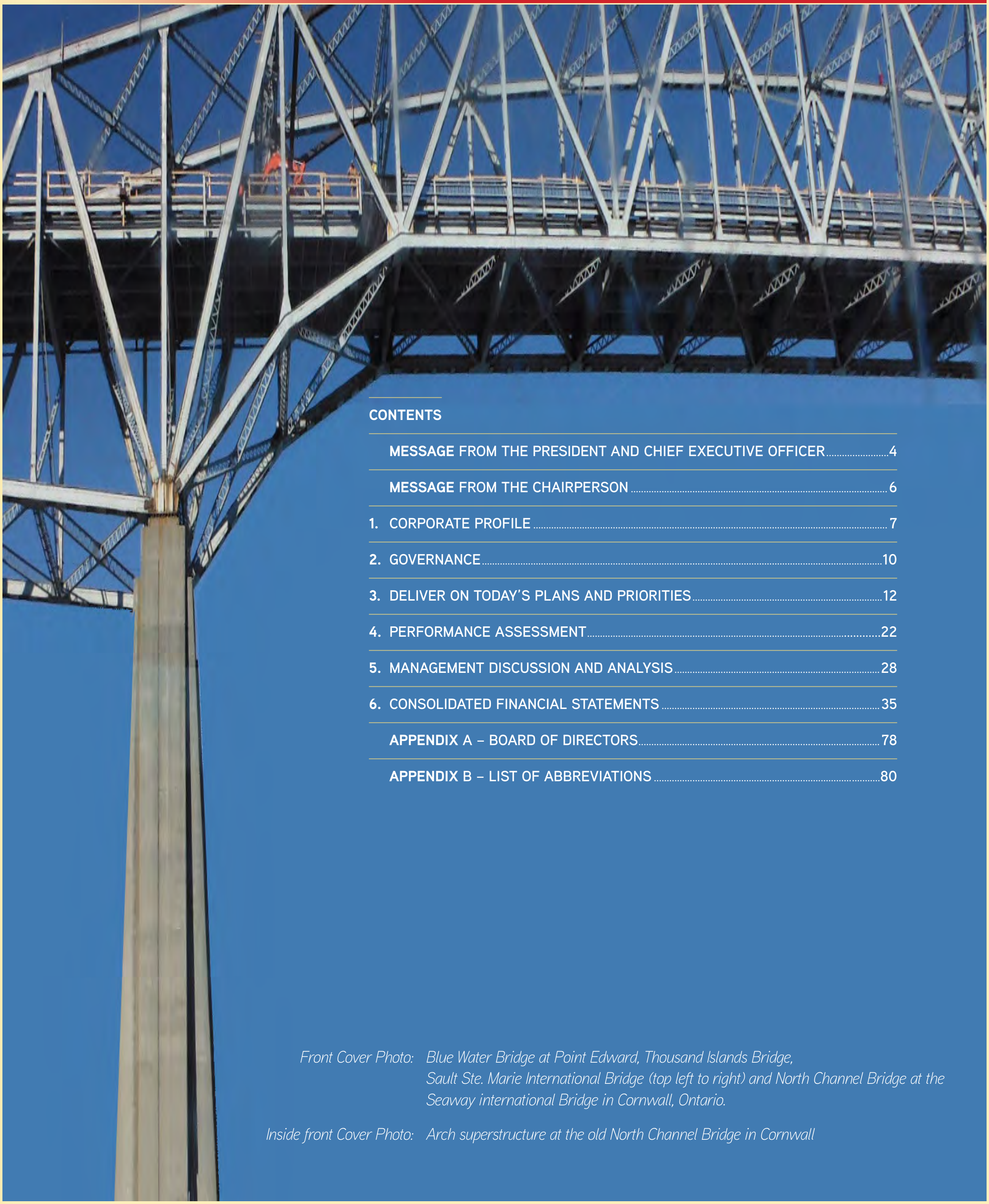
THE FEDERAL BRIDGE CORPORATION LIMITED




BEST PRACTICES IN MANAGING INTERNATIONAL BRIDGES

ANNUAL REPORT
2014-15

Canada



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Front Cover Photo: *Blue Water Bridge at Point Edward, Thousand Islands Bridge, Sault Ste. Marie International Bridge (top left to right) and North Channel Bridge at the Seaway international Bridge in Cornwall, Ontario.*

Inside front Cover Photo: *Arch superstructure at the old North Channel Bridge in Cornwall*

NOTE TO THE READER

Please note that the FBCL 2014-15 Annual Report represents the reports of legacy The Federal Bridge Corporation Limited (FBCL) including its wholly-owned subsidiaries St. Mary's River Bridge Company (SMRBC) and The Seaway International Bridge Corporation, Ltd. (SIBC) from April 1, 2014 to January 31, 2015. The information for the legacy Blue Water Bridge Authority (BWBA) dates from September 1, 2014 to January 31, 2015. This report also includes information from the new entity also known as The Federal Bridge Corporation Limited (FBCL) which was formed by the amalgamation of legacy FBCL with legacy BWBA, legacy SMRBC and its remaining subsidiary SIBC, from February 1, 2015 to March 31, 2015.

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Micheline Dubé

The 2014-15 fiscal year was a monumental year for The Federal Bridge Corporation Limited (FBCL). It was defined by a complete corporate renewal, impressive accomplishments and the establishment of an exciting foundation for the future.

A COMPLETE RENEWAL – On February 1, 2015, new federal legislation provided the authority for the establishment of a new redefined FBCL corporate entity. This new entity was created through the amalgamation of the legacy FBCL corporation with one of its subsidiaries, the St. Mary's River Bridge Company (SMRBC), another parent Crown Corporation and the Blue Water Bridge Authority (BWBA). The amalgamation of the Seaway International Bridge Corporation (SIBC) will be pursued at a later date. This effectively brings under one portfolio, the Canadian interest in international bridges located in Sault Ste. Marie, Point Edward, Lansdowne and Cornwall between the Province of Ontario and the States of New York and Michigan. Additionally, this change included the divestiture of legacy FBCL's shares of The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) to the Minister of Transport in the previous year.

As President and CEO, I am pleased to have received the government's vote of confidence to lead this new corporation for the next four years. I am confident that the challenges ahead will only add to my remarkable seven-year journey with the legacy FBCL.

These corporate changes will allow us, amongst other objectives, to: i) implement consistent policies and industry best practices across the portfolio of international bridges under our authority; ii) build on initiatives such as the modernization of border facilities and automated tolling at all locations; and, iii) expand our existing bridge partnership business model in place at Sault Ste. Marie, Lansdowne and Cornwall and to ensure ongoing cross-border fluidity and safety.

ACCOMPLISHMENTS TO DATE –The key role of our international bridges is to enable trade, partnership and tourism between Canada and the United States. These structures play a vital role in connecting Canada's transportation and economic networks to our largest neighbour and trading partner. In exercising this role, FBCL has a dual purpose, serving the public interest and revenue generation to finance the bridge operations. I am proud to announce that the Corporation has delivered strongly in each of these areas.

