the *Plant Protection Act* and the *Health of Animals Act* mandate support for the CFIA based at bridge crossings.

Steel bearing repairs at the Sault Ste. Marie International Bridge. The bridge is lifted with three 50 ton hydraulic jacks (photo courtesy of IBA)

The Corporation is required to provide these facilities to the agencies at its crossings, out of revenue generated by the Corporation. Historically, the Corporation has not been required to pay for facilities in Cornwall. However, occasionally, capital appropriations are approved by the federal government for large projects of national interest. New facilities being built at Sault Ste. Marie and Lansdowne are delivered with federal funding.

5.2 SAULT STE. MARIE INTERNATIONAL BRIDGE

This section addresses details of programs and priorities as they relate uniquely to the Sault Ste. Marie crossing.

5.2.1 Asset Management

Bridge Condition and Maintenance (ongoing): The annual inspection concluded that the overall condition of the bridge is good. Regular maintenance activities consistent with the recommendations from the inspection report are carried out each year. Maintenance works planned for the next five years include bridge painting and the replacement of slide plate bearings on the arch spans. An asset management system has been developed to track, detect and inform maintenance and capital investment requirements.

Canadian Plaza Redevelopment (completion planned for March 31, 2018):

This $51.6M project was initiated in 2009 and is funded by the Gateways and Border Crossings Fund. It includes the expansion and redesign of the existing Canadian plaza at the International Bridge; a new CBSA commercial off-load facility and passenger processing facility; and, construction of a third lane inspection area for bus inspections. Installation of new technologies will support the use of NEXUS and FAST frequent traveler programs. A new Duty Free shop and brokerage operations building is also included.

The project is progressing well. The first phase included property acquisitions funded by the owner, construction of the maintenance garage and the new Duty Free facility, civil works and demolition of acquired buildings. The maintenance garage is serving as a temporary secondary inspection location for CBSA. The final contract which includes the CBSA Traffic building, Commercial building and surrounding site work was awarded in April 2015 for $33M. The new traffic building has been operational since September 18, 2016 and construction of the commercial building is currently underway.

As part of this project, FBCL is also delivering $1.5M of CBSA identified leasehold and furniture fit-up requirements to meet the needs of their workforce which exceeds the project funded by the contribution agreement of $51.6M.

Painting of Bridge (planning): Bridge painting methodology and final schedule is subject to review and the approach is being reevaluated through a pilot project of new technology. The joint bridge painting project is expected to span multiple years. This estimated $10.8M project is funded by the owners from revenues.

Photos (left) Aerial view of the new Sault Ste. Marie International Bridge Canadian Customs Plaza (above) Arch painting project underway

5.2.2 Revenue Generation

The toll rate is reviewed by the bridge operator biannually on April 1 and Oct 1 to accommodate for changes in currency exchanges and economic factors. Operational toll rate increases are planned at 5-year intervals.

Additional revenue for this location is earned from licensing fees derived from operation of the Duty Free store.

In general terms, the revenue generation aspects of the corporate plan will cascade from the activities related to customer relationship management and increased efforts in business development and marketing.

5.2.3 Trade and Border Support

The plaza redevelopment activities have provided a framework for continued dialogue with strategic local stakeholders with an overall objective of improving trade and border support.

The opening of the new CBSA traffic building and associated civil works marks the completion of an important stage of the redevelopment project. Once completed, the new CBSA plaza facilities will be three times larger than the prior operation and will provide new technologies that will support the use of efficient frequent traveler programs.

The new facilities will contribute significantly to the ongoing bridge safety, security and border infrastructure renewal. The next stage of the project that includes the CBSA commercial facilities and the balance of the civil works will be ongoing through to March 2018.

5.3 BLUE WATER BRIDGE

This section addresses details of programs and priorities as they relate uniquely to the Blue Water crossing.

5.3.1 Asset Management

Bridge(s) Condition and Maintenance (ongoing): Span 1 of the twinned bridges was refurbished in 1997 and Span 2 opened in the same year. Annual inspections concluded that the Canadian span of the bridges were both in good condition and some works initially planned to be realized this year could be deferred. Regular maintenance activities consistent with the recommendations from the inspection report are carried out each year. Important projects planned in the next five years include:

Blue Water Bridge Master Plan:

Maintaining an up-to-date master capital plan is a key element of the ongoing infrastructure management and development program for the location. In 2009-11, the Blue Water Bridge Corporate Centre was constructed, the CBSA primary and secondary commercial inspection facilities and CFIA inspection facilities were redeveloped, and the plaza highway access, signage and associated utilities were improved.

In 2013, the Master Plan was updated by the legacy BWBA following consultation with stakeholders. It included the second phase of the plan focused on the future development of the main Canadian bridge plaza. Estimated at $125.0M, the proposed Phase Two development includes facilities for CBSA primary and secondary traffic and bus inspection, toll collection and management, and currency exchange services. Featured in the design is a visitor services building, positioned to serve east- and west-bound travellers as well as local traffic. Further, a proposed two-story complex contains tolls and currency administration and potential opportunities for leased retail space. The plan accounts for two further expansions of the visitor services building, as warranted by traveller demand and private sector interest in leasing retail space.

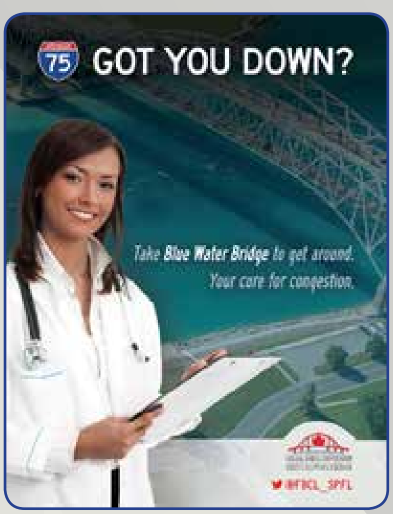
This Master Plan was updated in late 2016 with information collected since 2013 and from traffic and economic surveys.

From the original Master Plan, five key elements were identified as priorities and are in the planning stages:

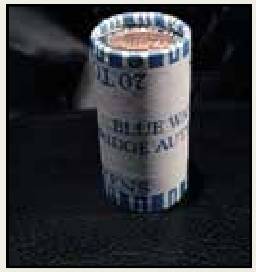
1. An emergency return access ramp;
2. Improvements in the plaza generator load banks for emergency electrical backup;
3. Demolition of the former administration building and creation of a commercial vehicle parking area;
4. Widening of Front Street on-ramp; and,
5. Construction of a roundabout for improved traffic management in anticipation of a future visitor rest area.

5.3.2 Revenue Generation

FBCL reviews the toll rate biannually on April 1 and October 1 to accommodate for changes in currency rates and other economic factors. Operational toll rates are based on the overall capital requirements of the Corporation and debt repayment necessities.



5.3.3 Tokens



This location was one of the last to maintain the use of pre-paid tokens as a method of payment. These tokens, in general, were intended for the most frequent passenger traffic or commuters. While certainly being cost-effective for the individuals, it was a very costly payment program to administer. Customers' investment in this mode of payment will be honoured while discontinuing the sale of new tokens. Once the automated tolling system is fully activated, an alternative system involving self-managed accounts featuring contactless payment cards will be implemented.

5.3.4 Currency Exchange Service

A currency exchange activity is in place at the Blue Water Bridge that serves two purposes: i) revenue generation for sustainability of infrastructure and operations and, ii) diversified product and services offering to bridge customers.

The currency exchange service now falls within the definition of a Money Service Business for purposes of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. As such, since 2008, it has been required to register with Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). A number of registration, policy, processes and reporting obligations are required to be maintained in order to be compliant with FINTRAC.

5.4 THOUSAND ISLANDS INTERNATIONAL BRIDGE

This section addresses details of programs and priorities as they relate uniquely to the Thousand Islands crossing.

5.4.1 Asset Management

Bridge(s) Condition and Maintenance (ongoing): The annual inspection concluded that the overall condition of the bridge is good. Regular maintenance activities consistent with the recommendations from the inspection report are carried out each year. Maintenance works and repairs planned in the next five years are the rehabilitation of concrete piers at the Canadian bridge and asphalt replacement at the Canadian maintenance garage.

Rehabilitation of CBSA Lansdowne Port of Entry (completion planned for March 31, 2018):

This Port of Entry, in operation since the 1950's, had been identified as a priority in the Canada/United States Beyond the Border Action Plan as announced by the Government of Canada in April 2013. As such, a full modernization and expansion of the CBSA facilities will be completed. Major elements include the:

- Demolition of the current primary-inspection-lanes (PILs), main CBSA building, commercial examination warehouse and secondary examination facilities;
- Construction of new PILs, office space, secondary commercial examination facilities;
- Improvement of the road configuration and traffic routing; and,
- Construction of a small maintenance and storage garage and brokerage facilities.

A $60M rehabilitation project began in 2014. The contracts for mass rock excavation; construction of the utility and service building and the temporary commercial facilities have been fulfilled. The contract for the construction of the CBSA traffic and commercial building has been awarded and construction mobilization has commenced. The project is estimated for completion by 2017-18.

Pier 10, 12 and 13 Rehabilitation (planning): The concrete piers were rehabilitated in 2000. Over the last few years of bridge inspections, Piers 10, 12 & 13 were found to be in fair condition but were observed to show some signs of surface failures. In 2014, a comprehensive condition survey of recommended rehabilitation of these piers was undertaken. The contract to rehabilitate the piers, valued at $2.2M, has been initiated and the works are scheduled to be completed in 2017-2018.

Partial opening ceremony for the new Port of Entry at Lansdowne which has been in the works since 2014

Acting Vice-President, Engineering Thye Lee with CBSA Director Shawn Hoag at the opening of the ceremony

5.4.2 Revenue Generation

The toll rate is reviewed for economic factors and exchange rate effects on a monthly basis by the bridge operator. Operational toll rate increases are based on the overall capital requirements of the Corporation in coordination with the US partner.

The Thousand Islands toll infrastructure renewal project involves the replacement of the existing computerized toll system in all toll collection lanes in both Canada and the U.S. Toll Plazas. It involves the complete modernization of the existing infrastructure. Subsequent to a feasibility study, the best toll system based on the pre-penetration rate of existing technology was identified to be the E-Z Pass system. Given the status of the U.S. partner, TIBA, as an entity of the County of Jefferson of the State of New York, it has the ability to collaborate with the New York State Thruway Authority system in order to gain economies of scale. The new system allows for commercial travelers to directly manage their toll accounts online and travellers can connect through one account across the entire Eastern United States.

The civil infrastructure project on both the Canadian and US sides of the bridge is jointly funded and FBCL's portion is estimated at $2.6M.

5.4.3 Trade and Border Support

The plaza redevelopment activities will provide a framework for continued dialogue with strategic local stakeholders with an overall objective of improving trade and border support. Once completed, the new plaza and CBSA facilities will be three times larger than the current operation and will provide new technologies that will support the use of efficient frequent traveller programs. The new facilities will contribute significantly to the ongoing bridge safety, security and border infrastructure renewal. The completion of primary construction is expected during Summer 2017 and works will continue until March 2018.

Aerial view of the new Lansdowne Port of Entry

5.5 SEAWAY INTERNATIONAL BRIDGE

This section addresses details of programs and priorities as they relate uniquely to the Seaway International Bridge Crossing.

North Channel Bridge linking the City of Cornwall and Cornwall Island

5.5.1 Asset Management

Bridge(s) Condition and Maintenance: The North Channel Bridge has been newly constructed and opened in 2014. The South Channel Bridge is considered to be in good condition according to annual inspection reports for the Canadian and American portions of the bridge.

North Channel Bridge (completion planned for Spring, 2017): This $74.8M project encompasses the construction of a new low-level bridge, demolition of the North Channel Span of the Seaway International Bridge crossing, as well as related infrastructure improvements. The new bridge and toll facilities were opened to traffic in January 2014. In parallel, we delivered the project and construction management services for the temporary CBSA-funded Port of Entry. The highly technical demolition works of the old high-level bridge structure were initiated in mid-2014 and completed in 2016.

Paving Brookdale Avenue

The final contract for the realignment of Brookdale Avenue and 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, was tendered in the spring 2016. This contract required an agreement with the City of Cornwall to incorporate upgrades to sewer, storm and water infrastructure for the realigned roadway. The full project was completed in December 2016 with final paving and landscaping to be wrapped up in the spring of 2017 in accordance with standard operating procedures.

International Road ($4M; 2017-2019): The International Road covers lands in Canada, owned by FBCL, that span between the North Channel Bridge and South Channel Bridge in Cornwall and together make up the Seaway International Bridge Crossing.

View of a portion of the International Road

The environmental assessment has been initiated to complete the project. The scope of the roadway reconstruction includes reconfiguration of the north and south channel bridge approaches and infrastructure renewal.

5.5.2 Revenue Generation

Currently, the subsidiary, SIBC, is barely profitable. Despite the fact that the Board of Directors of SIBC is very actively engaged in managing the budget and actual results of that entity. This bridge location is challenged both by historical government arrangements providing the Mohawk community with free passage (resulting in unrealized toll revenues of nearly $5M in

2016-17) and the significant decline in cross-border travels linked to the deteriorating value of the Canadian dollar and regional economic challenges. At this time, the Corporation is forecasting a break-even financial forecast for the next few years despite having implemented significant cost restraint measures in the current year.

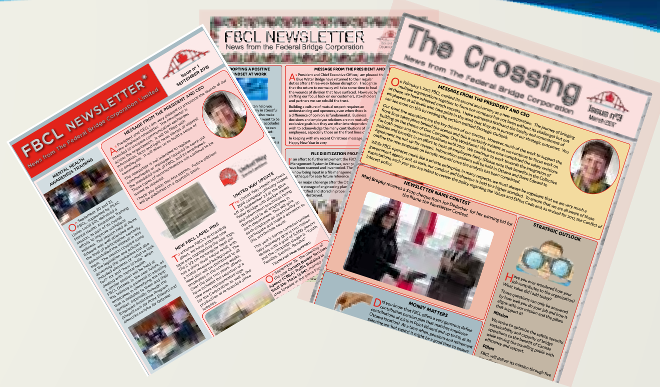
Toll facilities at the North Channel Bridge

Toll rates at this crossing are reviewed regularly by the bridge operator to adjust for currency exchange factors and nearby competitive pressures. Operational toll rate increases are not feasible as the present rates are deemed to already be at the limit of the community and the user's ability to pay. This is visibly reflected in the effect of toll rate changes on bridge crossings.

5.5.3 Trade and Border Support

Aerial view of the Cornwall Port of Entry

The construction activities have provided a framework for continued dialogue with strategic local stakeholders with an overall objective of improving trade and border support. The Seaway crossing is the most operationally complex as it not only joins two countries but spans an indigenous reserve that extends into two provinces and one state. All activities undertaken at this location must include consideration for indigenous concerns.



5.6 CORPORATE SERVICES

The integration of corporate services functions continues to play a key role in achieving internal efficiencies and enabling operations. This fiscal year saw some critical success in how we define our business practices and how we support our employees.

From an information technology (IT) perspective, the Corporation's IT infrastructure is centralized at our Point Edward location. This provides the backbone for a cohesive IT environment which allows a shared platform for enterprise wide systems. This year, in addition to shared hardware and software capacity, the financial system was upgraded to a single system for all locations. Plans are well underway for the adoption of unified human resources and information management systems.

In an effort to integrate the workforce, a multi-year plan was launched, under the banner of HR Modernization and Integration Initiative. The goal of the initiative was to align remuneration and HR policies across the organization to conceptually introduce a "One Company. One Workforce" philosophy. The philosophy illustrates our commitment to fairness and mutual respect for all employees, no matter where they are geographically or hierarchically within the organization, knowing that their pay, benefits and HR policies are based on similar principles. In July 2016, the salary for non-represented employees was standardized based on the comprehensive study and recommendations of a global management consulting firm whose reputation is considered to be the bench mark in this field of expertise. Plans for pension and group benefits renewal are targeted for fall 2017.