In the past year starting April 1, 2014, collectively as separate legacy corporations and then combined under the new FBCL, we welcomed 11.7M vehicles to the four international bridges within the portfolio. This represents a 1% decrease over the prior year. This traffic profile is characterized by a decrease of 2% in passenger traffic primarily linked to the downward fluctuation in the Canadian dollar and a 3% increase in commercial traffic indicating a recovery in Canada's exports to the U.S.

Our teams at every bridge location have consistently delivered in their respective mandates allowing for essential traffic management, effective toll collection and currency exchange operations as well as proactive maintenance of the bridges and associated structures.

In Sault Ste. Marie as part of the Canadian Plaza Redevelopment Project, the new Duty Free shop became operational and the maintenance garage was completed and functional. The final phase of the project is now well underway.

Last December, the Blue Water Bridge office complex, was awarded LEED (Leadership in Energy and Environmental Design) Silver certification by the Canada Green Building Council. The ultra-modern facility houses corporate offices for the Canadian Border Services Agency (CBSA), The Canadian Food Inspection Agency (CFIA) and the Blue Water Bridge operations; along with commercial custom brokerages and logistics firms. A key project initiated in 2015 in Point Edward was the asphalt replacement project which is nearing completion. Throughout 2014-15, a toll infrastructure modernization and automation pilot project has been installed and results assessed for its impact on border efficiency.

Further east, at the Thousand Islands Bridge, Lansdowne, a rehabilitation of the CBSA Lansdowne Port of Entry and toll infrastructure modernization and automation pilot projects were initiated.

In Cornwall, we successfully opened the new crossing in January 2014, as part of the North Channel Bridge Replacement Project. However, the project is not yet completed. The large high-level super structure of the old North Channel Bridge is now being dismantled and the project is progressing rapidly.

In final tribute to this historical structure, the community gathered one last time on the bridge in July 2014 to bid farewell.

In addition to the collective efforts to realize the amalgamation, we have realigned the year-ends of the legacy corporations to March 31st as well as adjusted all legacy corporations' financial information to

International Financial Reporting Standards (IFRS). This will allow for comparative reporting of our financial results within the industry. From a human resources perspective, the transition to one corporation has been met with cautious optimism by the employees who have kept the business seamlessly operating during these important corporate changes.

A VIEW FORWARD – As you will find in reading the 2014-15 Annual Report, amalgamation does represent a unique opportunity to achieve the operational excellence in Canada's international bridge portfolio. The achievement of this goal hinges on the successful integration of people, corporate culture and processes to optimize the organization and advance stronger portfolio management. Only after this successful integration takes place will the Corporation be in a position to pursue greater operational efficiencies and create greater value proposition for Canadian interest.

A portfolio management approach significantly changes the manner in which the new FBCL will deliver its mandate from the legacy corporations. It is a core shift from individual decision-making to a collective view of the portfolio of bridges as a whole. The government's vision for the new FBCL can only be realized with the continued dedication of our outstanding employees, board members and U.S. partners. We are deeply invested in each of the communities where our bridges are located and are committed to working with our stakeholders in a transparent and collaborative manner.

We anticipate that the coming months and years will be filled with challenges as we continue our quest to identify best practices and to renew and align corporate policies and culture. We are fortunate to have a most engaged and professional group of employees who view the bridges as their own and every day deliver incredible value to Canadians.

Micheline Dubé, President and CEO

Last December, the Blue Water Bridge Corporate Center was awarded LEED [1] (Leadership in Energy and Environmental Design) Silver certification by the Canada Green Building Council

[1] LEED: American system of standardization of high performance green buildings developed by the US Green Building Council in 1998.

MESSAGE FROM THE CHAIRPERSON

Connie Graham

For the Board of Directors (legacy and new), this year was active, results driven and incredibly rewarding.

The corporation has initiated a major corporate reorganization in order to institute consistent best practices in the management of international bridges under our authority.

A NEW FBCL – 2014-15 marked the creation of the new FBCL, a corporation formed from the sum of the parts of four entities (with one amalgamation remaining). The amalgamation resolved historical governance issues, allowing for increased focus and greater accountability for international bridges. Their amalgamation results in FBCL owning and managing four Canadian international bridges in the Province of Ontario. As a parent Crown Corporation, it is accountable to Parliament through the Minister of Transport. It is governed by a Board of seven Corporate Directors who are accountable for the oversight and strategic direction.

I was honoured to accept the five-year appointment from the Minister of Transport as Chairperson of the Board of Directors to lead the newly amalgamated Corporation following my short tenure as Chair of the legacy organization. The continuity of my position, that of the President and Chief Executive Officer (CEO) and a number of management and bridge directors will be invaluable as we preserve and build on the corporate history and culture of the various legacy corporations.

Our Board is comprised of independent and experienced directors with diverse backgrounds and skills that ensure effective oversight of the new Corporation.

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AT THE HELM – The Board has three areas of responsibility in its corporate governance function. These are: i) responsible financial and operational oversight, ii) instituting best-practice Crown Corporation governance structures and performance, and iii) approving a long-term plan for strategic portfolio asset development. All governance-related matters are the responsibility of the Board which is providing highly-focused governance and risk management during this period of profound change. As we look back on the year, much of the Boards' efforts (legacy and new) were spent laying the groundwork for corporate transformation. In its amalgamation preparations, each corporation provided significant input into all aspects of the future corporate structure including the definition of new Board and CEO profiles, the legal framework, corporate bylaws, establishment of an amalgamation agreement and development of key corporate policies and principles for the transition of the corporations. All of these efforts culminated in the final realization of amalgamations on February 1, 2015.

DIRECTING THE WAY FORWARD – The new Board's first priority has been ensuring continuous and consistent oversight capacity to advance the organization. The Board has adopted a two-committee structure; the Finance and Audit Committee and the Committee of the Whole in order to address its responsibilities in all areas of finance, enterprise risk, Human Resources (HR) and policy. Importantly, the Board has initiated a renewal of all corporate and board policies to ensure the adoption of modern best practices in governance and consistency of practice and application across the portfolio.

In addition to ongoing stewardship of the assets under the new FBCL umbrella, customer and Government of Canada expectations continue to evolve. The Board recognizes its responsibility to methodically plan and invest in technology, human capital and infrastructure in order to optimize bridge safety, security, efficiency and fiscally prudent financial management controls well into the future.

I am personally grateful to Board members and staff of the legacy corporations for their commitment, diligence and professionalism as we delivered the Government's vision for the new Corporation. It is my honour and privilege to work with such an accomplished and passionate team. Great things are to come as our new FBCL team delivers superior corporate performance in their service of Canada and the travelling public.

Connie Graham

Connie Graham, Chairperson

1. CORPORATE PROFILE

1.1 WHO WE ARE

FBCL is a corporation created 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. As a parent Crown Corporation it reports to the Parliament of Canada through the Minister of Transport.

Legacy FBCL amalgamated with the St. Mary's River Bridge Company (SMRBC), a wholly-owned subsidiary, on January 27, 2015 and the legacy Blue Water Bridge Authority (BWBA), a parent Crown Corporation, on February 1, 2015. Amalgamation with its remaining subsidiary, The Seaway International Bridge Corporation, Limited (SIBC), is expected to occur at a later date, once agreement with its U.S. partner, the St. Lawrence Seaway Development Corporation (SLSDC), is reached. The amalgamated FBCL is responsible for the Canadian federal interest at four international bridge locations in Ontario, as follows:

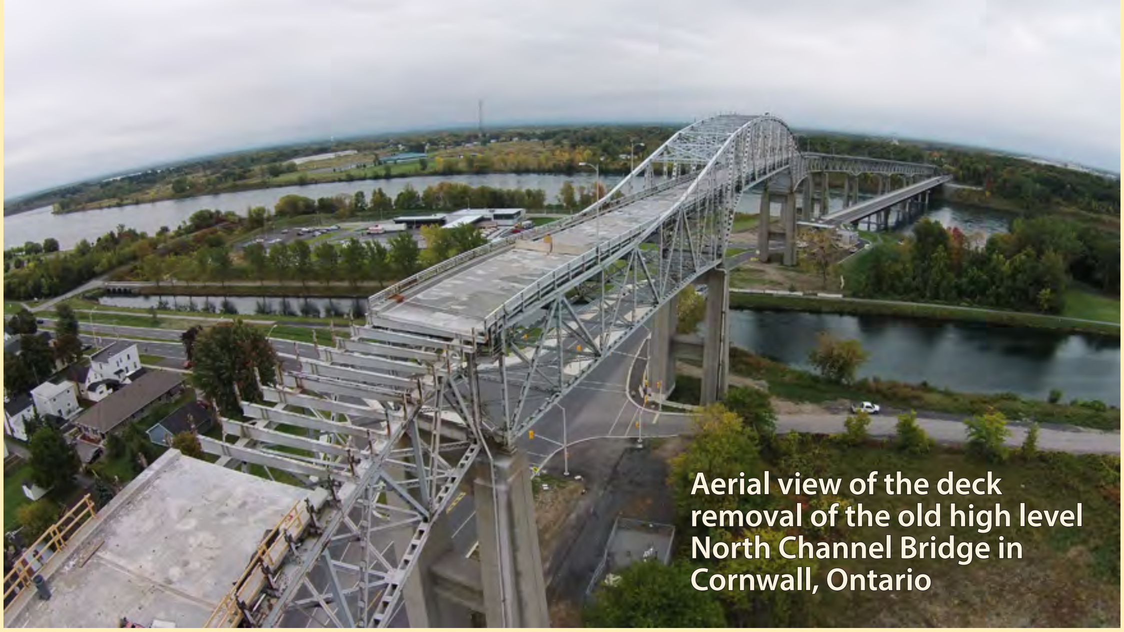
- **Sault Ste. Marie:** Ownership of the Canadian interest in the Sault Ste. Marie International Bridge. The bridge is managed by the International Bridge Administration (IBA), an entity of the State of Michigan, U.S., through an international agreement between the asset owners, FBCL and the IBA, a division of the Michigan Department of Transport (MDOT). The bridge operations are overseen by a joint international Board of Directors, the Sault Ste. Marie Bridge Authority (SSMBA);
- **Point Edward:** Ownership, management and operation of the Canadian portion of the twinned Blue Water Bridge, linking Point Edward, Ontario to Port Huron, Michigan. FBCL works in close collaboration with MDOT, the owner, manager and operator of the U.S. portion of the bridge;
- **Thousand Islands:** Ownership of the Canadian interest in the Thousand Islands International Bridge. The bridge is managed by the Thousand Island Bridge Authority (TIBA), an entity of the State of New York, U.S., under a bi-national agreement between the asset owners, FBCL and TIBA; and,
- **Cornwall:** Ownership of the Canadian interest in the Seaway International Bridge Crossing. FBCL is responsible for management of the whole bridge crossing including the North Channel Bridge, an international roadway, and the South Channel Bridge. The joint operations are managed by international agreement by SIBC on behalf of the asset owners, FBCL and SLSDC, a federal U.S. entity. Major Canadian capital projects are undertaken directly by FBCL.

1.2 MANDATE

Our 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 our 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, Canada to the states of New York or Michigan, United States of America, either alone, jointly or in cooperation with any other


Aerial view of the deck removal of the old high level North Channel Bridge in Cornwall, Ontario

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 FAA, the CBCA, and these articles, as amended from time to time, the capacities and powers of a natural person.

1.2.1 PUBLIC POLICY OBJECTIVES

The Corporation has established an interim mission, vision and pillars to help define the framework for the Corporation's strategic direction. These aspects will be revisited and reconfirmed as the Board, senior management and staff work together to plan the way forward.

Mission

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

Vision

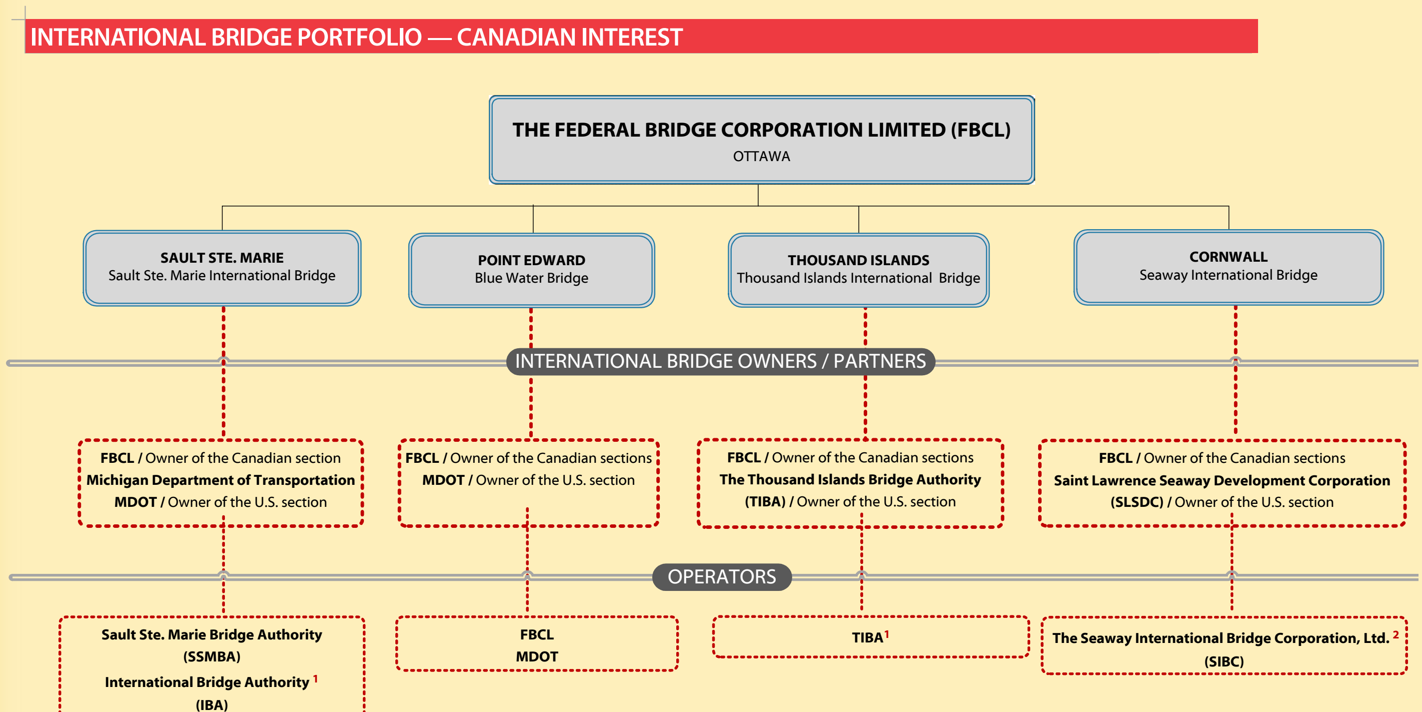
FBCL is the Canadian Crown Corporation that is responsible for overseeing the federal interests of the entrusted international bridge crossings between Canada and the United States.