With respect to our unionized staff, a collective agreement was signed in December 2016. Unfortunately, a dispute with the union over wages and benefits resulted in a three week labour disruption. Management and non-represented employees were redeployed to operational roles to keep the Blue Water Bridge (Point Edward) fully operational. The collective agreement and the HR Modernization and Integration Initiative will ensure labour stability until November 2019.

The Corporation also undertook to promote employee wellness and mental health in the workplace, introduced an employee newsletter and acknowledged employees at various employee recognition and appreciation events.

5.7 PERFORMANCE ASSESSMENT

The following are the corporate objectives, strategies and performance targets by activity that were delivered in 2016-17.

Program 1 – Asset Management

Objective	Performance Indicators	Timeline	Status
1. Mitigate risks through regular bridge inspections, undertake all minor repairs within available funding and identify/prioritize long-term major rehabilitation requirements	Reporting results of the inspection program and repairs undertaken at each bridge	Annually	Met. Inspections undertaken at the four bridges. All considered to be in good condition with maintenance performed as required. Inspection reports submitted to Transport Canada.
	Formal reports on asset risks as part of Enterprise Risk Management (ERM)	Annually	Met. Bridge asset risks are assessed quarterly. Reports presented to Boards of Directors. Additional in-depth information is being collected for analysis and reporting.
2. Develop asset management program	Complete detailed inventory of assets	2016-17	In Progress. Committed to objective. Presently in planning stage.
	Inspect and validate useful life of each asset including cyclical interventions as required	2016-18	Committed to objective. Presently in planning stage.
	Select and implement asset management system to collect, analyze and report on asset data	2017-19	Committed to objective. Presently in planning stage.
	Establish long-term asset management plan	2018-19	Committed to objective. Presently in planning stage.
3. Enhance electronic and automation capacity of toll systems at international bridges	Implement electronic tolling at international bridges as follows: • Blue Water	2015-17	Partially Met. Equipment in place and in use for all lanes. Back office systems are active. Software gaps are being addressed to achieve full functionality.
	• Thousand Islands	2016-17	Ongoing. Toll infrastructure works initiated. New toll software implementation displaced to 2018-19 due to receipt of unexpectedly high priced proposals.
4. Deliver government funded major international bridge construction projects	Sault Ste. Marie: Customs Plaza Rehabilitation ($51.6M)	2013-18	Ongoing. Project on time and on budget for completion. The CBSA traffic building, maintenance garage and Duty Free store have been completed.
	Thousand Islands: Renewal of the CBSA facility ($60M)	2014-18	Ongoing. Project on time and on budget for completion. Utility and service building completed, primary building erected and civil works are well advanced.
	Cornwall: North Channel Bridge ($74.8M)	2014-17	Ongoing. Substantively complete. Final weather dependent landscaping elements being delivered in 2017.

Program 2 – Revenue Generation

Objective	Performance Indicators	Timeline	Status
1. Align toll rate policies and business rules within the portfolio	Progress towards alignment	Annually	Ongoing. All policies aligned for changes in foreign exchange values.
	Development and implementation of a tolling internal audit program	2017-18	Ongoing. Committed to objective. Dependent on finalization of the toll software project.
2. Review robustness and service delivery methods of currency exchange activity	Maintain FINTRAC compliance for currency exchange activity	Annually	Met.
3. Review revenue generation opportunities to assist in funding long-term capital requirements	Secure additional rent or lease all available facilities within bridge plazas	2016-18	Ongoing. Eligible leases renewed.
	Seek other sources of revenue	Annually	Ongoing. Resources assigned to lead revenue diversification activities.

Program 3 – Trade and Border Support

Objective	Performance Indicators	Timeline	Status
1. Ensure security programs are in place at all international crossings	Security plans and programs at all locations are reviewed and meet all IBTA requirements	Annually	Met.
2. Enhance emergency preparedness	Emergency Management Plans at each location are reviewed	Annually	Met.
	Strategic Emergency Management Plan developed	2016-17	In Progress. Renewed Strategic Emergency Management Plan will form the basis of broader strategic plan.
3. Support needs of federal partners CBSA and CFIA	Provide necessary services as per legislation for CBSA and CFIA to meet their border objectives	Annually	Met. Delivering two new facilities in Sault Ste. Marie and Thousand Islands. Provided ongoing facilities support and maintenance at four international bridge locations.

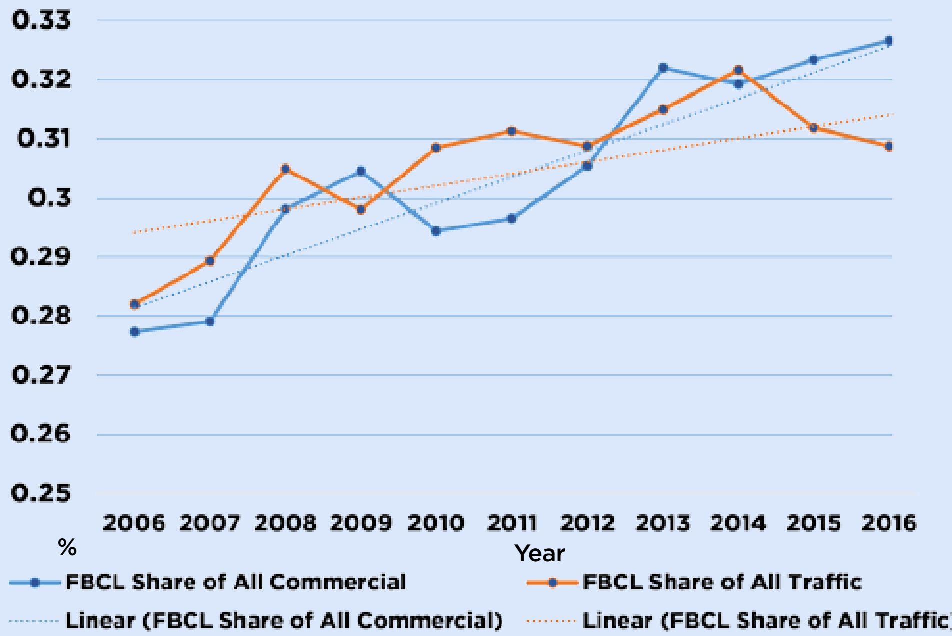
Program 4 – Internal Services

Objective	Performance Indicators	Timeline	Status
1. Implement a common policy framework	Inventory of internal services and policies, processes and systems completed and integration plan established	2015-17	Met.
	Internal services policies, processes and systems (HR, Finance, IT) integrated	2015-17	Partially Met. IT infrastructure and compensation systems largely completed. Finance integration plan implementation advanced. Employee benefits review underway.
2. Deliver amalgamation as announced in *Bill C-4 Economic Action Plan 2013 Act, No. 2*	International agreement negotiated and amalgamation with SIBC completed (dependant on TC bi-national discussions)	To be determined	Not met. Contingent upon an agreement being reached with the U.S. partner, SLSDC. Transport Canada is lead in federal bi-lateral discussions.
3. Enhance stakeholder communications ensuring that users are well informed of corporate changes, the status of works and resulting traffic disruptions using social media and other tools	Complete renewal of website	2016-17	Basic website integration completed. In-depth renewal planned for next year.
	Tracking statistics on number of subscribers and visitors to social media sites, and other mechanisms used	Annually	Met.
4. Develop foundation for a customer relationship management strategy	Portfolio baseline data on commercial and passenger clients collected, analyzed and gaps identified	2017-18	Ongoing. Base data available for all bridges. Analysis and gap identification initiated.
	Customer surveys conducted on a prioritized basis	2016-18	Committed to objective. Initial planning underway.
5. Pension plan directive implementation	Status of pension implementation strategy	2017	Committed to objective. Implementation plan under development for timely completion.
6. Financial self-sufficiency	Degree to which toll revenue covers expenses by crossing and portfolio-wide	Annually	Met. Ratio of revenues to expenses (1.16) were improved compared to prior year (1.06).
7. Financial system integration	Full integration of financial systems and enhancements	2016-18	Met. All users were migrated to common system.
8. Information management and technology	Complete integration of network	2016-17	Met.
	Integration and improvement of information management systems	2016-20	Ongoing. Needs assessment under way for information management, human resources and asset management systems.
9. Negotiate a new collective agreement with the bargaining agent for unionized employees	Conclusion of negotiations between management and union including ratification of new collective agreement	2016	Met. Collective agreement signed December 2016.

5.8 TRAFFIC TRENDS

The volatility in the value of the Canadian dollar continues to impact traffic patterns. A decline in the dollar typically decreases passenger traffic but this decline is traditionally offset by increases in commercial traffic due to increasing exports. This expected pattern shift has been slower in materializing in this cycle but signs of growth have finally begun to appear. In comparing calendar 2015 to 2016 for all four international bridges, commercial traffic has increased by 3.55% overall. Total traffic has decreased by almost 2% but this loss is lessening relative to the prior year. Both of these trend variables are encouraging.

Land transport and commercial trucking in particular play key roles in the health of Canada's international trade. Traffic at FBCL administered crossings is therefore a real-time reflection of the present state of Canada's economy. Commercial traffic is a gauge of the strength of Canadian import and export activities.



The figure on the right shows trends in FBCL market share of traffic. FBCL market share is growing although the growth in commercial traffic is outpacing that of overall traffic. FBCL's share growth within the lucrative commercial market demonstrates positive contrast to commercial traffic using all of Ontario's other international crossings.

Sault Ste. Marie, due to the significant regression of its regional economic base, has been the slowest to recover. Other bridges have begun to rebound at a healthier pace. Growth may not yet have been achieved across the board but declines have begun to lessen which is an indicator of a potential bottom and future progress.

AUTO			YEAR OVER YEAR VARIANCE		COMMERCIAL		YEAR OVER YEAR VARIANCE	
LOCATION	2017	2016	#	%	2017	2016	#	%
Sault Ste. Marie	1,284,028	1,380,005	(95,977)	-7,0%	141,335	133,355	7,980	6,0%
Point Edward *	2,974,706	3,106,663	(131,957)	-4,2%	1,693,597	1,631,765	61,832	3,8%
Lansdowne	1,613,152	1,609,494	3,658	0,2%	395,885	404,632	(8,747)	-2,2%
Cornwall	2,235,472	2,204,688	30,784	1,4%	68,906	66,553	2,353	3,5%
Paid	637,141	662,531	(25,390)	-3,8%	50,134	47,898	2,236	4,7%
Free passage	1,598,331	1,542,157	56,174	3,6%	18,772	18,655	117	0,6%

* This represents the total traffic on the bridge. FBCL earns revenue only from the Canadian half of the crossing (from Canada to the U.S.). Additionally, this crossing had one span closed for construction for the first three months of the fiscal year.

5.9 CANADIAN ENVIRONMENTAL ASSESSMENT ACT REPORTING

In all of its activities, FBCL is guided by key principles of environmental sustainability, including pollution prevention, preservation of environmental integrity, efficient use of resources, and continuous improvement.

FBCL is committed to take action to mitigate adverse environmental impacts arising from development and operations, and to build considerations of environmental sustainability into planning, decision-making, and management processes.

There were no projects determined as being likely to cause significant adverse environmental effects during this period.

6 MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) outlines FBCL's financial results and operational changes for the year ended March 31, 2017. This MD&A should be read in conjunction with FBCL's audited annual financial statements and accompanying notes for the year ended March 31, 2017. These financial statements and notes have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in thousands of Canadian dollars. All information is current as of June 29, 2017, unless otherwise stated.

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 the organization to be materially different from any future results and performance expressed or implied by such forward-looking information.

Materiality

In assessing what information is to be provided in this 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.

6.1 ANALYSIS OF FINANCIAL RESULTS

6.1.1 FBCL Revenue and Portfolio Model

FBCL's revenues are derived from four primary sources: tolls and services, leases and permits, currency exchange services, and interest income. FBCL also receives Government of Canada funding for ongoing major capital projects at three locations. The profitability of FBCL is directly attributable to traffic levels that traverse its four international bridge crossings and these are affected by a number of factors, including fluctuating currency exchange rates, the strength/weakness of both the Canadian and the U.S. economies and tourism in its local bridge-specific areas. FBCL's revenues improve with increases in economic activity of both Canada and the U.S., since its bridges are major international crossings between the two trading nations. Historically, when the U.S. economy is robust or expanding, exports of Canadian products tend to rise. A growing Canadian economy will also result in an increase in the flow of goods, services and people across the two countries' land borders.

FBCL has a significant responsibility inherent in the ownership and management of its bridges and associated structures, that of stewardship and public interest. Under FBCL's portfolio financial model, all revenues are used for bridge operations, ancillary bridge-related activities, construction, repairs and maintenance, debt payments and other activities within its mandate. From an operating point-of-view, sustainability of each location's operations through revenue generated is inherent in FBCL's mandate; however, requirements for major rehabilitation or replacement of bridges (i.e. new North Channel Bridge in Cornwall) and requirements arising from replacement of CBSA facilities (i.e. Customs Plaza rehabilitations at Sault Ste. Marie and Lansdowne) have been supported with federal funding.

6.2 CONSOLIDATED FINANCIAL RESULTS

6.2.1 Consolidated Statement of Financial Position

At the fiscal period ended March 31, 2017, the Consolidated Statement of Financial Position for FBCL was reflected in the following manner:

Consolidated Statement of Financial Position ($000's)	Budget 2017	**March 31, 2017**	March 31, 2016
	$	**$**	$
Assets			
Financial assets	33,955	**49,032**	47,511
Non-financial assets	386,196	**384,386**	340,548
Other assets	500	**914**	687
Total assets	**420,651**	**434,332**	**388,746**
Current assets	*28,155*	***42,881***	*43,118*
Non-current assets	*392,496*	***391,451***	*345,628*
Liabilities			
Provisions	225	**5,566**	3,988
Deferred capital funding	75,577	**83,156**	30,900
Deferred revenue	4,750	**4,518**	5,171
Long-term employee benefits	8,150	**7,573**	7,435
Long-term debt	79,966	**80,037**	88,312
Other liabilities	11,156	**15,780**	14,137
Total liabilities	**179,824**	**196,630**	**149,943**
Current liabilities	*24,739*	***30,608***	*28,345*
Non-current liabilities	*155,085*	***166,022***	*121,598*
Total equity	**240,827**	**237,702**	**238,803**

6.2.2 Assets

Total assets of $434.3M have increased by $45.6M from the prior year and are $13.6M higher than budget.

The primary component is capital assets (including property, plant & equipment, investment properties, and intangible assets) of $384.4M. Current year capital assets acquisitions are $58.1M and relate primarily to roadway improvements at the Sault Ste. Marie Customs Plaza Redevelopment, the Lansdowne Customs Facility construction and the new Cornwall North Channel Bridge. Acquisitions are $7.4M higher than budget due to an accelerated construction schedule of the Lansdowne Customs Facility. Depreciation of $14.2M is $1.3M higher than the prior year and $2.1M higher than budget as the Sault Ste. Marie Customs Plaza Redevelopment project components are now being depreciated and the useful lives of various assets were revised on a prospective basis as at March 31, 2016.