Pillars

FBCL will deliver its mission through 5 key pillars:

- An **organization** operating with a portfolio management approach and focused on providing excellent customer service;
- **Stewardship** of the bridge assets under its responsibility, focused on safety and security through a program of independent inspections, and appropriate capital and maintenance programs;
- Effective use of **technology**, utilizing common platforms to ensure efficiency of operations and accuracy of information, managed in a manner that limits associated 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, the required capacity and skills, and strong relationships with stakeholders.

1.3 ORGANIZATIONAL STRUCTURE



[1] Operates the bridge under an International Agreement

[2] SIBC is a subsidiary of FBCL and operates the bridges under an International Agreement

1.4 SUMMARY OF OPERATIONS

	FBCL				SIBC
Operations	**Headquarters**	**Sault Ste. Marie International Bridge**	**Blue Water Bridge**	**Thousand Islands International Bridge**	**Seaway International Bridge Crossing**
Location in Ontario	Ottawa	Sault Ste. Marie	Point Edward	Lansdowne	Cornwall
Corporate Status	Incorporated in 2015 as a CBCA corporation. 2015 amalgamation with SMRBC and BWBA.				Subsidiary Incorporated in 1962, continued in 1979 as a CBCA corporation
Board of Directors	Seven Directors (includes the Chairperson and the President and CEO) appointed by Governor in Council.				Eight Directors, four Canadians; four U.S., appointed by FBCL. SLSDC recommends U.S. Directors for appointment.
International Agreement and Oversight		FBCL/MDOT MDOT-IBA operates Eight Directors appointed equally by each owner to the Sault Ste. Marie Bridge Authority (SSMBA).		FBCL/TIBA TIBA operates U.S. Chair and six Directors, three U.S; three Canadian, appointed by Jefferson County. FBCL recommends Canadian Directors for appointment.	FBCL/SLSDC SIBC operates
Bridge ownership		o 50% of international bridge	o 50% of twin bridges	o 100% Canadian Bridge o 50% rift bridge	o 100% North Channel Bridge o 32% South Channel Bridge

ACTIVITIES

	Portfolio management of four bridges and oversight of: • Operations • International agreement • Engineering, inspections • Capital projects	Bridge operations, security and maintenance			
		Leases and licenses including Duty Free			
			Currency exchange		Free passage Aboriginal community
		CBSA and CFIA facilities operations			

CORPORATE SERVICES

communications, finance, human resources, information technology and management, internal audit, legal affairs, strategic planning

2. GOVERNANCE

2.1 CHANGE IN FOCUS - ECONOMIC ACTION PLAN 2013 ACT, NO. 2, REORGANIZATION OF CERTAIN CROWN CORPORATIONS

In October 2013, the Government of Canada announced - *Economic Action Plan 2013 Act*, No. 2 which authorized the amalgamation of four Crown Corporations (BWBA, SMRBC, SIBC and FBCL) that own or operate international bridges and gives control and management responsibilities to the resulting amalgamated corporation, a new entity also entitled FBCL. The Bill received Royal Assent on December 12th, 2013.

In early 2014, the first phase of amalgamation saw JCCBI in Montreal cease to be a subsidiary of FBCL and become a standalone parent Crown Corporation.

In a second phase, completed on January 27, 2015, FBCL amalgamated with one of its wholly-owned subsidiaries, SMRBC. FBCL expects to amalgamate with its remaining wholly-owned subsidiary, SIBC, with the agreement of its U.S. partner, SLSDC.

Phase three of the amalgamation took place on February 1, 2015, with the amalgamation of legacy FBCL and BWBA under the CBCA, continuing as one corporation under the name The Federal Bridge Corporation Limited.

The Board of Directors of the new entity, including the Chairperson and the President and CEO, were appointed upon amalgamation. The Chairperson and the President and CEO of the legacy FBCL were reappointed to their respective roles in the new organization. The continuity of these positions will be an asset moving forward. All governance-related matters are now the responsibility of the new Board. (Note that until amalgamation with SIBC takes place, that wholly-owned subsidiary will continue to be overseen by its own Board of Directors appointed by FBCL). All activities, assets and liabilities of the legacy corporations will continue under the newly amalgamated Corporation.

The amalgamation will contribute significantly to resolving historical governance issues, allowing for increased focus and greater accountability for international bridges through a single Board structure.

2.2 PUBLIC ACCOUNTABILITY

As a Crown Corporation, FBCL is accountable to Parliament through the Minister of Transport. It is governed by a Board of Directors (the Board) which is accountable for the oversight and strategic direction. The President and CEO is also 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.

2.3 FBCL BOARD

The 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.

As per the FAA, the duties and responsibilities of the Board are to set corporate objectives and direction, ensure good governance, monitor financial performance, approve budgets and financial statements, approve policies and by-laws, recommend appointment of the Canadian directors of International Bridge Boards, as well as ensure that risks are identified and managed.

In exercising their functions, the FBCL Board of Directors will be initially guided by the Amalgamation Agreement established by the legacy corporations and approved by the Minister of Transport.

Directors of the Board are required to act honestly, diligently, judiciously and in good faith, in accordance with the FAA. They are briefed on and operate under the terms of corporate by-laws, designed to prevent conflict of interest, and are required to recuse themselves from decision making related to potential areas of conflict of interest. The Corporation requires that each new Director review and acknowledge his or her understanding of the principles expressed in the Conflict of Interest Code for Directors.

2.3.1 COMMITTEES OF THE FBCL BOARD

Finance and Audit Committee

The Finance and Audit Committee (FAC) is responsible to oversee, on behalf of the corporation, the standards of integrity and behaviour, the reporting of financial information, management control practices, risk management and insurance needs. The FAC is composed of three Directors appointed by the Board, one of whom is appointed as Chair of the Committee.

The role of the FAC is as mandated for audit committees in the FAA. The FAC is responsible for advising the Board on matters of the oversight of consolidated 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 its resulting plans and reports. The FAC performs other functions assigned to it by the Board and that are included in the by-laws of the corporation.

The following committees have been established within the FBCL By-Laws. The Board of Directors has opted to exercise these committees' functions within a Committee of the Whole to allow for familiarization of all of the members and a further review planned for the fall.

Governance Committee

The Governance Committee assists the Board in fulfilling its oversight responsibilities on standards of integrity and behavior, governance structures and processes, and related matters. It also supports the Minister in the nomination and renewal process for Board membership. The Governance Committee is composed of three Directors appointed by the Board, one of whom is appointed as Chair of the Committee.

Human Resources Committee

The Human Resources Committee (HRC) is responsible to oversee compensation and benefits policies, review and evaluation of the President and CEO's performance and review of the emergency management plan. The HRC is composed of three Directors appointed by the Board, one of whom is appointed as Chair of the Committee.

2.3.2 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 $177,400 - $208,600. 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.

2.3.3 CODE OF CONDUCT

The *Public Servants Disclosure Protection Act* (PSDPA) came into force on April 15, 2007. Its purpose 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 Act is to promptly provide public access to certain information respecting founded cases of wrongdoing resulting from a disclosure brought forward under the PSDPA. Specifically, the Corporation must describe the wrongdoing; the recommendations made to the chief executive; and the corrective action taken by the chief executive.

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

2.4 PORTFOLIO MANAGEMENT

A portfolio management approach changes significantly the manner in which the Corporation will deliver its mandate from the legacy corporations. We are not a portfolio of corporations but rather one parent Crown Corporation overseeing a portfolio of federal assets (once amalgamation with SIBC is completed) which are used in pursuit of public policy objectives. Key aspects of the portfolio management approach to be implemented (partly in parallel with, and partly subsequent to the integration of the legacy corporations) 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 diversity of the operations across our bridge portfolio is significant. The Blue Water Bridge has the most volume, the Seaway International Bridge Crossing has the most challenging operating environment and the demographics and traffic patterns at the Thousand Islands International Bridge and the Sault Ste. Marie International Bridge differ significantly. The establishment of the new FBCL entity 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. The alignment of best practices and policies in this area will include direct participation from bridge directors, employees across the Corporation as well as representatives from U.S. partners.

3. DELIVER ON TODAY'S PLANS AND PRIORITIES

Strategic Outcome – Safe and efficient transit on the infrastructure maintained, operated and managed by the FBCL.

3.1 OPERATIONS, CAPITAL AND SPECIAL PROJECTS

Our international bridges are complex operations which include the collection of tolls, traffic management, inspections, capital projects, maintenance functions and currency exchange activities. Important major projects are currently being delivered at all of the bridge locations to ensure bridge security, safety and infrastructure renewal.

3.2 A VIEW PER LOCATION

The following section describes the condition of bridge assets as well as planned maintenance, long-term capital plans and special projects. The projects have been initiated and budgeted by the legacy corporations. While many are currently in advanced stages of delivery, others are in the early planning stages. Presently several of the bridges have long-term capital plans varying from 5 years to 40 years, we will work to develop a more standard approach for these plans at all of our bridges. The Board will review these plans in order to establish an integrated comprehensive final plan in the next fiscal year.

The Seaway International Bridge – South Channel Bridge between Cornwall Island, Ontario and Massena, N.Y.

3.2.1 SAULT STE. MARIE INTERNATIONAL BRIDGE – (SAULT STE. MARIE, ON)

The Sault Ste. Marie International Bridge opened in 1962 is the only international trade crossing within 975 kilometers in northwestern Ontario and Northern Michigan

Bridge(s) condition and maintenance

The annual inspection concluded that the overall condition of the bridge is operationally sound. Regular maintenance activities consistent with the recommendations from the inspection report have been carried out each year. Fracture Critical Member (FCM) inspections are defined as non-redundant structural members whose failure would compromise the structural integrity of the bridge. The FCM inspection was performed on the Canadian half during 2014 while the U.S. half was inspected in 2013.

A full asset monitoring and management system is presently being implemented to track, detect and inform maintenance and capital investments. The system has been reviewed by peer colleagues across the U.S. It is currently in the latter stages of being populated with historic data and is generating valuable information for bridge planning.

Major Multi-Year Project Updates

1. CBSA CANADIAN PLAZA REDEVELOPMENT ($51.6M)

The first phase of construction (Phase B) which included the Duty Free building and the IBA maintenance garage where opened for business in October 2014. Substantial project completion followed in December 2014, including truck access to the Plaza and to the bridge from Carmen's Way.

FBCL simultaneously initiated a separate contract to demolish the existing Duty Free building in November 2014 to continue to advance the project. Currently all demolition, with the exception of an existing maintenance garage and CBSA structures has been completed.

The second phase of construction (Phase A) was first tendered in August 2014 but all compliant bids returned were substantially over budget. FBCL initiated a value management and redesign project, without impacting the CBSA Statement of Requirement, through the fall of 2014. The tender for the construction of the CBSA facilities was issued and award of works is planned for Spring 2015.

2. TOLL AND ADMINISTRATION FACILITIES REPLACEMENT AND AUTOMATION ($8.9M – SHARED WITH U.S. PARTNER)

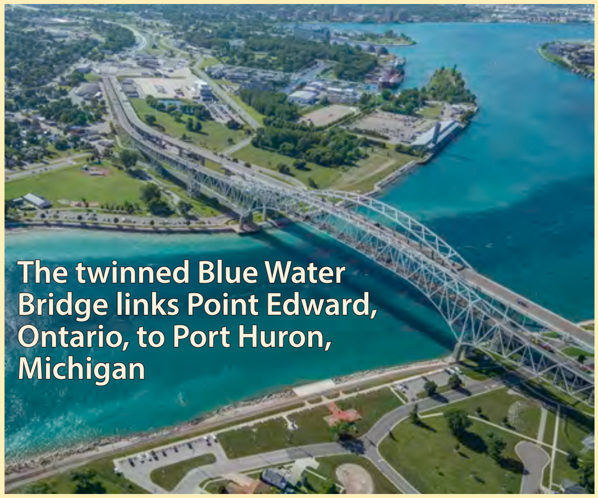
The project is jointly funded from revenues between the FBCL and the IBA, the owners of the Sault Ste. Marie International Bridge. The redevelopment aims to improve traffic flow and safety, as well as renew infrastructure that is at the end of its life-cycle. The redevelopment project commenced in 2014 and is advancing as planned, with several new lanes open and a scheduled completion date of October 2015. Once completed, the new toll plaza will have seven toll lanes served by six booths, all of which will be equipped with automated card readers, gates and patron fare displays. The automation of the toll software has been under construction throughout 2014-15 and will be live in the summer of 2015.

New Duty Free shop opened last October


Construction site of the U.S. Toll Plaza in Sault Ste. Marie

Progress of major projects in Sault Ste. Marie can be monitored at the "Ongoing Projects" tab at ***www.federalbridge.ca****.*

3.2.2 BLUE WATER BRIDGE – (POINT EDWARD, ON)



The twinned Blue Water Bridge links Point Edward, Ontario, to Port Huron, Michigan

Span 1 of the twinned bridges opened in 1938 and Span 2 opened in 1997. Once the new span was opened, the original span was immediately closed for renovations for two years. It reopened to traffic on November 13, 1999. With more than 6,000 commercial vehicles crossing the bridge daily, it is Canada's second busiest international land crossing for commercial vehicles and the third busiest for total vehicles. The twinned span bridges are a key link in the Ontario-Quebec Continental Gateway and Trade Corridor.