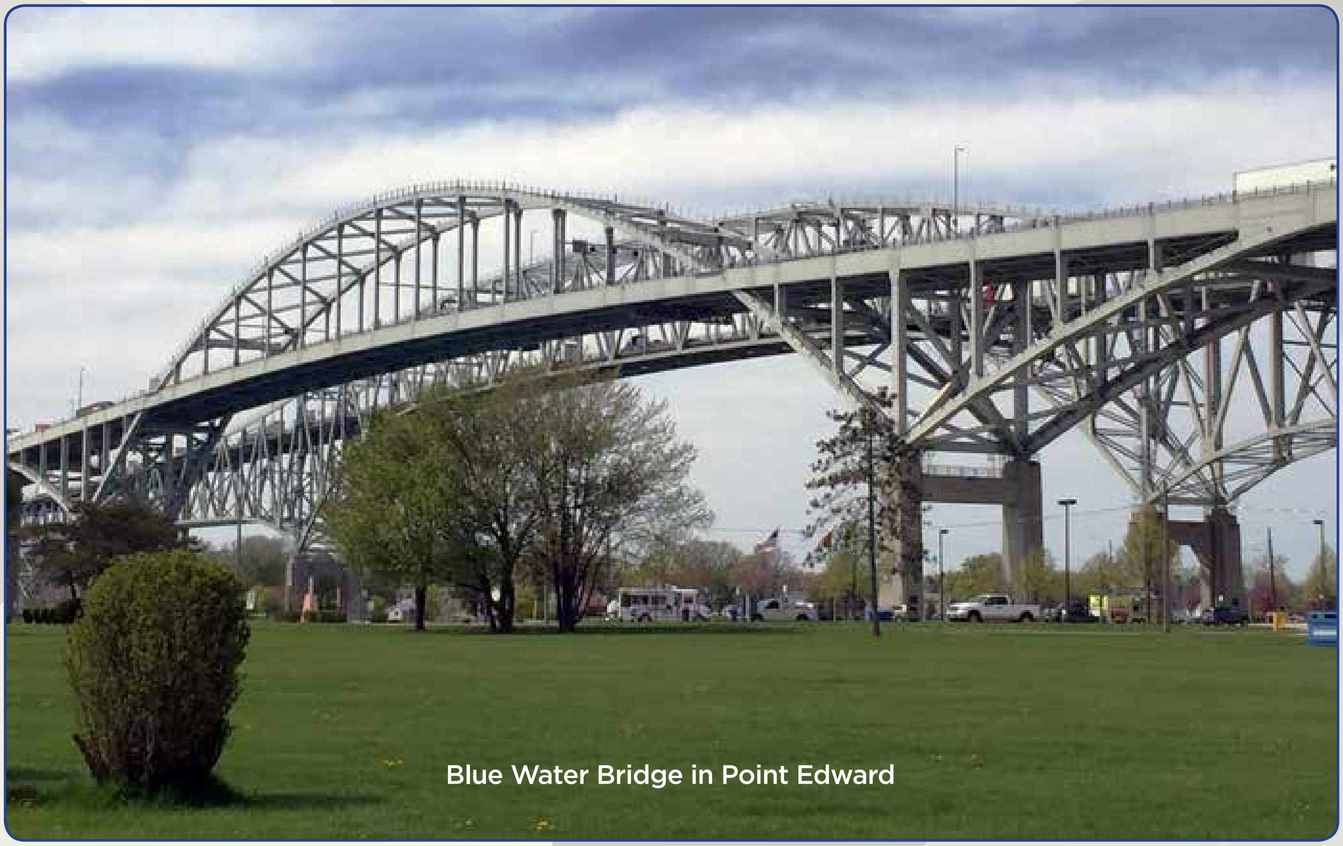
Financial assets composed of cash and cash equivalents, trade and other receivables, and total investments represent the remaining $49.9M in assets that have increased by $1.5M compared to the prior year and $15.0M higher than budget representative of variances in the working capital of the major capital projects.

6.2.3 Liabilities

Total liabilities have increased by $46.7M from the prior year and are $16.8M higher than budget.

Current liabilities of $30.6M, are $2.3M higher as compared to the prior year and $5.9M higher than budget. The main variance relates to the current portion of the deferred capital funding increasing by $1.6M over the prior year and $0.5M higher than budget as major capital projects have been partially completed this year and/or will be completed in the year ahead. This results in a movement from non-current deferred capital funding in the prior year to current deferred capital funding this year. Trade and other payables, provisions and holdbacks are also $0.3M higher as compared to the prior year and $7.2M higher than budget. The variance to budget relates to timing of capital project payments.

Non-current liabilities of $166.0M are $44.4M higher as compared to the prior year and $10.9M higher than budget. Included in this variance is deferred capital funding that has increased $50.6M from the prior year and is $7.1M more than budget. This portion of FBCL's financial statements will continue to grow significantly as major capital projects are funded by the federal government. The construction of the Lansdowne Customs Facility project is ahead of schedule resulting in actual deferred capital funding being higher than budgeted. This funding is recorded as a liability and will be recognized in FBCL's Consolidated Statement of Comprehensive Income in future years when these assets are in use (funding will be included with an offsetting depreciation expense). Since its amalgamation in 2015, the Corporation has made a decision to pay down its bank loans as they reach their respective renewal dates. This direction was taken given the strong state of FBCL's current assets. During the year, non-current loans and bonds payable have decreased by $9.2M compared to the prior period and are in line with budget. This includes a transfer to current liabilities of $4.6M as one of the loans will be repaid in the next fiscal year in addition to the regular scheduled bond principal payments of $4.6M. Non-current provisions of $4.2M are $2.7M higher than the prior year and $4.2M higher than budget. These provisions include a new element for the decommissioning of the in-water piers in Cornwall whereas the prior year's provision included decommissioning and environmental liabilities relating to the Sault Ste. Marie Customs Plaza Redevelopment project and Lansdowne Customs Facility construction. All projects, other than the in-water piers, will be completed in the next fiscal year and consequently are now presented as current liabilities.



Blue Water Bridge in Point Edward

6.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6.3.1 Consolidated Revenue and Expenses

FBCL's consolidated revenue for the operating period totaled $43.6M and the consolidated operating expenses totaled $41.5M.

Consolidated Statement of Income ($000's)	Budget 2017	**March 31, 2017**	March 31, 2017
	$	**$**	$
Tolls	26,757	**30,955**	27,756
Thousand Islands International Bridge toll re	5,793	**6,451**	6,076
Leases and permits	3,595	**4,166**	4,085
Currency exchange	1,350	**1,216**	1,304
Interest	618	**553**	578
Other	33	**270**	366
Total revenue	38,146	**43,611**	40,165
Operations	7,805	**7,684**	5,778
Thousand Islands International Bridge expen	5,519	**6,944**	6,430
Currency exchange	896	**670**	764
Maintenance	10,072	**14,896**	14,468
CBSA & CFIA operations	4,508	**4,493**	4,238
Administration	7,597	**7,605**	7,443
Total expenses	36,397	**42,292**	39,121
Operating income before government funding and interest	1,749	**1,319**	1,044
Government funding	3,854	**3,135**	10,000
Interest expense	(5,094)	**(5,114)**	(5,529)
Net income	509	**(660)**	5,515

6.3.2 Revenue

Revenue of $43.6M is made up of tolls and services (at FBCL's owned and joint operations crossings), Thousand Islands International Bridge toll revenue, leases and permits, currency exchange, interest, and other. Revenues are $3.4M higher than the prior year and $5.5M higher than budget mainly attributable to higher toll revenue. This fiscal year the exchange rates hovered around C$1.33 to US$1.00 (2016 – C$1.40 to US$1.00) for much of the year causing many travelers to not cross the borders. Toll rates were also adjusted in accordance with this currency fluctuation. There has been a decrease in total traffic across all four international bridges of 2.1%, variances between locations ranging from 0.3% to 5.8%. Passenger traffic across all bridges has decreased by 3.7% however commercial traffic crossing all bridges has increased by 2.9%. Although overall traffic volumes have decreased there is an increase in total tolls revenue as commercial traffic has increased due to the improvement in the U.S. economy and increasing exports due to the decrease in the value of the Canadian dollar.

6.3.3 Expenses

Expenses are made up of operations, maintenance, Thousand Islands International Bridge expenses, currency exchange, CBSA and CFIA, and administration. Expenses are $3.2M higher than the prior year and $5.9M higher than budget.

The total increase when compared to the prior year and budget are the results of numerous contributing factors. The most significant difference when compared to budget is depreciation of $14.2M which is $1.3M higher compared to prior year and $2.1M higher than budget. The difference is due to assets relating to the Sault Ste. Marie Customs Plaza Redevelopment project which are now being depreciated and previous changes to various assets' useful lives.

Operations expense of $7.7M and is $1.9M higher compared to the prior year and in line with budget. This increase is as a result of a higher foreign exchange loss of $0.6M, an increase in depreciation of $0.3M as well as an increase of $0.3M in operations costs related to additional security and other costs incurred during the labour disruption.

Thousand Islands International Bridge expense of $7.0M is $0.5M higher than the prior year and $1.4M higher than budget. This is due to higher amortization of some assets of $0.4M and many expenses being incurred in USD. These expenses are subject to a higher foreign exchange loss on recognition of FBCL's share of the results for each type of expense (i.e. maintenance, operations, administration).

Currency exchange expense of $0.7M is comparable to the prior year and to budget.

Maintenance expense of $14.9M is $0.5M higher than the prior year and $4.9M higher than budget. In the prior year, the Corporation incurred a loss related to the write-off of certain assets of $3.1M as a result of assets that were replaced and were not yet fully depreciated as compared to minimal write-offs this fiscal year. The variance is in addition to a provision relating to the North Channel Bridge in-water piers in Cornwall increased by $3.5M. There is also an increase of $0.9M in depreciation. The difference to budget is attributed to depreciation being $1.6M over budget as well as the recognition of the in-water pier provision which resulted in an expense of $3.5M.

CBSA & CFIA operations expense is $4.5M and is comparable to the prior year and to budget.

Administration expense is $7.6M and is comparable to the prior year and to budget.

6.3.4 Government funding and interest expense

Government funding of $3.1M has decreased by $6.9M from than prior year and $0.7M lower than budget. In the prior year, the government funding was much higher as significant work was performed on the decommissioning of the old Cornwall North Channel Bridge and environmental clean-up. The variance to budget relates to the revisions made to the decommissioning of the old Cornwall North Channel Bridge.

Interest expense is $5.1M which is $0.4M lower than prior year and is comparable to budget. This decrease is due the payment of bank loans as they reach their respective renewal dates. During the year, non-current loans and bonds payable have decreased by $9.2M compared to the prior period resulting in a decrease in interest expense.

6.4 CONSOLIDATED STATEMENT OF CASH FLOW

During the fiscal year, the cash balance decreased by $4.5M.

Consolidated Statement of Cash Flow ($000's)	Budget	**March 31, 2017**	March 31, 2016
	$	**$**	$
Net cash generated by operating activites	6,391	**12,291**	12,149
Net cash used by investing activities	1,065	**(8,782)**	(16,751)
Net cash used by financing activities	(8,451)	**(8,275)**	(4,618)
Foreign exchange gain on cash and cash equivalents held in foreign currency	-	**257**	250
Net decrease in cash	(995)	**(4,509)**	(8,970)

Net cash generated by operating activities is $12.3M, comparable to the prior year and $5.9M higher than budget. Cash flow from operations are $0.9M higher than budgeted due to the increase in total revenues. Changes in working capital is $3.6M lower than budget related to the timing of payables as the Corporation continues to deliver on major capital projects as well as the recognition of the provision for the in-water piers in Cornwall.

Net cash used by investing activities is $8.8M, $8.0M higher than the prior year and $9.8M lower than budget. The primary difference relates to investments. During the current year overall investments decreased by $0.9M while it was budgeted that overall investments would decrease by $11.0M, this difference resulting as no investments were redeemed because net cash generated by operating activities were higher than budget. In the prior year, overall investments increased by $8.9M as surplus cash was placed into investments in order to earn a higher return.

Net cash used by financing activities is $8.3M, is comparable to budget and is $3.7M lower than the prior year. The difference between the current year and the prior year is a result of the Corporation's decision to pay down its bank loans as they reach their respective renewal dates.

6.5 ACCOUNTING POLICIES AND ESTIMATES

FBCL reports its consolidated financial statements in accordance to the International Financial Reporting Standards (IFRS), financial framework.

The preparation of the consolidated financial statements requires management to make estimates and judgements. The accounting estimates described below require particular complex or subjective judgments about matters that are inherently uncertain or where it is likely that materially different amounts could be reported under different conditions or using different assumptions. Actual results could differ from those estimates.

6.5.1 Property and Equipment, Intangible Assets and Investment Properties

Property and equipment, intangible assets and investment properties are depreciated over their useful lives. In order to establish useful lives for these assets, management uses its judgment to determine the componentization of these assets. A component is accounted for separately if it is significant in comparison to the value of the entire asset and if its useful life differs from the other components.

Useful lives are based on management's estimates of the periods of service provided by the assets as outlined in Note 2 of the consolidated financial statements. The appropriateness of useful lives of these assets is assessed annually.

6.5.2 Long-Lived Assets Valuation

The Corporation performs impairment testing on its long-lived assets, when circumstances indicate that there may be impairment. In addition, the Corporation performs impairment testing annually for intangible assets that are not yet available for use. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in determining the grouping of assets to identify their Cash Generating Units (CGU) for the purpose of impairment testing.

The Corporation assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The determination of the recoverable amount involves management judgment and estimation including those with respect to future cash inflows and outflows, discount rates and asset lives. If the current estimates of future performance and fair values change, these determinations will affect the amount of amortization recognized in future periods.

6.5.3 Employee Benefit Plans

The cost of other post-employment benefits and other long-term employee benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and management's best estimate of retirement ages of employees, and mortality rates, as well as expected health care costs for other post-employment benefits only. Discount rates used in actuarial calculations are based on long-term interest rates and can have a material effect on the employee benefit liabilities. Management employs external experts to advise the Corporation when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses.

6.5.4 Leases

The Corporation is party to many leasing arrangements, which requires management to determine whether the lease is a finance or operating lease. A lease is classified as a finance lease whenever the terms of the lease transfer substantially all of the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. The most significant judgment, in determining whether the lease transfers substantially all of the risks and rewards of ownership, is whether renewal options are reasonably assured to be exercised at the inception of the lease. The Corporation considers both the minimum lease payment as well as the contingent rent, in order to determine whether the renewal options are reasonably assured to be exercised at the inception of the lease. In management's judgment, all of the Corporation's leases are considered to be operating leases.

6.5.5 Joint Arrangements

Management applies judgment in assessing the Corporation's status when it is party to joint arrangements. In assessing if the Corporation has joint control of an arrangement, the parties involved must determine if the activities that significantly affect the returns of the arrangement are collectively considered. Once joint control is determined, the Corporation applies judgment in determining whether the arrangement is a joint operation or a joint venture. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. In Management's judgment, the Corporation has two arrangements that are determined to be joint operations, Sault Ste. Marie (SSMBA) and Cornwall (SIBC) crossings. The joint operation in Sault Ste. Marie is considered a foreign operation. The high interdependency between SSMBA and FBCL result in the functional currency judged by management to be the Canadian dollar. The SIBC operation is a 100% wholly owned subsidiary however, due to the international agreement governing its operations, it is considered a joint operation by management. Management accounts for the difference in equity distribution owed to (or due from) the U.S. partners of these agreements as an adjustment to cash and cash equivalents.

6.5.6 Thousand Islands International Bridge

There is a third arrangement with an international partner. TIBA was determined to not be jointly controlled by FBCL and therefore not a joint arrangement. Financial results are presented distinctly within the Consolidated Statement of Comprehensive Income as Thousand Islands International Bridge toll revenue and Thousand Islands International Bridge expenses. Further details are explained in Note 3 of the consolidated financial statements.

6.5.7 Contingencies and Provisions

The Corporation applies judgement in considering whether legal or constructive obligation exists.

a) Decommissioning Liability: This represents situations where the Corporation will dismantle and remove an asset, and restore the site to its condition before those assets were constructed. Under these types of demolitions, the demolition costs will be capitalized to the cost of the new asset being constructed and booked as site preparation costs. However, in the case where an entire set of assets are being demolished as a result of a government decision (legal obligation), a decommissioning liability to account for the demolition costs is recorded and capitalized to the cost of the asset being demolished.

   Estimates are used for the provision using the cash flows estimated to settle the present obligation, the time required to settle the obligation, and the determination for discount rates used in the calculations. The Corporation's management has assessed estimates and judgments in relation to decommissioning liabilities at Cornwall, Sault Ste. Marie and Thousand Islands.

b) Contaminated land: This represents situations where the Corporation must assess the need to record a provision or disclose a contingent liability if as a result of a past event, whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and whether a reasonable estimate can be made of the amount of the obligation.

In determining a reliable estimate of the obligation, management makes assumptions about the amount, likelihood, and timing of outflows, as well as the appropriate discount rate. Factors affecting these assumptions include the nature of the provision, the existence of a claim amount, opinions or views of legal counsel and other advisers, experience in similar circumstances, and any decision of management as to how the Corporation intends to handle the obligation. The actual amount and timing of outflows may deviate from assumptions, and the difference might materially affect future consolidated financial statements, with a potentially adverse impact on the consolidated results of operations, financial position and liquidity. The Corporation's management has assessed estimates and judgments in relation to a contaminated land liability at one location, and has determined that removing the contaminated soil and treating contaminated ground water has met the stated criteria above and it is the Corporation's obligation to remediate the soil and ground water per environmental legislation.

6.6 REPORT ON ANNUAL EXPENDITURES FOR TRAVEL, HOSPITALITY, AND CONFERENCES FOR 2016-17

Effective July 2015, Crown corporations have been instructed per section 89 of the FAA to:

(a) align their travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations; and

(b) to report on the implementation of this directive in their next corporate plan.

FBCL has complied with this directive and has implemented a new *Policy on Travel, Hospitality, Conference and Event Expenditures*. As per the Treasury Board requirements, this report provides information on the total annual expenditures for each of travel, hospitality, and conferences for the Corporation for the fiscal year ending March 31, 2017. Comparative information to budget and the prior year will be compiled for future years.

Expenditures on travel, hospitality, and conference fees incurred by the Corporation are directly related to supporting its mandate, in particular, the portfolio of international bridges at four locations in Sault Ste. Marie, Point Edward, Lansdowne and Cornwall.

Annual expenditures for Travel, Hospitality, and Conferences of the Corporation:

Year ending March 31 ($000's)	**2017**	2016
	$	$
Travel	**242**	220
Hospitality	**-**	-
Conferences	**36**	40
Events	**3**	3
Total	**281**	263

6.7 OUTLOOK

FBCL utilizes a portfolio management approach to its international bridge management. In doing so, it must also continue to review its plans and operations on a bridge by bridge basis to ensure long-term financial sustainability at all international crossings. For example, in the prior year, toll rate adjustments were introduced as part of the regular exchange rate equalization at the Sault Ste. Marie crossing, and a similar toll rate equalization policy was implemented at the Point Edward crossing and to mitigate financial pressures at the Cornwall crossing brought on by the devaluing Canadian dollar and lower volume of paying transits. Additionally, FBCL continues to face increasing CBSA and CFIA requirements at its international crossings with new facilities being expanded to three times the original plaza. While the Corporation received government funding for the capital investment in these facilities, operating costs are the responsibility of the corporation. A balance must be achieved between the facilities operating requirements of these agencies and the funding availability.

The economic forecast of a low Canadian dollar will likely continue to depress passenger traffic for the foreseeable future. This has not only affected the Corporation's international bridges, but the international bridges between Canada and the U.S. Proactive management decisions to reduce costs, where possible, and the adjustment of toll rates during the prior year have provided for stability. The Corporation's revenue and portfolio model allows it to monitor bridges both individually and in total, whereby reductions at one bridge in passenger volume may be offset by increase in commercial trucking revenue at other locations.

The Corporation also continues the benchmarking of best practices across all of its locations in order to gain efficiencies that can be exploited, either through operations, maintenance, or administrative costs. This is necessary for the repayment of debt and also to build sufficient reserve to pay for longer term capital projects.

With adjustment to toll rates and the close monitoring of expenses, the Corporation forecasts continued cash flow positive and net income results for the coming years.

Year ending March 31 ($000's)	Budget 2018	Budget 2019	Budget 2020	Budget 2021	Budget 2022
	$	$	$	$	$
Tolls and services	31,048	31,351	31,937	33,082	33,404
Leases and permits	4,200	4,236	4,273	4,310	4,347
Currency exchange	1,313	1,326	1,339	1,353	1,366
International Thousand Islands Bridge revenue	6,541	6,573	6,606	6,970	7,004
Interest	641	594	556	519	520
Other	33	35	36	37	39
Total revenue	**43,776**	**44,115**	**44,747**	**46,271**	**46,680**
Operations	5,953	5,763	5,922	5,246	5,372
Thousand Islands International Bridge expenses	4,345	4,424	4,667	4,749	4,834
Currency exchange	873	896	919	943	967
Maintenance	5,042	5,119	5,153	5,282	5,434
CBSA & CFIA operations	2,174	2,463	2,742	2,809	2,877
Administration	6,644	6,817	6,876	7,057	7,246
Restructuring costs	200	-	-	-	-
Depreciation	14,584	17,137	15,846	15,808	15,957
Total expenses	39,815	42,619	42,125	41,894	42,687
Operating income before government funding and interest	3,961	1,496	2,622	4,377	3,993
Government funding	2,237	3,694	3,694	3,694	3,694
Interest expense	(4,753)	(4,266)	(3,847)	(3,471)	(3,031)
Net income	**1,445**	**924**	**2,469**	**4,600**	**4,656**

In Sault Ste. Marie, plaza improvements on both sides of the border continue to improve the functionality and appearance of the crossing. On the U.S. side of the border, new toll collection and operational management buildings have modernized the crossing. On the Canadian side of the border, the rehabilitation of the Canadian Plaza continues. The work, which is valued at $51.6M, is funded through the Gateway and Border Crossings Fund and is anticipated to be completed by March 2018. Traffic flow impacts and impairment of bridge operations continues to be held to a minimum during the construction process.

In Point Edward, a roll-out of on-line self-managed accounts occurred in March 2016, in conjunction with additional service offerings at the toll booths, including automated toll machines which accept a range of payment options.

In Lansdowne, work is now well underway on the construction of a new customs facility. In April 2016 a $44.0M contract was awarded for the construction of the new facilities, after much of the site preparations work, including rock excavation, was completed in the prior year. This work is well on track and ahead of schedule and the entire $60.0M project is expected to be completed by March 2018.

In Cornwall, the old North Channel Bridge demolition is complete and attention has now shifted towards the realignment of traffic flow along Brookdale Avenue, the major route leading to the international crossing, and corridor improvement on Cornwall Island to improve infrastructure and safety. The effect of the currency fluctuation combined with the increasing amount of free passage provided to the Mohawk community per legacy federal government agreements is expected to contribute to ongoing financial challenges at this location for the year ahead and perhaps beyond. These operations are being monitored closely to mitigate this risk.

Stormy weather near the Canadian span of the Sault Ste. Marie International Bridge (photo courtsey of IBA)

7 CONSOLIDATED FINANCIAL STATEMENTS

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Management's Responsibility for Financial Statements

The consolidated financial statements contained in this Annual Report have been prepared by The Federal Bridge Corporation Limited (FBCL) management in accordance with International Financial Reporting Standards (IFRS). The integrity and objectivity of the data in these consolidated financial statements is the responsibility of FBCL management and the management of its wholly-owned subsidiary, The Seaway International Bridge Corporation, Ltd. (SIBC), which reports directly to an independent Board of Directors.

It is necessary for management to make assumptions and estimates based on information available at the date of the consolidated financial statements. Areas where FBCL management and management of its wholly-owned subsidiary have made significant estimates and judgements include components and associated useful lives of property and equipment, intangible assets, and investment properties, impairment testing, inputs for the calculation of employee benefits plans, classification of leases, classification of joint arrangements, presentation of The Thousand Island Bridge Authority (TIBA) operations, and decommissioning and environmental clean-up of contaminated lands liability. FBCL management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

In support of its responsibility, FBCL management completed the consolidation of the financial statements. FBCL management and the management of its wholly-owned subsidiary have developed and maintain books of account, records, financial and management controls, information systems and management practices for their respective financial statements. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with Part X of the *Financial Administration Act*, the *Economic Action Plan 2013* Act, No. 2, the *Canada Marine Act* the *Canada Business Corporations Act*, and the regulations, articles, and by-laws of FBCL and its wholly-owned subsidiary, as well as the directives issued pursuant to section 89 of the *Financial Administration Act*.

The FBCL Board of Directors is composed of six directors who are not employees of FBCL and one director who is the President and CEO of FBCL. The FBCL Board of Directors and the Board of Directors of its wholly-owned subsidiary are responsible for ensuring that each corporation's management fulfils their responsibilities for financial reporting and internal control. The Board of Directors of the wholly-owned subsidiary reports directly to the FBCL Board of Directors. The FBCL Board of Directors and the Board of Directors of its wholly-owned subsidiary exercise their responsibilities through their own Audit Committees comprised of Board of Directors members. Each Audit Committee meets with management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee of FBCL's wholly-owned subsidiary has reviewed its respective financial statements with its external auditors. The wholly-owned subsidiary's Board of Directors has approved and submitted its financial statements together with the external auditor's report to the FBCL (parent) Board of Directors. The FBCL Audit Committee has discussed the consolidated financial statements with the external auditor, The Auditor General of Canada, and has submitted its report to the FBCL Board of Directors. The Auditor General of Canada is responsible for auditing the consolidated financial statements and for issuing his report thereon. The FBCL Board of Directors has reviewed and approved the consolidated financial statements.

M Dubé

Micheline Dubé
President and Chief Executive Officer

Natalie Kinloch

Natalie Kinloch
Chief Financial and Operating Officer

June 29, 2017

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of The Federal Bridge Corporation Limited, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Federal Bridge Corporation Limited as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of The Federal Bridge Corporation Limited and its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the *Economic Action Plan 2013 Act, No. 2,* the *Canada Marine Act* and regulations, the articles and by-laws of The Federal Bridge Corporation Limited and its wholly-owned subsidiary, and the directives issued pursuant to section 89 of the *Financial Administration Act*.

Etienne Matte, CPA, CA
Principal
for the Auditor General of Canada

29 June 2017
Ottawa, Canada

The Federal Bridge Corporation Limited

Consolidated Statement of Financial Position
as at March 31

(in thousands of Canadian dollars)

	Notes	2017	2016
		$	$
Assets			
Current Assets			
Cash and cash equivalents	7	8,731	13,240
Investments	8	20,805	23,787
Trade and other receivables	9	12,696	5,684
Prepaids		649	407
Total Current Assets		42,881	43,118
Non-Current Assets			
Property and equipment	10	364,752	320,732
Investment properties	11	19,618	19,791
Intangible assets	12	16	25
Lessor inducement		265	280
Investments	8	6,800	4,800
Total Non-Current Assets		391,451	345,628
Total Assets		434,332	388,746
Liabilities			
Current Liabilities			
Trade and other payables		12,026	11,350
Employee benefits		820	565
Provisions	13	1,372	2,526
Holdbacks	14	2,663	2,157
Deferred revenue	15	2,698	3,200
Current portion of loans payable	16	4,578	4,006
Current portion of bonds payable	17	4,556	4,269
Current portion of deferred capital funding	18	1,895	272
Total Current Liabilities		30,608	28,345
Non-Current Liabilities			
Loans payable	16	8,988	13,566
Bonds payable	17	61,915	66,471
Employee benefits	19	7,573	7,435
Deferred revenue	15	1,820	1,971
Deferred capital funding	18	81,261	30,628
Provisions	13	4,194	1,462
Lessee inducement		271	65
Total Non-Current Liabilities		166,022	121,598
Equity			
Share capital - 2 shares @ no par value	20	-	-
Retained earnings		237,735	238,723
Accumulated other comprehensive income		(33)	80
Total Equity		237,702	238,803
Total Equity and Liabilities		434,332	388,746
Contingent liabilities	24		
Commitments	25		

Approved by the Board of Directors

Director

Director

The accompanying notes form an integral part of these consolidated financial statements.

The Federal Bridge Corporation Limited

Consolidated Statement of Comprehensive Income
for the periods ended March 31

(in thousands of Canadian dollars)

	Notes	2017	2016
		$	$
Revenue			
Tolls and services		**30,955**	27,756
Leases and permits		**4,166**	4,085
Currency exchange		**1,216**	1,304
Thousand Islands International Bridge revenue		**6,451**	6,076
Interest		**553**	578
Other		**270**	366
Total Revenue		**43,611**	40,165
Expenses			
Operations		**7,684**	5,778
Thousand Islands International Bridge expenses		**6,944**	6,430
Currency exchange		**670**	764
Maintenance		**14,896**	14,468
Canada Border Security Agency & Canadian Food Inspection Agency operations		**4,493**	4,238
Administration		**7,605**	7,443
Total Expenses	**21**	**42,292**	39,121
Operating Income Before Government Funding		**1,319**	1,044
Government Funding			
Amortisation of deferred capital funding	**18**	**613**	230
Funding with respect to decommissioning liability		**2,522**	9,770
Total Government Funding		**3,135**	10,000
Non-Operating Items			
Interest expense		**(5,114)**	(5,529)
Total Non-Operating Income		**(5,114)**	(5,529)
Net (Loss) Income		**(660)**	5,515
Other Comprehensive Income			
Items that will not be reclassified subsequently to net income			
Actuarial gain (loss)	**19**	**(328)**	467
Items to be reclassified to net income when specific conditions are met			
Investments revaluation gain (loss) on available-for-sale investments		**207**	(132)
Cumulative gain reclassified to income on sale of available-for-sale investments		**(320)**	(94)
Total Other Comprehensive (Loss) Income		**(441)**	241
Total Comprehensive (Loss) Income for the Period		**(1,101)**	5,756

The accompanying notes form an integral part of these consolidated financial statements.

The Federal Bridge Corporation Limited

Consolidated Statement of Changes in Equity
for the periods ended March 31

(in thousands of Canadian dollars)

	Notes	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as at April 1, 2015		232,741	306	233,047
Total Comprehensive Income:				
Net income		5,515	-	5,515
Other Comprehensive Income:				
Actuarial gain	**19**	467	-	467
Investments revaluation loss on available-for-sale investments		-	(132)	(132)
Cumulative gain reclassified to income on sale of available-for-sale investments		-	(94)	(94)
Total Other Comprehensive Income		467	(226)	241
Total Comprehensive Income		5,982	(226)	5,756
Balance at March 31, 2016		238,723	80	238,803
Total Comprehensive Income:				
Net loss		(660)	-	(660)
Other Comprehensive Income:				
Actuarial loss	**19**	(328)	-	(328)
Investments revaluation gain on available-for-sale investments		-	207	207
Cumulative gain reclassified to income on sale of available-for-sale investments		-	(320)	(320)
Total Other Comprehensive Income		(328)	(113)	(441)
Total Comprehensive Loss		(988)	(113)	(1,101)
Balance at March 31, 2017		**237,735**	**(33)**	**237,702**

The accompanying notes form an integral part of these consolidated financial statements.