Bridge(s) condition and maintenance

An annual engineering assessment of the twinned bridge structures is jointly funded with the co-owner, MDOT. The Canadian half of the Blue Water Bridge is in operationally sound condition, which, in part, is a result of diligence in performing yearly engineering assessments by qualified professionals and acting on maintenance recommendations.

Major Multi-Year Project Updates

1. TOLL INFRASTRUCTURE RENEWAL AND AUTOMATED TOLLING ($3.2M)

The existing computer-based tolling system and utility infrastructure supporting the toll operations in each lane are being modernized as a preferred and necessary measure to meet the needs of the current bridge travellers as well as to ensure risk mitigation of information systems. The aim of the new system is to broaden the payment options from cash, bridge tokens and prepay options (currently commercial-only) to also include debit and credit cards.

Modifications to the new system were being completed throughout the year with intensive testing. Phased launch of the system by lane is expected by June 2015.

Plans are underway to complete the process of reconstructing each lane in a systematic manner. As each lane is reconstructed, these new lanes will be connected to the new system.

2. SPAN 1 RESURFACING ($3M)

The Span 1 Asphalt Replacement project started on March 29, 2015 with the closure of Span 1 and the redirection of all traffic to Span 2. This project is a coordinated effort between both owners of the bridge, MDOT and FBCL, in order to minimize the amount of time the bridge span is closed. The staff at BWB, MDOT, U.S. Customs and Border Patrol (CBP) and CBSA have invested considerable planning time to ensure that the day to day traffic volumes are well managed. The bridge has not experienced any major delays or backups in the first seven weeks of this single span operation.

3. INFRASTRUCTURE, NETWORKS AND SYSTEMS IMPROVEMENTS ($1.0M – PHASED APPROACH)

Managing the transmission of utilities and data through the BWB plaza currently encompasses a broad mix of old and new, integrated and disparate installations. BWBA has been taking a forward-looking, comprehensive view of its network, which since 2009 has included updating technologies and establishing a network on a phased basis to more effectively meet BWB's current and future needs.

The expanded network would also incorporate fibre optic communications technology, capable of connecting across the bridge and into the U.S. in concert with a compatible network being installed by MDOT. In its entirety, the infrastructure improvement initiative would positively advance all aspects of BWB's activities by linking all of its departments.

The Currency Exchange software improvements made in the past allowed for greater functionality in the management of financial transactions. Recent changes in requirements by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) that facilitates the Federal government's responsibilities for the detection, prevention and deterrence of money laundering, terrorist activity financing and other threats to the security of Canada require improvements to the system's customer tracking capabilities related to their compliance function.

A further software initiative commenced in fiscal year 2014-15 involved the development of a preventative maintenance program. The overall purpose of the program is to establish the most appropriate preventative maintenance work process and schedule that makes the best use of employee time and gains the maximum performance and value of BWB assets. In its formative stages, the program will document and include in a computer-based schedule routine tasks undertaken over the course of the year by the Maintenance Department. In subsequent years, the program will be expanded to also incorporate inventory supply purchase and management alerts and controls. Over time, it will track a wide range of maintenance vehicle, equipment and facility tasks, including time and resources usage, in order to automatically identify and schedule preventative maintenance assignments for department workers.

Progress of Blue Water Bridge major projects can be monitored at the "Ongoing Projects" tab at ***www.federalbridge.ca****.*

3.2.3 THOUSAND ISLANDS INTERNATIONAL BRIDGE (LANSDOWNE, ON)

FBCL is directly responsible to oversee the inspection programs for the Canadian Bridge and the Rift Bridges and manage capital projects carried out at these bridges and CBSA facilities. The boundary is at the International Rift, between Wellesley Island and Hill Island, and is bridged by two parallel arched spans.

Bridge(s) condition and maintenance

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.

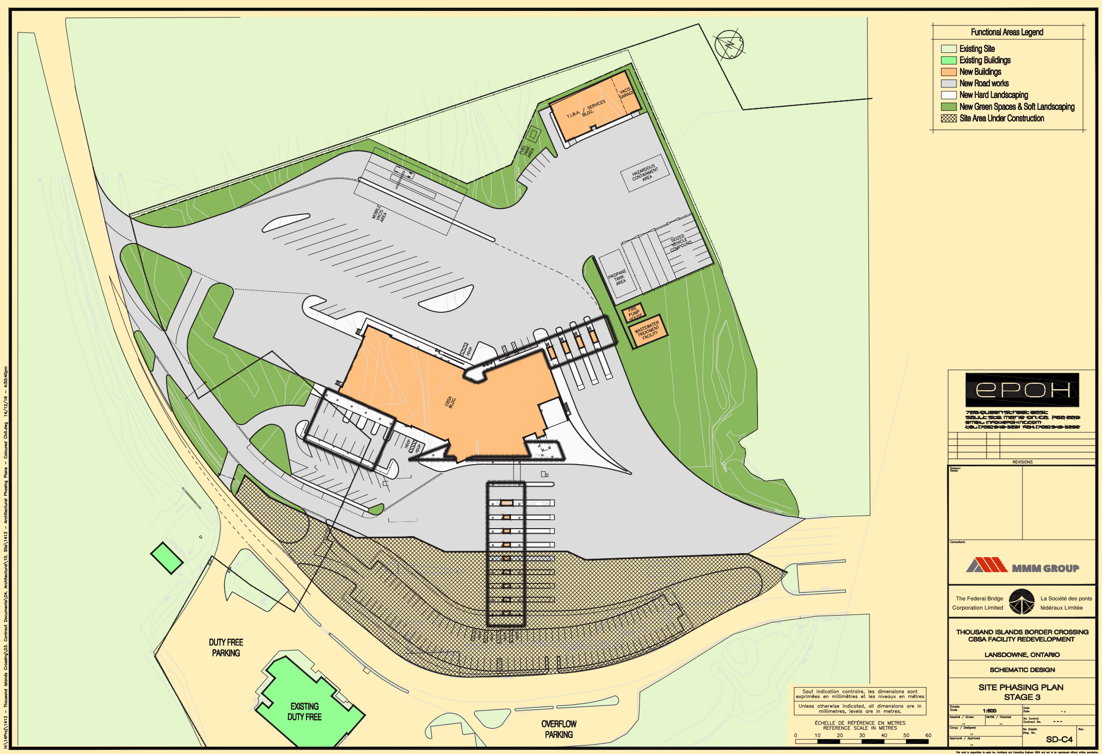
Major Multi-Year Project Update

1. REHABILITATION OF CBSA LANSDOWNE PORT OF ENTRY ($60M)

FBCL initiated a $60M rehabilitation project on April 1, 2014. This Port of Entry, in operation since the 1950's, has 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. The major elements will 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;
- Improvements of the road configuration and traffic routing; and,
- Construction of a maintenance and storage garage and brokerage facilities.

The schematic design was finalized and preliminary works such as environmental assessment, surveying and geotechnical studies, hydro and communications relocation were completed. Early site preparation works including utilities are underway and the rock removal contract which began in February 2015 should be completed this summer. A property purchase that will enhance the site efficiency has been secured. The project is estimated for completion by 2017-18.