The Federal Bridge Corporation Limited

Consolidated Statement of Cash Flows
for the periods ended March 31

(in thousands of Canadian dollars)

	Notes	2017	2016
		$	$
Cash Flows from Operating Activities			
Net (loss) income		**(660)**	5,515
Adjustments for:			
Amortisation of deferred capital funding	**18**	**(613)**	(230)
Depreciation of property and equipment	**10**	**13,557**	12,239
Depreciation of investment properties	**11**	**626**	612
Depreciation of intangible assets	**12**	**9**	18
Loss on disposal of assets	**10**	**68**	3,059
Change in employee benefits		**65**	282
Foreign exchange (gain) loss		**(257)**	(250)
		12,795	21,245
Changes in Working Capital:			
Trade and other receivables		**1,849**	2,798
Lessor inducement		**15**	(202)
Prepaids		**(242)**	(29)
Trade and other payables		**(2,548)**	(2,998)
Holdbacks		**(709)**	433
Lessee inducement		**206**	65
Provisions	**13**	**1,578**	(9,328)
Deferred revenue	**15**	**(653)**	165
		(504)	(9,096)
Net Cash Generated by Operating Activities		**12,291**	12,149
Cash Flows from Investing Activities			
Payments for property and equipment		**(53,659)**	(30,563)
Payments for investment properties		**-**	(26)
Government funding related to acquisitions of property and equipment received		**44,008**	22,708
Proceeds on sale of investments		**27,283**	12,343
Purchase of investments		**(26,414)**	(21,213)
Net Cash (Used) by Investing Activities		**(8,782)**	(16,751)
Cash Flows from Financing Activities			
Repayment of loans payable		**(4,006)**	(619)
Repayment of bonds payable		**(4,269)**	(3,999)
Net Cash (Used) by Financing activities		**(8,275)**	(4,618)
Foreign exchange gain on cash and cash equivalents held in foreign currency		**257**	250
Net (decrease) in cash and cash equivalents		**(4,509)**	(8,970)
Cash and cash equivalents at the beginning of the period		**13,240**	22,210
Cash and Cash Equivalents at the End of the Period	**7**	**8,731**	13,240
Supplemental disclosure on cash flow information			
Interest received included in operating activities		**582**	506
Interest paid included in operating activities		**5,107**	5,345

The accompanying notes form an integral part of these consolidated financial statements.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

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 realised 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 (as described in Note 6) 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 Corporation is subject to directives pursuant to Section 89 of the FAA. By Order in Council P.C. 2014-1382 dated December 10, 2014, the Corporation is:

(*a*) to ensure that the pension plans will provide

(i) a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017, and,

(ii) for any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and,

(*b*) to outline its implementation strategies with respect to the commitments set out in paragraph (*a*) in its next corporate plan and subsequent corporate plans until the commitments are fully implemented.

The Corporation is in the process of phasing in the cost-sharing ratio by the required date of December 31, 2017, and has amended its policies such that the normal age of retirement for newly hired individuals (as of January 1, 2015) has been set at 65 years.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

1. Authority and Activities (continued)

By Order in Council P.C. 2015-1114 dated July 16, 2015, the Corporation is also directed to align its policies with the travel, hospitality, conference and event expenditure policies, directives, and other related instruments issued by the Treasury Board pursuant to Section 89 of the FAA as follows:

(a) to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations; and,

(b) to report on the implementation of this directive in its next corporate plan.

Effective August 1, 2016, the Corporation has complied with this directive.

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

The consolidated financial statements were approved and authorised to issue by the Board of Directors on June 29, 2017.

2. Basis of Presentation and Significant Accounting Policies

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Basis of Preparation

The financial statements are consolidated as a result of the ownership in the joint operations and have been prepared on the historical cost basis as explained in the accounting policies below, except as permitted by IFRS and otherwise indicated within these notes.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, 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.

The significant accounting policies are set out below.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

2. Basis of Presentation and Significant Accounting Policies (continued)

Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Corporation undertakes its activities under joint operations, the Corporation as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and,
- its expenses, including its share of any expenses incurred jointly.

The Corporation accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses. The Corporation has assessed that two of its crossings meet the criteria of a joint operation, as explained in Note 6. These crossings are at the Cornwall and Sault Ste. Marie international bridges.

Accounting for the Thousand Islands International Bridge

The Thousand Islands International Bridge is managed by the TIBA. In accordance with a bi-national agreement, and due to the nature of the structure of this agreement with the TIBA, the Corporation is entitled to 50% of the gross revenues that are generated by the crossing, and is also responsible for 50% of the operating expenses for the crossing. Since the Corporation does not have joint control of TIBA it is not a joint arrangement and since the Corporation does not have significant influence over TIBA it is not an associate. The Corporation records its proportionate share of gross revenues, gross expenses, depreciation of property and equipment.

The Corporation is responsible for the ownership and major maintenance of the bridges on the Canadian side of the border and as a result, the acquisitions of property and equipment and investment properties are recognised as assets by the Corporation. All maintenance expenses incurred for the CBSA are also 100% the responsibility of the Corporation. The Corporation has no interest in the assets or liabilities of TIBA.

Government Funding

The Corporation is financed using its own operating income. The Corporation receives federal government funding for specific acquisitions of major property and equipment and investment properties, as well as for decommissioning of specific assets.

Government funding is recognised as a receivable when the related expenditure is incurred. Government funding relating to decommissioning liability is recognised in the Consolidated Statement of Comprehensive Income in the period in which the work on the decommissioning is performed rather than at the time the decommissioning liability is recognised.

Government funding for property and equipment and investment properties that are subject to depreciation are recorded as deferred capital funding on the Consolidated Statement of Financial Position in the fiscal year in which the purchase is recorded, with income being recognised in the Consolidated Statement of Comprehensive Income on the same basis and over the same periods as the assets acquired using the government funding.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
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2. Basis of Presentation and Significant Accounting Policies (continued)

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Toll revenue is recognised when tolls are collected as vehicles pass through toll booths.

Leases and permits revenue is recognised when services are rendered. Minimum lease payments relating to operating leases that the lessee is required to make, excluding contingent rent, are recognised on a straight line basis while contingent rent is recognised as earned. These revenues include payments received from tenants including Duty Free stores, commercial custom brokers, logistics companies, and travel and tourism office.

Currency exchange revenues are from the currency exchange facility operated at the Point Edward crossing and are recognised at the time each transaction is completed. Payments received in U.S. dollars are translated into Canadian dollars at daily exchange rates. Cash accounts at the currency exchange are translated at the yearend exchange rate and the adjustment relating to this translation is also included in the currency exchange revenue.

Deferred revenue represents tolls paid in advance by passenger vehicle users and commercial trucking companies. Revenue is recognised at the time the vehicles pass through the toll lanes. Deferred revenue also includes a prepaid operating lease for a commercial tenant to expand its operations. Revenue is recognised on a straight line basis over the life of the non-cancellable portion of the lease. Deferred revenues that will be recognised greater than one year after the reporting period are considered non-current deferred revenue.

Interest is recognised using the effective interest rate method and recorded in the period in which it is earned. The primary component of revenue in this category is interest related to investments.

Functional presentation of expenses

The Corporation's management reviews its expenses by function, therefore its consolidated financial statements are presented as such. Detail surrounding the nature of expenses is detailed in Note 21. Functional departments are defined as such:

- Maintenance: expenses related to the maintenance, upkeep, and repair of the Corporation's assets;
- Operations: expenses related to the collection of toll revenue, security, and traffic management;
- Thousand Islands International Bridge: represents the Corporation's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands (see Note 3);
- Currency exchange: expenses pertaining to the operation of the currency exchange facility operated at the Point Edward crossing;
- CBSA & CFIA operations: The Corporation is required to provide facilities and certain maintenance of these facilities at its crossings to the CBSA and the CFIA, for which there is no related revenue; and,
- Administration: the expenses related to the management and oversight of the operations of the Corporation.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

2. Basis of Presentation and Significant Accounting Policies (continued)

Foreign Currencies

Transactions in currencies other than the Corporation's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date and the resulting gains (or losses) are recorded in net income as part of revenue (or operating expenses). Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Corporation's proportionate share of the assets and liabilities denominated in foreign currency of SSMBA are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period, with the exception of non-monetary items which are not retranslated from their exchange rates prevailing at their date of acquisition. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in net income.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with maturities of three months or less from the date of acquisition, and are available upon demand.

Property and Equipment, Investment Properties and Intangible Assets

Items of property and equipment, investment properties, and intangible assets are measured at cost less accumulated depreciation and impairment.

Depreciation is recognised so as to write off the cost of assets (other than land and projects in progress) less their residual values over their useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Property and equipment, investment properties and intangible assets are depreciated over their estimated useful lives, using the straight line depreciation method, as follows:

Type of Asset	Straight Line
Bridges and roads	5 – 75 years
Vehicles and equipment	5 – 33 years
Buildings	10 – 70 years
Property improvements	10 – 30 years
Investment properties	10-70 years
Intangible assets	5 years

An item of property and equipment, investment properties or intangible assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment, investment properties or intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in net income.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

2. Basis of Presentation and Significant Accounting Policies (continued)

Assets in the course of construction are carried at cost. Cost includes design, engineering and professional fees, material inputs and capitalised salaries. Such assets are classified to the appropriate categories of property and equipment, investment properties or intangible assets when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use. Appropriateness of depreciation methods and estimate of useful lives and residual values are assessed on an annual basis. In order to establish useful lives for these assets, management uses its judgment to determine the componentisation of property and equipment, investment properties and intangible assets. A component is accounted for separately, if it is significant in comparison to the value of the entire asset and if its useful life differs from the other components.

Properties are classified as investment properties when the properties are held to earn rental income or future rental is probable. As lessor, when assets are leased out under an operating lease, the asset is included in the Consolidated Statement of Financial Position within property and equipment and investment properties based on their primary use.

Leases

All leases are classified as operating leases and are recognised on a straight-line basis over the term of the leases.

Impairment

At the end of each reporting period the Corporation reviews its property and equipment, investment properties, and intangible assets to determine whether there are any indications of impairment. An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash inflows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When impairment indicators exist the useful lives of the assets within the CGU are reviewed in order to determine if these should be re-assessed. For assets that have a remaining value after the impairment is recognised, the useful lives of the assets within the CGU are reviewed in order to determine if the useful lives should be shortened. Any changes in estimated useful lives are recorded on a prospective basis.

It has been assessed that investment properties and the currency exchange facilities represent CGU's that could have an impairment analysis, whereas bridge operations (as a separate CGU) could not have an impairment calculation completed. The bridge operations cannot have an impairment calculation because the fair value of the assets or the value in use cannot be determined. In these situations the useful lives of the assets are reviewed at the end of each reporting period when an indicator of impairment exists and changes are made to remaining useful lives on a prospective basis.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
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2. Basis of Presentation and Significant Accounting Policies (continued)

Contingencies and Provisions

Provisions reflect the liability associated with retiring certain long-lived assets such as bridges and roads, and other structures, as well as the environmental clean-up of contaminated lands.

A provision is recognised if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability is disclosed when a possible obligation has arisen from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation; or when a present obligation has arisen from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The associated provision costs are capitalised as part of the cost of the long-lived asset being demolished or remediated as part of an environmental clean-up, if the long-lived asset is still in use. These costs are then amortised on a straight line basis over the period to the end of the useful life of the identified asset.

Subsequent to the initial measurement of the provision, the obligation may be adjusted at the end of each period to reflect the passage of time, changes in estimated future cash flows underlying the obligation and updated assumptions such as discount rates. If the long-lived asset is still in use the changes in the liability shall be added to, or deducted from, the cost of the related long-lived asset. If the long-lived asset has reached the end of its useful life, all subsequent changes in the liability shall be recognised in net income as they occur.

Actual costs incurred to dispose of the asset will reduce the provision. A gain or loss may be incurred upon settlement of the liability.

Employee Benefits

Retirement and Other Post-Employment Benefits

SIBC employees are covered by the *Public Service Pension Plan* (the Plan), a defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service costs. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognised as an expense in the year when employees have rendered service and represent the total pension obligation relating to SIBC employees.

Employees of SSMBA participate in the State of Michigan's defined benefits and defined contribution pension plans. Contributions are required by both the employees and the Corporation to cover current service costs. Contributions are recognised as an expense in the year when employees have rendered service and represent the total pension obligation relating to the employees of the SSMBA.

The Corporation's remaining employees participate in defined contribution private pension plans and the cost of these plans are shared by the employees and the Corporation. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
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2. Basis of Presentation and Significant Accounting Policies (continued)

The Corporation also provides certain eligible employees with defined post-employment benefits including health, dental, life insurance and an employee assistance program. For these defined post-employment benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The discount rate used to determine the accrued benefit obligation is based on market rates for non-current high quality bonds. Actuarial gains and losses are reflected immediately in the Consolidated Statement of Financial Position with a charge or credit recognised in other comprehensive income in the period in which they occur. Actuarial gains and losses recognised in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to net income. Past service cost is recognised in net income in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and,
- actuarial gains and losses.

The Corporation presents the first two components of defined benefit costs within the function in which it is incurred.

The employee benefits recognised in the Consolidated Statement of Financial Position represents the actual deficit in the Corporation's defined benefit plan.

<u>Short-Term and Other Long-Term Employee Benefits</u>

A liability is recognised for short-term benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service and are presented within current liabilities.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Corporation in respect of services provided by employees up to the reporting and measurement date of March 31. The Corporation provides service awards to eligible employees with a long history of commitment, dedication and exceptional service and have been with the organisation for a predetermined period of time. These service awards are a fixed dollar value provided to the employee every five years. The obligation and the cost of these benefits are determined on an actuarial basis using the projected unit credit method prorated on service and management's best estimate assumptions. The discount rate used to determine the accrued benefit obligation is based on market rates for non-current high quality bonds.

Current service cost, interest cost and past service costs are presented in expense as per the function to which it relates. Actuarial gains and losses are recognised in full in the period in which they occur and are also recorded in expenses as per the function to which they relate. Past service costs associated with post-employment benefits are recognised as an expense at the earlier of when the plan amendment or curtailment occurs, or when the entity recognises related restructuring costs or termination benefits. These benefits are not pre-funded, resulting in a deficit equal to the accrued liability benefit obligation.

Financial Instruments

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. The measurement of financial instruments in subsequent periods depends on their classification. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
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2. Basis of Presentation and Significant Accounting Policies (continued)

(i) Classification of Financial Instruments

The Corporation's financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Classification	Subsequent Measurement
Investments	Available-for-sale Held-to-maturity	Fair value Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Trade and other payables	Other liabilities	Amortised cost
Holdbacks	Other liabilities	Amortised cost
Loans payable	Other liabilities	Amortised cost
Bonds payable	Other liabilities	Amortised cost

(ii) Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and expense over the relevant period to net income. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the instrument.

(iii) Financial Assets

Financial Assets at Fair Value through Profit & Loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in net income. The Corporation does not have such financial assets at this time.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. Investments that are due to mature within the next fiscal year are classified as current, and those scheduled to mature in a period greater than one fiscal year are classified as non-current.

THE FEDERAL BRIDGE CORPORATION LIMITED
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2. Basis of Presentation and Significant Accounting Policies (continued)

Available-for-Sale Financial Assets

Government of Canada bonds, corporate bonds, provincial bonds and deposit certificates held by the Corporation that are based on quoted prices from market indices for markets that are not active are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 26. Changes in the carrying amount of available-for-sale financial assets relating to changes in foreign currency rates (see below), and interest income calculated using the effective interest method are recognised in net income. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluations gain (loss) on available-for-sale financial assets reserve within equity. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluations gain (loss) on available-for-sale financial assets reserve is reclassified to net income.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in net income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through net income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available for sale financial assets, the amount of the impairment loss recognised is reallocated from the investments revaluations gain (loss) on available-for-sale financial assets reserve to net income.

THE FEDERAL BRIDGE CORPORATION LIMITED
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2. Basis of Presentation and Significant Accounting Policies (continued)

Derecognition of Financial Assets

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in net income. On derecognition of available-for-sale financial assets, the cumulative gain or loss previously accumulated in the investments revaluations gain (loss) on available-for-sale financial assets reserve is also reclassified to net income.

(iv) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in net income.

3. Key Sources of Estimation Uncertainty and Critical Judgments

Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on industry knowledge, consultation with experts and other factors that are considered to be relevant. Actual results may differ from these estimates.

Use of Estimates and Judgments

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments included in the consolidated financial statements are decisions made by management, based on an analysis of relevant information available at the time the decision is made. Judgments relate to application of accounting policies, and decisions related to the measurement, recognition and disclosure of financial amounts.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included below and in the statement notes relating to items subject to significant estimate uncertainty. Determinations of critical judgements will be reassessed at each reporting date.

Property and Equipment, Investment Properties and Intangible Assets

Property and equipment, investment properties and intangible assets are depreciated over their useful lives. Useful lives are based on management’s estimates of the periods of service provided by the assets as outlined in Note 2. The appropriateness of useful lives of these assets is assessed annually. Changes to the estimated useful lives would affect future depreciation expenses and the future carrying value of the assets.

In order to establish useful lives for these assets, management uses its judgment to determine the componentisation of property and equipment, investment properties and intangible assets. A component is accounted for separately, if it is significant in comparison to the value of the entire asset and if its useful life differs from the other components.

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3. Key Sources of Estimation Uncertainty and Critical Judgments (continued)

Long-Lived Assets Valuation

The Corporation performs impairment testing on its long-lived assets, when circumstances indicate that there may be impairment. In addition, the Corporation performs impairment testing annually for intangible assets that are not yet available for use. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in determining the grouping of assets to identify their CGU for the purpose of impairment testing.

The Corporation assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: i) value in use, or ii) fair value less cost to sell. The determination of the recoverable amount involves management judgment and estimation.

The recoverable amount involves significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates and assumptions could affect the Corporation's future results, if the current estimates of future performance and fair values change. These determinations will affect the amount of amortisation recognised in future periods.

Employee Benefit Plans

The cost of other post-employment benefits and other long-term employee benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and management's best estimate of retirement ages of employees, and mortality rates, as well as expected health care costs for other post-employment benefits only. Discount rates used in actuarial calculations are based on long-term interest rates and can have a material effect on the employee benefit liabilities. Management employs external experts to advise the Corporation when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses.

Leases

The Corporation is party to many leasing arrangements, which requires Management to determine whether the lease is a finance or operating lease, by assessing if substantially all of the risks and rewards of ownership have passed to the lessee. A lease is classified as a finance lease whenever the terms of the lease transfer substantially all of the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. The most significant judgment, in determining whether the lease transfers substantially all of the risks and rewards of ownership, is whether renewal options are reasonably assured to be exercised at the inception of the lease. At the inception of the lease, the Corporation considers both the minimum lease payment as well as the contingent rent in order to determine whether the renewal options are reasonably assured to be exercised. In Management's judgment, all of the Corporation's leases are considered to be operating leases.

THE FEDERAL BRIDGE CORPORATION LIMITED
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3. Key Sources of Estimation Uncertainty and Critical Judgments (continued)

Joint Arrangements

Management applies judgment in assessing the Corporation's status when it is party to joint arrangements. In assessing if the Corporation has joint control of an arrangement, the parties involved must determine if the activities that significantly affect the returns of the arrangement are collectively considered. Once joint control is determined, the Corporation applies judgment in determining whether the arrangement is a joint operation or a joint venture. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. In Management's judgment, the Corporation has two arrangements that are determined to be joint operations, at the Cornwall (SIBC) and Sault Ste. Marie (SSMBA) crossings. Despite the SIBC operation being a 100% wholly owned subsidiary, due to the international agreement governing its operations, it is considered a joint operation by management. This joint operation in Sault Ste. Marie is considered a foreign operation, however due to the high interdependency between SSMBA and FBCL, the functional currency judged by management is the Canadian dollar. Management accounts for the difference in equity distribution owed to (or due from) the U.S. partners of these agreements as an adjustment to cash and cash equivalents.

Additional information on the Corporation's joint arrangements can be found in Note 6.

Thousand Islands International Bridge

There is a third arrangement with an international partner that was judged not to be a joint arrangement as the Corporation does not jointly control TIBA. Significantly this is derived from the fact that four of the seven members of the Board of Directors are appointed by the U.S. partner in the arrangement.

It was determined that although the Corporation can appoint three of the seven members, TIBA is not considered an associate as the Corporation does not have significant influence of TIBA. This arrangement was judged to be this way due to the structure of the agreement with the partner which gives the Corporation the rights to a proportionate share to the bridge related revenues and expenses. However, the agreement does not give the Corporation rights or responsibilities to the assets and liabilities recorded on the financial statements of the operator of the crossing as they relate to the crossing.

Contingencies and Provisions

a) Decommissioning Liability: The Corporation applies judgment in considering whether an obligation exists to dismantle and remove an asset, and restore the site to its condition before those assets were constructed. In the instances where a demolition is required to make an addition or improvement to an existing set of assets, no decommissioning liability is recognised as these types of demolitions do not trigger a legal or constructive obligation. Under these types of demolitions, the demolition costs will be capitalised to the cost of the new asset being constructed and recognised as site preparation costs. However, in the case where an entire set of assets are being demolished as a result of a government decision (legal obligation), a decommissioning liability to account for the demolition costs is recognised. Under these types of demolition, the demolition costs will be capitalised to the cost of the asset being demolished.

   Estimates are used for the provision using the cash flows estimated to settle the present obligation, the time required to settle the obligation, and the determination for discount rates used in the calculations. The Corporation's management has assessed estimates and judgments in relation to decommissioning liabilities at three locations.

b) Contaminated Land: In the assessment of whether a contaminated land liability should be recorded in the form of a provision, management is required to exercise judgement in assessing whether the Corporation has a present legal or constructive obligation as a result of a past event, whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and whether a reasonable estimate can be made of the amount of the obligation. If management determines that the above three conditions are met, a provision is recorded for the obligation. Alternatively, a contingent liability is disclosed in the notes to the consolidated financial statements if management determines that any one of the above three conditions is not met, unless the possibility of outflow in the settlement is considered to be remote.

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3. Key Sources of Estimation Uncertainty and Critical Judgments (continued)

In determining a reliable estimate of the obligation, management makes assumptions about the amount, likelihood, and timing of outflows, as well as the appropriate discount rate. Factors affecting these assumptions include the nature of the provision, the existence of a claim amount, opinions or views of legal counsel and other advisers, experience in similar circumstances, and any decision of management as to how the Corporation intends to handle the obligation. The actual amount and timing of outflows may deviate from assumptions, and the difference might materially affect future consolidated financial statements, with a potentially adverse impact on the consolidated results of operations, financial position and liquidity. The Corporation's management has assessed estimates and judgments in relation to a contaminated land liability at one location, and has determined that removing the contaminated soil and treating contaminated ground water has met the stated criteria above and it is the Corporation's obligation to remediate the soil and ground water per environmental legislation.

4. Future Changes in Accounting Policies

The following accounting standards and amendments to existing standards are issued but not yet effective. Management is still assessing the potential impacts of these standards on its consolidated financial statements, and as such their impacts are not yet known at this time. However, management is expecting to implement these standards at their effective dates.

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on July 24, 2014, and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss ("FVTPL") and amortised cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognising revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognise revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16, Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases, and IFRIC 4, Determining Whether an Arrangement Contains a Lease. IFRS 16 specifies how a reporting entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The effective date for this standard is for annual periods beginning on or after January 1, 2019, with earlier adoption allowed if IFRS 15 is also applied.

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5. Adoption of Amendments to International Financial Reporting Standards

During the year, the Corporation adopted the amendment to IAS 1, *Presentation of Financial Statements.* IAS 1, Presentation of financial statements ("IAS 1") was amended by the IASB on December 18, 2014. The amendments relate to (i) materiality, (ii) order of the notes, (iii) subtotals, (iv) accounting policies, and (v) disaggregation and are designed to further encourage companies to apply professional judgement in determining what type of information to disclose in their financial statements. These amendments were effective for annual reporting periods beginning on or after January 1, 2016, on a retrospective basis.

The adoption of the amendments to IAS 1 provided the Corporation with the opportunity to remove from the consolidated financial statements and notes all immaterial information. There were no changes made to the consolidated financial statements however the following notes were modified:

- Trade and other receivables (Note 9): the age of receivables that are past due but not impaired has been removed however a sentence has been added to the financial instruments (Note 26) stating that there are no trade and other receivables that are impaired;

- Property and equipment (Note 10): the disclosure relating to the capitalisation of borrowing costs has been removed. Consequently the significant accounting policy relating to borrowing costs has been removed from Note 2;

- Investment properties (Note 11): the disclosure relating to the direct operating costs for the investments properties has been removed;

- The breakdown of the nature of trade and other payables have been removed since historically other payables have been immaterial. This information was disclosed in Note 12 of the March 31, 2016 consolidated financial statements;

- Employee benefits (Note 19): the disclosure relating to the post-employment non-pension related benefits expected benefits for the upcoming year has been removed;

- Related party transactions (Note 22): the disclosure relating to total expenses, trade payables and joint operations transactions have been removed; and

- Commitments (Note 25): the disclosure of administrative contracts commitments have been removed.

6. Joint Operations

The Corporation has entered into a joint operation with SLSDC for operation of toll bridges across the St. Lawrence River between Cornwall, Ontario, Canada and Rooseveltown, New York, U.S. through a wholly-owned subsidiary of the Corporation, SIBC. Although the Corporation owns 100% of the shares of SIBC there is a governing agreement that grants the Board of Directors of SIBC with the full power to manage the affairs of SIBC. Since the Corporation and SLSDC each appoint 50% of the Directors, the Corporation concluded it has joint control of SIBC with SLSDC. Although the joint arrangement is structured as a separate vehicle, the Corporation considered the purpose and design of the arrangement and concluded that each of the parties have rights to the assets and obligations for the liabilities of the joint arrangement and SIBC has been classified as a joint operation. The consolidated financial statements of the Corporation include its share of the assets, liabilities, revenues and expenses of SIBC. The Corporation's share of SIBC's cash and cash equivalents is adjusted to account for the difference in the equity distribution between the Corporation and the U.S partner, SLSDC, in the amount of $3,073 (2016 - $2,854). The amounts owed to the U.S. partner of SIBC bear interest at a rate which varies between 1.10 % and 1.36% (2016 – 1.20% and 1.59%) and is payable on demand.

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6. Joint Operations (continued)

The Corporation has entered into an arrangement with MDOT for the operation of the Sault Ste. Marie International Bridge through a separate legal entity, SSMBA, and for operational delivery by IBA, an entity of MDOT. The Corporation has the right to appoint 50% of the directors of the Board of SSMBA which directs the relevant activities of the Bridge and its operations, and the Corporation has concluded it has joint control with IBA. Although the joint arrangement is structured as a separate vehicle, the Corporation considered the purpose and design of the arrangement and concluded that each of the parties have rights to the assets and obligations for the liabilities of the joint arrangement and SSMBA has been classified as a joint operation. The consolidated financial statements of the Corporation include its share of the assets, liabilities, revenues and expenses of the SSMBA. The Corporation's share of SSMBA cash and cash equivalents is adjusted to account for the difference in equity distribution between the Corporation and the U.S partner, MDOT. The undistributed equity bears no interest, and is payable on demand with funds restricted per the international agreement to be used only as they relate to the international crossing in Sault Ste. Marie.

7. Cash and cash equivalents

As at March 31	2017	2016
	$	$
Cash	**5,051**	10,327
Cash equivalents	**3,680**	2,913
Total cash and cash equivalents	**8,731**	13,240

8. Investments

As at March 31	2017	2016
	$	$
Held-to-maturity investments carried at amortized cost		
Deposit certificates	**20,894**	23,839
Total held-to-maturity investments	**20,894**	23,839
Available for sale investments carried at fair value		
Government of Canada bonds	**1,436**	753
Provincial bonds	**2,848**	1,786
Corporate bonds	**2,427**	2,209
Total available for sale investments	**6,711**	4,748
Total investments	**27,605**	28,587
Less: Current portion	**20,805**	23,787
Non-current portion	**6,800**	4,800

The average term to maturity for the Corporation's deposit certificates is 476 days (2016 -336 days), and earns interest at an average annual rate of 1.52% (2016 – 1.38%). The average term to maturity for the Corporation's bonds is 10.7 years (2016-9.7 years), and they earn an average effective interest rate of 3.88% (2016 – 2.69%).

9. Trade and Other Receivables

As at March 31	2017	2016
	$	$
Federal departments and agencies	**11,906**	4,921
Trade receivables	**790**	763
Total trade and other receivables	**12,696**	5,684

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10. Property and Equipment

Cost	Land	Bridges and roads	Vehicles and equipment	Buildings	Property Improvements	Projects in progress	Total
	$	$	$	$		$	$
Balance, April 1, 2015	13,602	236,276	17,360	80,336	17,454	26,158	391,186
Additions	100	1,712	2,110	1,734	63	28,734	34,453
Disposals	-	(3,212)	(1,950)	(599)	-	(242)	(6,003)
Transfers	424	643	3,498	6,950	2,842	(14,357)	-
Balance, March 31, 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**

Accumulated depreciation	Land	Bridges and Roads	Vehicles and Equipment	Buildings	Property Improvements	Projects in Progress	Total
	$	$	$	$		$	$
Balance, April 1, 2015	-	48,114	10,962	17,405	12,970	-	89,451
Eliminated on disposal of assets	-	(522)	(1,895)	(369)	-	-	(2,786)
Depreciation	-	7,159	1,361	3,150	569	-	12,239
Balance, March 31, 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**
Net book value, March 31, 2017	**14,178**	**182,119**	**12,067**	**82,500**	**8,304**	**65,584**	**364,752**
Net book value, March 31, 2016	14,126	180,668	10,590	68,235	6,820	40,293	320,732

Land includes $3,413 (2016 - $3,361) of land which was under development as part of the new Canadian Plaza in Sault Ste. Marie up until October 1, 2016. The buildings include decommissioning costs of $827 (2016-$1,523) of which $436 (2016-$886) has been depreciated to date. Projects in Progress include $1,592 (2016 - $1,420) of work to be done to remediate contaminated lands.

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11. Investment Properties

	Investment Properties
	$
Cost	
Balance, April 1, 2015	23,882
Additions	13
Disposals	(78)
Balance, March 31, 2016	23,817
Additions	—
Transfers	(314)
Balance, March 31, 2017	**23,503**
Accumulated depreciation	
Balance, April 1, 2015	3,414
Depreciation expense	612
Balance, March 31, 2016	4,026
Depreciation expense	626
Transfers	(767)
Balance, March 31, 2017	**3,885**
Net book value, March 31, 2017	**19,618**
Net book value, March 31, 2016	19,791

Investment properties comprise commercial properties that are leased to third parties.

Rental income for the period ended March 31, 2017 amounts to $3,993 (2016 – $3,763) included within 'leases and permits'. Contingent rent of $2,645 (2016- $2,338) is included in rental income. No investment properties were vacant at March 31, 2017.

During the year, there were two transfers between property and equipment and investment properties:

i. $777 in cost and $767 in accumulated depreciation were transferred from investment properties to property and equipment (buildings). This relates to buildings in Point Edward that are no longer rented to third parties.

ii. $463 in cost was transferred from property and equipment (projects in progress) to investment properties. This relates to the projects in Sault Ste. Marie.