View of the site design for the new port of Entry at Lansdowne, On.

2. TOLL INFRASTRUCTURE MODERNIZATION AND AUTOMATION ($7M – SHARED WITH U.S. PARTNER)

This project is to replace the existing computerized toll system in all toll collection lanes in both Canada and the U.S. Toll Plazas as well as modernize the existing infrastructure to support the new toll system in both the plazas and administration buildings. Initial feasibility studies were completed in 2014. Design is underway and is scheduled to be completed in mid-2015, with a prioritization on the infrastructure component. Each phase of this project is being considered for proportional funding by the owners, FBCL and TIBA. The whole project is estimated at $7.0M and is expected to be completed in 2016-17.

Progress of Thousand Islands major projects can be monitored at the "Ongoing Projects" tab at ***www.federalbridge.ca****.*

3.2.4 SEAWAY INTERNATIONAL BRIDGE (CORNWALL, ON)

This international crossing which opened to traffic in 1962, includes the North Channel Bridge and the South Channel Bridge linked by an international roadway corridor. The Replacement of the North Channel Bridge Project currently underway is a major Canadian capital project funded through parliamentary appropriations.

Bridge(s) condition and maintenance

The North Channel Bridge has been newly constructed and opened to traffic in January 2014. The South Channel Bridge is considered to be in operationally sound condition according to annual inspection reports.

Major Multi-Year Project Update

1. NORTH CHANNEL BRIDGE ($74.8M)

The $74.8M project encompasses the construction of a new low-level bridge and the demolition of the old North Channel Bridge at the Seaway International Bridge, as well as related infrastructure improvements. The new bridge and toll facilities were opened to traffic in January 2014. In parallel, we delivered a CBSA-funded project and construction management services for the temporary CBSA Port of Entry.

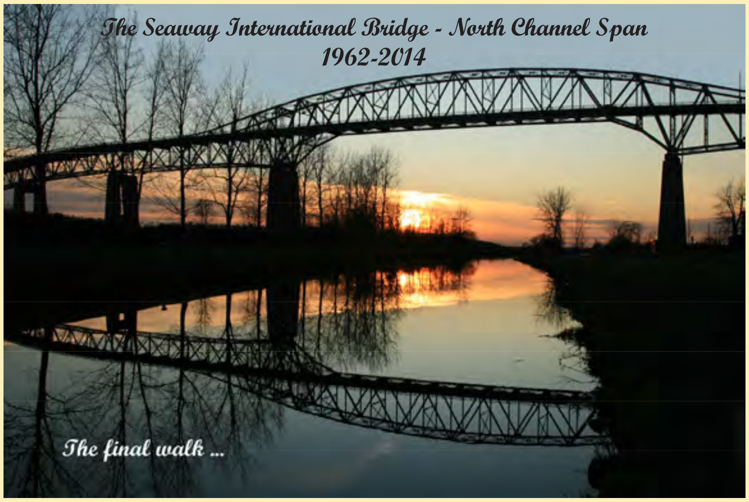
On July 8, 2014, SIBC in collaboration with FBCL invited all members of the community to walk the old North Channel Bridge and view the historical photos that were set up on the bridge for the occasion. This special community event featured a brief commentary on the history of the old bridge, its replacement with the new North Channel Bridge and the planned demolition (see photos on the following two pages).

The highly technical demolition work of the old high-level bridge structure was initiated in August 2014 with great progress despite a harsh winter and will take up to 24 months to complete. Large parts of the super structure were removed which required a temporary detour road to be constructed. The road and toll plaza were opened to traffic due to a team effort from FBCL and SIBC staff working diligently to enable the community to have 24 hour bridge access during the ongoing demolition of particular sections of the old bridge.

The final contract for the realignment will be scheduled for tender once the demolition contract is sufficiently advanced. The work will be coordinated with the City of Cornwall to incorporate as much as possible, upgrades to sewer, storm and water infrastructure for the length of the realigned roadway. The full project completion is planned for 2016-17.

Ongoing demolition of the old North Channel Bridge in Cornwall, Ontario. Project completion is planned for 2016-17

*Work progress can be monitored on the project blog site at **www.cornwallbridge.ca**.*

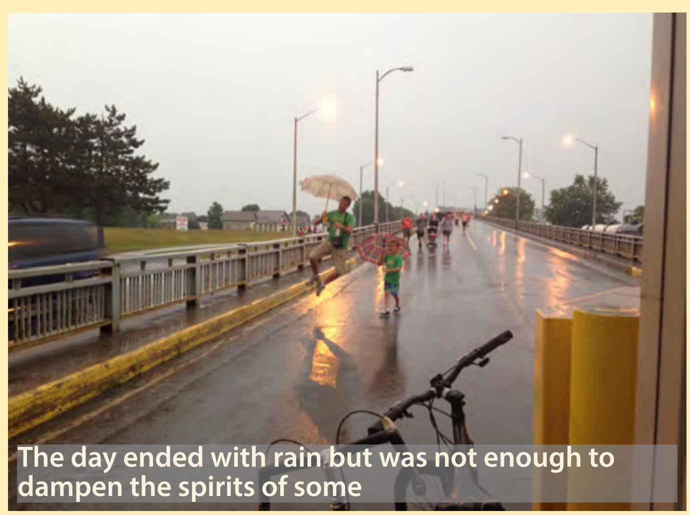


In July 2014, SIBC in collaboration with FBCL invited all members of the community to walk the old North Channel Bridge one last time before the final demolition stages. The event was planned as a fitting tribute to an historic structure and iconic bridge, to allow the community to bid a final farewell. Thousands of local residents gathered to view historical photos set up for the occasion.


Wade Dorland, Bridge Director makes a passionate speech on the history of the bridge

The first of the approximately 5,000 people who participated in the Final Walk


Participants were able to read about the bridge's history along the way displayed on giant billboards


The day ended with rain but was not enough to dampen the spirits of some

"It was wonderful! We couldn't stop and take pictures before. This was a once in a lifetime chance."

Paul Brisebois, Resident

"The large amount of pedestrians walking was heart warming, really shows how big of an impact the bridge was to Cornwall."

Cassidy Savard, Lacy McFarland, Sarah Hunter, residents

The crowd listens to the speech and waits patiently for the walk to begin

"Thousands of citizens from both sides of the bridge, including myself, took advantage of this occasion and really appreciated the opportunity to say farewell to this landmark which has graced our skies for many years".

Bob Kilger
Mayor of Cornwall


Participants were provided with sidewalk chalk to leave messages along the way


Two young boys have fun with the peeling laminate on the roadway


After a long exhausting day, some of the employees are the last to make their way off the bridge

4. PERFORMANCE ASSESSMENT

4.1 LEGACY - THE FEDERAL BRIDGE CORPORATION LIMITED

The following are the corporate objectives, strategies and performance targets by activity that FBCL is delivering in 2014-15 and will continue to undertake to deliver its mandate.

Activity 1- Rehabilitate, Construct, Manage and Operate

This activity consists of all major construction and rehabilitation projects as well as other major capital expenditures ensuring the safety and security of FBCL's international bridges and associated structures including CBSA facilities. The operations are managed through international agreement with the U.S. and joint representation on the respective Boards of Directors.