Fair value of the investment properties have been determined based on a valuation performed by an independent valuator who is a current member of the Appraisal Institute of Canada. The fair value of $21,713 was determined as at March 31, 2017. The fair value of the properties have not been determined on transactions observable in the market because of the nature of the properties and the lack of comparable data. The fair value was determined by estimating the replacement cost of the building while deducting the obsolescence and considering inputs such as the type of building, age, condition and region that the building is in as well as the mechanical systems attached.

In the prior year, the investment property at Point Edward was determined based on a valuation performed by an independent valuator, the property at Sault Ste. Marie was based on actual expenditures incurred, and the property at the Thousand Islands International Bridge was based on similar recently purchased properties at that location. The fair value at March 31, 2016 was $25,524.

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12. Intangible Assets

	Intangible Assets
	$
Cost	
Balance, April 1, 2015	1,028
Additions	—
Balance, March 31, 2016	1,028
Additions	—
Balance, March 31, 2017	**1,028**
Accumulated depreciation	
Balance, April 1, 2015	985
Depreciation expense	18
Balance, March 31, 2016	1,003
Depreciation expense	**9**
Balance, March 31, 2017	**1,012**
Net book value, March 31, 2017	**16**
Net book value, March 31, 2016	25

The Corporation does not hold any internally generated intangible assets.

13. Provisions

	Cornwall[i]	Sault Ste. Marie[ii]	Lansdowne[iii]	Total
	$	$	$	$
Balance, April 1, 2015	11,933	856	685	13,474
Interest accretion	34	29	(4)	59
Additional (reduced) provisions recognized	135	(25)	1,287	1,397
Reductions arising from payments	(10,737)	(185)	(20)	(10,942)
Balance, March 31, 2016	1,365	675	1,948	3,988
Interest accretion	-	19	16	35
Additional (reduced) provisions recognized	3,531	128	462	4,121
Reductions arising from payments	(702)	(661)	(1,215)	(2,578)
Balance, March 31, 2017	**4,194**	**161**	**1,211**	**5,566**
Less: Current portion	-	161	1,211	1,372
Non-current portion	4,194	-	-	4,194

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13. Provisions (continued)

i. The Corporation has completed the demolition of the existing high-level bridge in Cornwall with the exception of the in-water piers. During the year, the Corporation has determined that it is more likely than not that the in-water piers would be demolished and consequently has now recognised a provision for the decommissioning of the in-water piers. The estimates related to this decommissioning liability depend on engineering variables such as timing, inflation, site conditions, and whether the project is conducted internally or whether a contractor is hired. The estimated undiscounted cash flow ranges between $3,500 and $6,000 depending if the works are performed internally or contracted externally. These cash flow have been discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the liability of 2.23% to 2.59%. Given the various scenarios in which this decommissioning can occur, the discounted liability could vary between $2,862 and $5,742. Utilising these variables, an expense of $3,531 is recognised in maintenance expenses, which is made up of the discounted expected decommissioning liability of $4,194, reduced by $663 relating to the previous provision.

ii. The Corporation has initiated construction of a new Canadian Plaza in Sault Ste. Marie. During the construction of this new plaza the existing assets will be demolished. The estimates related to this decommissioning liability depend on engineering variables such as timing, inflation, site conditions, and contractor scheduling. The estimated cash flows of $1,202 (2016 – $1,074) required to settle the decommissioning liability have been discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the liability of 2.08% to 2.10% (2016- 2.08% to 2.10%).

   Per the current project schedule, cash payments for the demolition of existing structures are expected to occur in the 2017 calendar year. 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. During construction of the new plaza the existing assets will be demolished. The estimates related to this decommissioning liability depend on engineering variables such as timing, inflation, site conditions, and contractor scheduling. The estimated cash flows of $853 (2016 – $563) required to settle the decommissioning liability have been discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the liability of 2.08% to 2.10% (2016-2.08% to 2.10%).

   Per the current project schedule, cash payments for the demolition of existing structures are expected to occur in the 2017 calendar year. These cash flows will be funded from government funding to be received at the time of demolition.

   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. For the estimate of non-current liability, management has considered a range of scenarios where no one outcome currently has a more likely probability than another. The estimated cash flows of $1,607 (2016 – $1,420) required to settle the contaminated land liability have been discounted using a rate that reflects current market assessment of the time value of money and the risks specific to the liability of 0% and 2.10% (2016 – 0% and 2.1%).

   Per management's best estimate of the project schedule, cash payments for the remediation of the land are expected to be complete by the summer of 2017. These cash flows will be funded from government funding to be received at the time of remediation.

   The total provision for Lansdowne of $1,211 (2016 – $1,948) is made of up decommissioning liability of $438 (2016 – $528), of which $438 (2016 – $143) is current, and contaminated land liability of $773 (2016 – $1,420), of which $773 (2016 – $660) is current.

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14. Holdbacks

The Corporation temporarily retains an amount on the total due to contractors to ensure that the latter fulfills its obligations pertaining to warranty, rectification and correction of defects in work. The contracts call for the Corporation to pay holdbacks upon substantial completion of the individual contracts. Such holdbacks are applicable to construction and demolition works at the Thousand Islands Customs Plaza project, construction at the Sault Ste. Marie Customs Plaza Rehabilitation project, rehabilitation of bridge piers in Lansdowne, as well as Point Edward projects including the Automated Toll Program Installation, Toll Plaza Resurfacing projects, and the bridge span resurfacing project.

15. Deferred Revenue

As at March 31	2017	2016
	$	$
Debit cards	**67**	68
Passenger vehicles tokens/tickets	**685**	1,294
Prepaid commercial/commuter vehicles	**1,760**	1,451
Current prepaid facility rentals	**186**	387
Non-current prepaid facility rentals	**1,820**	1,971
Total deferred revenue	**4,518**	5,171
Less: Current portion	**2,698**	3,200
Non-current portion	**1,820**	1,971

16. Loans Payable

As at March 31	2017	2016
	Carrying cost	Carrying cost
	$	$
(a) $15,000 term facility		
$4,000 @ 3.37% locked until July 27, 2016	**-**	3,485
$4,000 @ 3.81% locked until July 27, 2018	**3,394**	3,511
$3,000 @ 2.85% locked until July 27, 2019	**2,493**	2,588
$4,000 @ 4.42% locked until July 27, 2021	**3,436**	3,546
payable monthly		
(b) Credit facility		
$5,000 @ 3.28% locked until March 15, 2018	**4,243**	4,442
Total loans payable	**13,566**	17,572
Less: Current portion	**4,578**	4,006
Non-current portion	**8,988**	13,566

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16. Loans Payable (continued)

Principal and interest payments for the term facility and credit facility for the next five years are as follows:

As at March 31			2017
	Principal $	Interest $	Total $
2018	4,578	483	5,061
2019	3,494	253	3,747
2020	2,419	161	2,580
2021	134	133	267
2022	2,941	43	2,984
	13,566	**1,073**	**14,639**

The Corporation maintains two separate credit facilities with a Canadian chartered bank in the total amount of $20,000 (2016 - $25,000). These facilities have been approved by the Minister of Finance as part of the Corporation's borrowing plan.

1. The first credit facility is a reducing term facility, which originally was drawn for $15,000 on a fixed rate, non-current basis with periodic payments of interest and principal not to exceed a maturity of 25 years. This facility carries the same security as the full bond issuance (Note 17). At March 31, 2017, $9,323 remained drawn on this facility in three tranches (2016 - $ 13,130). In January 2016, the Corporation has put in place a debt repayment plan that specifies its intent to pay down these tranches as they come due, pending Government authorities. These repayments have been identified as principal payments in the table above.
2. The second facility is a $5,000 unsecured non-revolving term credit facility totaling $5,000 that was used to finance property acquisitions relating to the Canadian Plaza Rehabilitation Project at the Sault Ste. Marie international bridge. The terms for the repayment include monthly payments of $28 over a twenty-year period, at an interest rate of 3.28% with a five year term. At March 31, 2017, $4,243 in principal payments remained outstanding (2016 - $4,442). In January 2016, the Corporation has put in place a debt repayment plan that specifies its intent to fully pay this loan at renewal, pending government authorities. This repayment has been identified as a principal payment in the table above.

17. Bonds Payable

As at March 31	2017	2016
	Carrying cost $	Carrying cost $
Series 2002-1 bonds maturing July 9, 2027 payable semi-annually on January 9 and July 9	**66,471**	70,740
Total bonds payable	**66,471**	70,740
Less: current portion	**4,556**	4,269
Non-current portion	**61,915**	66,471

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17. Bonds payable (continued)

Principal and interest payments for the bonds for the next five years and thereafter are as follows:

As at March 31			2017
	Principal	Interest	Total
	$	$	$
2018	4,556	4,330	8,886
2019	4,863	4,023	8,886
2020	5,191	3,695	8,886
2021	5,539	3,347	8,886
2022	5,914	2,973	8,887
Thereafter	40,408	8,466	48,874
	66,471	**26,834**	**93,305**

The Corporation has issued at a face value of $110,000, 6.41% Revenue Bonds payable semi-annually, Series 2002-1, due July 9, 2027.

The Bonds constitute direct, unsecured, and unconditional obligations of the Corporation, and of Her Majesty in right of Canada who is its principal. Payment of principal of and interest on the Bonds by Her Majesty in right of Canada in an event of default are subject to government funding.

Below is the requirement for any Bonds outstanding or any obligations under the indenture:

i) The principal and interest will be duly paid on the due dates.

ii) Insurance will be maintained in such types and amounts in accordance with sound business practices and standards in the industry.

iii) Except for borrowings arising as a result of movements in the termination values of swap agreements and any purchase money obligations not exceeding $2,000 in the aggregate at any time and the Corporation shall not create, incur, assume or otherwise become liable for any additional indebtedness unless it is pursuant to a supplemental Indenture. As at March 31, 2017 the Corporation has no active swap agreement (2016-nil).

iv) The aggregate of all borrowings, subordinated debt and purchase money obligations does not exceed any limitations on the amount of borrowings outstanding imposed upon the Corporation.

Transaction costs including bond restructuring costs of $1,660 have been added to the $110,000 principal bond amount, resulting from the bond restructuring due to the amalgamation of legacy BWBA and the legacy FBCL.

18. Deferred Capital Funding

For certain major capital projects the Corporation has received, and continues to receive, funding from the Government of Canada. This funding is recorded on the Consolidated Statement of Financial Position as deferred capital funding for the amount of depreciable property. The recognition of this deferred capital funding in net income is limited each period to the same rates of depreciation as disclosed in Note 2.

As at March 31	2017	2016
	$	$
Balance, start of period	**30,900**	7,128
Government funding for capital expenditures received	**52,869**	24,002
Amortisation of deferred capital funding	**(613)**	(230)
Balance, end of period	**83,156**	30,900
Less: Current portion	**1,895**	272
Non-current portion	**81,261**	30,628

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19. Employee Benefits

Pension Benefits

The Corporation has contracted two outside firms to operate and administer an employee pension plan. Employees of the Corporation may voluntarily join the pension plan, subject to eligibility requirements. The pension plan, which is a defined-contribution pension plan, is funded on a money-purchase basis with members contributing up to 11.5% of their annual earnings. In accordance with the plan, the Corporation is required to fund matching contributions (up to 6.5%), with some eligible employees receiving double matching contributions. As discussed in Note 1, the Corporation will be revising the employer and employee contributions as required by the noted directive. During the year, the Corporation's pension contributions amounted to $386 (2016 – $362).

Additionally, employees of SIBC are enrolled in the *Public Service Pension Plan* (the Plan). Under the Plan, the President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was a multiple of 1.01 (2016 - 1.15), for employees hired before January 1, 2013. For employees hired after December 31, 2012, the general contribution rate effective at year end was a multiple of 1.00 (2016 – 1.11). The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. The Corporation's portion of pension contributions amounted $52 (2016 – $54) during the period.

The employees of SSMBA participate in the State of Michigan's defined benefit and defined contribution plans. SSMBA is required to make contributions to the defined benefit plan based on an actuarially determined rate. For the defined contribution plan, SSMBA is required to contribute 4.0% of payroll plus up to an additional match of 3.0%. The contribution requirements of the plan members and SSMBA are established and may be amended by state legislation. During the year, the Corporation's portion of pension contributions amounted to $317 (2016 – $637).

Contributions, for the fiscal year ending March 31, 2018, to the Public Service Pension Plan and the State of Michigan's defined benefit and defined contribution plans are anticipated to be consistent with the contributions made during the period.

Other Benefits

Other than the pension plan, the Corporation provides post-employment benefits to its eligible employees through health, dental, life insurance and an employee assistance program as well as other long-term benefits which consist of service awards. Benefit costs related to current service are charged to income as services are rendered. The risks associated with these benefits include changes in discount rates, mortality rates, per capita claim costs and general inflation that can cause volatility in the Corporation's financial results. The actuarial valuation was performed as at March 31, 2017.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

19. Employee Benefits (continued)

The following table sets forth the status of the post-employment non-pension related benefit plan:

Defined benefit obligation	Post-employment $	Other long-term $
Balance, April 1, 2015	7,454	77
Current service cost	251	5
Past service credit	(72)	-
Interest cost	285	3
Actuarial gain - Other	(8)	1
Actuarial loss - demographic assumptions	(459)	(1)
Benefits paid	(94)	(7)
Balance, March 31, 2016	7,357	78
Current service cost	255	5
Past service credit	(640)	-
Interest cost	302	3
Actuarial gain - Other	5	(1)
Actuarial gain - Financial assumptions	323	1
Benefits paid	(112)	(3)
Balance, March 31, 2017	**7,490**	**83**

Total post-employment non-pension related benefit plan is $7,573 (2016 - $7,435).

Changes in other comprehensive income during the period:

As at March 31	2017	2016
	$	$
Actuarial gains (losses) arising during the year	**(328)**	467
Other comprehensive income	**(328)**	467

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

19. Employee Benefits (continued)

Post-employment expense recognised in net income during the period is as follows:

As at March 31		**2017**
	Post-employment	**Other long-term**
	$	**$**
Current service costs	**255**	**5**
Past service costs	**(640)**	**-**
Interest cost	**302**	**3**
Net post-employment expense recognised in period	**(83)**	**8**

As at March 31		**2016**
	Post-employment	Other long-term
	$	$
Current service costs	251	5
Past service costs	(72)	-
Interest cost	285	3
Net post-employment expense recognised in period	464	8

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations and net benefit plan expense are as follows:

As at March 31	**2017**	**2016**
Weighted average assumptions as at:		
Discount Rate, accrued benefit obligation	**3.80%**	4.00%
Discount Rate, benefit cost	**4.00%**	4.00%
Estimated per capita claims costs escalation rates:		
General inflation	**2.50%**	2.50%
Dental and vision care	**4.50%**	4.50%
Employee assistance program	**2.50%**	2.50%
Mortality rates	**CPM Public Table generational improvements using CPM Scale B**	

The assumed health care inflation rate as of March 31, 2017 is 6.6% (2016 – 7.0%) per annum decreasing linearly to 4.5% (2016 – 4.5%) per annum in the 2022-23 fiscal year.

The average expected maturity of the plan obligation is 22 years.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

19. Employee Benefits (continued)

Sensitivity Analysis

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumptions as those that could result in a significant impact on the defined benefit obligation:

As at March 31	2017	2016
	$	$
Discount rate - increase of 1 %	(1,331)	(1,344)
Discount rate - decrease of 1 %	1,758	1,766
Future mortality - increase of 1 year age	(347)	(330)
Future mortality - decrease of 1 year age	357	337
Trend rates - increase of 1 %	1,785	1,671
Trend rates - decrease of 1 %	(1,342)	(1,288)

The sensitivity analysis above may not be representative of the actual change in the defined benefit obligation as it is unlikely that a change in assumptions would occur in isolation of one another, as some of the assumptions may be correlated.

20. Issued Capital

The Corporation's articles of incorporation authorise an unlimited number of shares without par value. The Corporation has two issued and fully paid shares.

21. Supplementary Expense Information

The following tables show the breakdown of expenses by nature for each function on the Consolidated Statement of Comprehensive Income for the period ended March 31, 2017, and 2016.

Period ended March 31	2017	2016
	$	$
Salaries and employee benefits	14,767	14,336
Depreciation of property and equipment	13,557	12,239
Goods and services	3,963	3,736
Decommissioning	3,659	-
Repairs and maintenance	2,681	3,203
Professional services	1,883	1,447
Foreign currency translation	1,079	471
Depreciation of investment property	626	612
Loss on disposal of assets	68	3,059
Depreciation of intangible assets	9	18
Total Expenses	**42,292**	39,121

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

22. Related Party Transactions

Balances and transactions between the Corporation and its share of its joint operations have been eliminated on consolidation and are not disclosed in this note. Related party transactions relating to employee benefits are disclosed in Note 19, and government bonds and deposits certificates investments are disclosed in Note 8.

Details of transactions between the Corporation and other related parties are disclosed below.

Transactions with Government Related Entities

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown Corporations. The Corporation enters into transactions with these entities in the normal course of business. These operations are measured at fair value.

The nature of expenses incurred with government related entities consists of reimbursement of prior year project and construction fees, legal fees and administrative costs. The nature of revenue from government related entities is largely in the form of government funding related to construction projects for CBSA facilities, and the demolition of the high-level bridge structure in Cornwall.

During the period, the parent Corporation recorded government funding of $55,391 (2016 – $33,943). At March 31, 2017, the parent Corporation recorded $11,906 (2016 – $4,900) in accounts receivable with related parties.

The parent Corporation also receives services, such as financial statement audits, at no charge which have not been reflected in these consolidated financial statements.

Compensation of Key Management Personnel

Key management personnel are defined as the Board of Directors and members of the senior executive teams who have the authorities and responsibilities for planning, controlling and directing the activities of the Corporation.

Compensation of key management personnel was as follows:

Period ended March 31	**2017**	**2016**
	$	**$**
Short-term employee benefits	**962**	940
Retirement and other post-employment benefits	**78**	75
Total	**1,040**	1,015

23. Facility Rentals

The Corporation has entered into contracts with companies who rent space in its buildings at various crossings. Contingent rent, based on sales at Duty Free Shops, is the largest component of the rent received by the Corporation from these lessees. One of these stores also has a smaller fixed component of its rent. Contingent revenue recognised during the current period for these stores was $2,645 (2016 – $2,338). The lessee of the Duty Free Shop at the Point Edward crossing has also paid for the expansion of the building. This payment was recorded as deferred revenue and is recognised as revenue on a straight-line basis, amortised over the non-cancellable lease term.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
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23. Facility Rentals (continued)

The future minimum rental receivable under non-cancellable operating leases are as follows:

As at March 31	2017	2016
	$	$
Within one year	**932**	824
After one year but not more than five	**2,664**	2,359
More than five years	**556**	993
Total	**4,152**	4,176

24. Contingent Liabilities

In the normal course of its activities, the Corporation is the claimant or defendant or is involved in certain pending claims or lawsuits. To the extent that a future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the consolidated financial statements. At March 31, 2017, there were four claims made by current and former employees against the Corporation and one claim made by the union. It is the opinion of management that the settlement of such matters will not result in any material liabilities to the Corporation. The timing of cash outflows related to the claims is uncertain, as it often depends on the outcome of specific events including, but not limited to, the length of legal proceedings.

The Corporation is named as a defendant jointly and severally with its subsidiary corporation, SIBC, and Her Majesty in regards to its mandate for the collection of tolls at the Seaway International Crossing. The amount of the claim is $50,000, subject to accounting for bridge tolls and revenues. Transport Canada has assumed responsibility to defend against the claim. The Corporation and its subsidiary corporation, SIBC, are agent Crown Corporations in their own rights and, with respect to this claim, they are being sued for taking actions that they are mandated to take as agents of Her Majesty. The outcome, timing and amount of any settlement of this claim cannot be determined at this time due to uncertainties primarily related to the resolution of a separate land claim by the same party against Her Majesty that must first be considered. Also, the long-term legal proceedings on this matter, which have spanned decades, and the basis of inclusion of elements of bridge tolls and revenues must also be deliberated.

25. Commitments for Expenditure

a) The Corporation has commitments principally for maintenance and construction contracts, and rental agreements for amounts totaling $26,290 (2016 – $28,413). The rental agreement relates to the office space in Ottawa. There are no renewal options for this lease.

Capital project contracts have been awarded as at March 31, 2017 for the purchase of property and equipment with an outstanding commitment of $21,951 (2016 – $24,802).

Maintenance and other awarded contracts have an outstanding commitment of $1,788 (2016 – $470) at March 31, 2017.

b) In the normal course of business, the Corporation enters into contractual agreements for goods and services over periods beyond one year. Disbursements largely depend on future volume-related requirements and are subject to the Corporation’s contractual rights of termination.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
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25. Commitments for Expenditure (continued)

Total commitments for maintenance and construction contracts, in years, are as follows:

As at March 31	2017	2016
	$	$
Within one year	**22,088**	16,733
After one year but not more than five	**1,651**	8,823
More than five years	**-**	-
Total	**23,739**	25,556

Total commitments for office space, in years, are as follows:

As at March 31	2017	2016
	$	$
Within one year	**280**	77
After one year but not more than five	**1,119**	1,119
More than five years	**1,152**	1,661
Total	**2,551**	2,857

26. 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.

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

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

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

26. Financial Instruments (continued)

As at March 31			2016
	Value $	Cost $	Level
Financial instruments measured at fair value on a recurring basis			
Available-for-sale investments	4,748	4,748	Level 2
Financial instruments measured at amortised costs			
Held-to-maturity investments	23,963	23,839	Level 1
Loans payable	17,593	17,572	Level 2
Bonds payable	89,491	70,740	Level 2

The credit rating of the available-for-sale investments remains in compliance with the Corporation's investment policy, which requires all investments be no lower than a grade A, based on external credit ratings.

The fair value of available-for-sale investments are priced daily by the FTSE TSX Debt Market Indices service.

The fair values of held to maturity investments are quoted from active trading markets for identical assets.

A discounted cash flow method, using a factored rate equal to the prevailing market rate of interest for loans and debt bonds having similar terms and conditions, was used to determine the fair value of the loans payable and bonds payable.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation is subject to credit risk on cash, cash equivalents, available-for-sale investments, and trade and other receivables.

The Corporation manages this risk by dealing only with members of the Canadian Payment Association or the Government of Canada and by closely monitoring the issuance and collection of credit to commercial clients. The carrying amount reported on the Corporation's Consolidated Statement of Financial Position for its financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk. At March 31, 2017 (2016 – nil) there were no provisions recorded. The credit risk is not significant for the Corporation.

The credit risk associated with cash, cash equivalents, and available-for-sale investments is reduced substantially by ensuring that cash surpluses are invested in highly liquid investments. The Corporation's policy is to invest cash surpluses in low-risk instruments at an investment grade "A" or equivalent. Management believes the risk of loss is not significant. The credit risk associated with accounts receivable is minimised since a large portion of the amount is owed from federal government departments generally within 90 days. As at March 31, 2017, accounts receivable from federal governmental departments comprised 94% of the total amount due (2016-86%).

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
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26. Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation manages the risk by establishing budgets; maintaining cash reserves and credit facilities, establishing cash forecasts and monitoring cash flows as well as matching terms of investments to the timing of planned disbursements. The Corporation invests surplus cash in high credit quality government and corporate securities in accordance with the policies approved by the Board of Directors and in line with guidance from the Minister of Finance.

The following table presents a maturity analysis of the Corporation's financial liabilities based on the expected cash flows from the date of the Consolidated Statement of Financial Position to the contractual maturity date. The amounts are the contractual undiscounted cash flows.

As at March 31				**2017**
	Carrying amount	**Less than 3 months**	**3 months to 1 year**	**Over 1 year**
	$	**$**	**$**	**$**
Trade and other payables	12,026	10,059	1,854	113
Holdbacks	2,663	232	2,431	-
Long-term debt payable	107,944	256	13,691	93,997
Total	**122,633**	**10,547**	**17,976**	**94,110**

As at March 31				2016
	Carrying amount	**Less than 3 months**	**3 months to 1 year**	**Over 1 year**
	$	**$**	**$**	**$**
Trade and other payables	11,350	8,866	2,385	99
Holdbacks	2,157	430	1,116	611
Long-term debt payable	121,376	315	13,117	107,944
Total	134,883	9,611	16,618	108,654

Market Risk

Market risk is the risk of an impact on results from changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Corporation is exposed to all of these risks.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is subject to interest rate risk on its cash and cash equivalents. A 1% variation in interest rates at March 31, 2017, would not be material.

Certain available-for-sale investments bear interest at a fixed rate. Available-for-sale investments also include bonds of the Government of Canada, provincial governments, and corporate banks with fixed rates of interest and an average term to maturity of 10.7 years (2016 – 9.7 years). The fair market value of these instruments is indirectly affected by fluctuations of the market interest rate. The impact of a hypothetical 1% variation in interest rates at March 31, 2017 would not be material.

Credit facility, loans payable and bonds payable also bear interest at fixed rates. However a change in the fair value would not impact the net income of the Corporation as the Corporation holds the liabilities until maturity.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

26. Financial Instruments (continued)

A variation in exchange rates during the year would significantly affect toll revenue income. The weakening Canadian dollar over the duration of the 2017 fiscal year produced an increase in toll revenue, which is recorded in Canadian dollars. A hypothetical 1% weakening of the Canadian dollar during the course of the fiscal year would have had a $132 (2016 - $149) increase in recorded toll revenue. FBCL's U.S. cash is held in different banks, due to FBCL's U.S. bridge operating partners utilising locally available banks. At March 31, 2017, the Corporation's U.S. dollar bank balance was $2,873 (2016 - $1,911). A hypothetical 1% variance in the exchange rate at March 31, 2017, would produce a $37 (2016 - $25) gain or loss for the Corporation. The Corporation manages this risk by periodically adjusting the US toll rates with the Canadian rate and vice versa and by converting a portion of U.S. bank account balances to Canadian dollars and vice versa where applicable.

Capital Management

The Corporation defines its capital as its retained earnings, share capital and accumulated other comprehensive income.

As per legislative authorities, the maximum amount that the Corporation can borrow is $130,000 with Minister of Finance approval (2016 – $130,000).

The Corporation's objectives in managing capital are to safeguard its ability to continue as a going concern, to fund its asset base and to fulfil its mission and objectives.

27. Comparative Figures

During the preparation of this year's Consolidated Financial Statements, management noted that certain costs were not allocated to the appropriate expense line item in the Consolidated Statement of Comprehensive Income for the comparative figures. Consequently, expenses for Operations were changed from $6,387 to $5,778, Thousand Islands International Bridge expenses were changed from $5,964 to $6,430, Maintenance expenses were changed from $14,706 to $14,468, and Canada Border Security Agency & Canadian Food Inspection Agency operations expenses were changed from $3,857 to $4,238. The reclassification of expenses are a result of errors in the allocation and not as a result of a change in the functional presentation of expenses accounting policy (as disclosed in Note 2). The reclassification does not have an impact on the total expenses of $39,121 nor the Consolidated Statement of Financial Position. Similarly the expenses by nature as disclosed in Note 21 were also not allocated to the appropriate expense line for the comparative figures. Consequently, salaries and employee benefits expenses were changed from $12,157 to $14,336, goods and services expenses were changed from $4,035 to $3,736, repairs and maintenance expenses were changed from $5,461 to $3,203, and professional services expenses were changed from $1,069 to $1,447.

The fair value of investment properties as at March 31, 2016, as disclosed in Note 11, has been updated from $29,326 to $25,524. The change relates to a typographical error in Note 11 of the March 31, 2016 Consolidated Financial Statements.

28. Subsequent Events

Subsequent to March 31, 2017, 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.

A giant "Welcome to Canada" sign was built for installation above inbound traffic lanes at the Blue Water Bridge in Point Edward, to coincide with the Canada 150th celebrations.

CANADA 150

8 DIRECTORS AND OFFICERS

THE FEDERAL BRIDGE CORPORATION LIMITED

BOARD OF DIRECTORS

(as of March 31, 2017)

Connie Graham [1]	Chairperson
Diana Dodge [4]	Vice-Chairperson
Gary Atkinson [2]	Director
Pascale Daigneault [3]	Director
Micheline Dubé, FCPA, FCMA [5]	Director
Rick Talvitie [6]	Director
Debbie Tropea [7]	Director

COMMITTEES OF THE BOARD OF DIRECTORS

FINANCE AND AUDIT COMMITTEE

Debbie Tropea	Chair
Diana Dodge	Member
Rick Talvitie	Member

GOVERNANCE, POLICY AND HUMAN RESOURCES COMMITTEE

Pascale Daigneault	Chair
Gary Atkinson	Member
Diana Dodge	Member

CORPORATE OFFICERS

Micheline Dubé, FCPA, FCMA	President and CEO
Natalie Kinloch, CPA, CA	Chief Financial and Operating Officer
Jacques E. Pigeon Q.C.	Corporate Secretary

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

BOARD OF DIRECTORS

(as of March 31, 2017)

Micheline Dubé	President and Director
Carrie-Mann Lavigne	Vice-President
Natalie Kinloch	Director
Thomas Lavigne	Director
Kevin O'Malley	Director
Jacques E. Pigeon, Q.C.	Director
Nancy Scott	Director
Vacant	Director

COMMITTEES OF THE BOARD OF DIRECTORS

MANAGEMENT COMMITTEE

Micheline Dubé	Chairperson
Carrie Mann-Lavigne	Member

AUDIT COMMITTEE

Nancy Scott	Chairperson
Natalie Kinloch	Member
Jacques E. Pigeon, Q.C.	Member

OFFICERS AND SENIOR MANAGERS

Micheline Dubé	President & Chief Executive Officer
Carrie Mann-Lavigne	Vice-President
Natalie Kinloch	Treasurer
Jacques E. Pigeon, Q.C.	General Counsel and Corporate Secretary
Nancy Scott	Assistant-Treasurer
Wade Dorland	Bridge Director

APPENDIX – CORPORATE OFFICES

OTTAWA HEAD OFFICE

200-55 Metcalfe Street
Ottawa, Ontario K1P 6L5

Toll Free 1-866-422-6346
(613) 366-5074
(613) 366-5174

www.federalbridge.ca / info@federalbridge.ca

Blue Water Bridge Location

1555 Venetian Blvd,
Point Edward, Ontario N7T 0A9

Toll Free 1-866-422-6346
(519) 336-2720
(519) 336-7622

SUBSIDIARY

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

200 Akwesasne International Road
Akwesasne, ON
K6H 5R7

(613) 932-6601
(613) 932-9086

www.sibc.ca

PARTNERS

SAULT STE. MARIE BRIDGE AUTHORITY

934 Bridge Plaza
Sault Ste. Marie, MI 49783

(906) 906-635-5255

www.saultbridge.com

THE THOUSAND ISLANDS BRIDGE AUTHORITY

P.O. Box 10
Lansdowne, Ontario K0E 1L0

(315) 482-2501
(315) 482-5925

www.tibridge.com