2014-15 Performance Measures	Performance Indicators	Timeline	Status
1. Ensure international bridge safety by continuing review of inspection reports and reporting on high-risk areas.	Reporting of results of inspection program	Annually	Met
	Joint meetings with each division and formal reports on asset risks as part of FBCL Enterprise Risk Management (ERM)	Annually	Partially met. Bridge asset risks are monitored quarterly and reports are presented and discussed with the Board of Directors as part of ERM. More in-depth information on other facilities and assets is being collected for analysis and reporting.
2. Ensure innovations or new technologies are explored and/or utilized.	Types of results of innovation and/or technologies used	Annually	Met – At the North Channel Bridge, satellite monitoring and strain gauges to compare readings have been implemented. FBCL is also looking at technology for determining the chloride concentration in the concrete decks of its structures to determine the appropriate maintenance or capital remediation required. Automated tolling upgrades are being implemented or explored at its bridges. FBCL continues to work with the National Research Council and other organizations on innovations and new technologies.
3. Deliver funded international bridge projects on time and on budget.	Sault Ste. Marie Customs Plaza Rehabilitation. ($51.6M)	2014-18	Property acquisitions and project design phases are completed. Construction of the maintenance garage and Duty Free are completed and buildings are now occupied. The tender for the construction of the CBSA facilities was issued and award of works is planned for Spring 2015.
	Thousand Islands: Renewal of the CBSA Lansdowne Port of Entry facility ($60M)	2014-18	Funding was allocated April 1, 2014. Property purchase that will enhance the site efficiency has been secured. Schematic designs are finalized. Early site preparation works including utilities are underway. Rock removal contract issued and works began February 2015.
	North Channel Bridge ($74.8M)	2014-17	Met - The new bridge and toll facilities opened in January 2014. FBCL also delivered the project and construction management services for the CBSA-funded temporary and interim CBSA Ports of Entry on their behalf. The demolition of the high-level bridge structure is underway.
4. Review revenue generation opportunities to assist in funding long-term capital requirements.	International Crossings – review revenues	Annually	Met – All crossings have adjusted toll rates for currency exchange fluctuations. Sault Ste. Marie increased toll rates April 1, 2014. New utility leases have been negotiated for the new North Channel Bridge.

Activity 2- Internal Services

Internal services at FBCL are groups of related activities and resources that support the needs of programs and other corporate obligations. These services include governance, management support and resource management services including finance, strategic planning and reporting, communications and human relations.

2014-15 Performance Measures	Performance Indicators	Timeline	Status
1. Meet all legislative and regulatory reporting requirements.	Number of reports meeting requirements delivered in a timely manner	Annually	Met – All reports submitted on time.
	Delivery of multi-year, corporate-wide Internal Audit Plan	2013-14 to 2015-16	Met - Internal Audit Plan approved. Completed audits of FBCL Information Technology (IT) infrastructure and financial management of major contract.
2. Review and update FBCL policy framework.	Policy frameworks in each activity area approved by the FBCL Board	2014-16	Met – ERM and Internal Audit policies have been approved by the FBCL Board.
3. Deliver new corporate structure and amalgamation of FBCL as announced in the *Economic Action Plan 2013 Act, No. 2.*	Report on progress of the phases of new corporate structure	2014 -15	Met – FBCL amalgamation with SMRBC was completed January 27, 2015 followed by amalgamation with BWBA on February 1, 2015. FBCL Board of Directors and the President and CEO were appointed and the transition process has been initiated.
4. Keep stakeholders and international bridge users well informed on the status of works and resulting traffic disruptions using social media and other tools.	Statistics on number of subscribers and visitors to sites	Annually	Met – FBCL maintains interactive websites (blogs) for its major projects in Sault Ste. Marie with Thousand Islands to be activated once construction works begin there. FBCL and SIBC held a community Bridge walk, as a farewell to the old high-level North Channel Bridge which was replaced by the new low-level bridge.
5. Continue to support budget restraint measures.	Amount of savings reported as an update on key initiatives	Annually	Met - Savings of 5% identified in 2012 have been maintained for reinvestment in infrastructure.

4.2.1 LEGACY - BLUE WATER BRIDGE AUTHORITY

The following are the corporate objectives, strategies and performance targets by activity that the legacy BWBA delivered in 2014-15 and will continue to undertake to deliver its mandate on behalf of the amalgamated FBCL.

Activity 1- Manage and Operate

Ensure the structural integrity and ongoing safety of the Blue Water Bridge and associated facilities through a fiscally responsible program involving appropriately scheduled and applied inspections, maintenance work and repairs, using an appropriate mix of properly skilled internal and external expertise.

2014-15 Performance Measures	Performance Indicators	Status
1. Complete annual bridge engineering study	• Within terms of MDOT MOU • Provides list of recommendations for major and minor maintenance work to protect the structural integrity of the bridge	Met.
2. Develop and implement an annual bridge operating and maintenance program	• Schedule minor and major maintenance projects in a manner that is within BWBA's fiscal capabilities • Perform a substantial proportion of the operating plan and minor maintenance project work cost effectively with in-house resources	Met. Work is completed on a continuous basis per seasonal requirements.
3. Plan, develop and implement a mid- to long- term capital development program	• Ensure funding is available to conduct the capital program within the declared timeframe • Tender select minor work and major capital projects in a manner that encourages competitive pricing by qualified contractors • Complete major capital projects on time and on budget	Ongoing – A 5-year program is detailed in the FBCL Corporate plan. All tenders are subject to competitive bid process. All projects are monitored for schedule and budget.
4. Continue to replenish and extend the capabilities of BWBA Maintenance personnel	• On-board new employees to be mentored and trained by seasoned Maintenance employees • Establish a technical capability within the Maintenance Department, to effectively manage the day-to-day operations of building management systems and HVAC technologies	Met. Four new employees were hired over the past two years. They are receiving ongoing mentoring and training from seasoned staff.

Activity 2- Improve and Modernize

To undertake a phased program involving the migration and updating of support system infrastructure that will allow for a continuation of the staged development of the plaza, as well as the integration and improvement of information management systems. To modernize the bridge tolling system in a cost-effective manner. To create a customer-centered Canadian bridge plaza. To investigate and develop new sustainable sources of non-toll revenue generation.

2014-15 Performance Measures	Performance Indicators	Status
1. Develop a phased plan that will facilitate: • The installation of utilities and data networking infrastructure for the plaza • The timely introduction of new technologies, and the integration and improvement of select information management systems	• Plan is developed for the phased installation of utilities and data networking infrastructure for the plaza • Select segment of the work is allocated to be undertaken by in-house IT personnel • Project tender process generates competitive pricing by a number of qualified contractors • The contract is completed on time and on budget	Ongoing. A general plan has been developed for the phased installation period. The installation work is being completed in phases both by internal staff and outside contractors. All tenders are subject to competitive bid process. All projects are monitored for schedule and budget.
2. Install a cost-effective, modern bridge tolling system	• Identify appropriate elements of an automated tolling system • Employees and customers have opportunities to review preferred proposal and to offer feedback • An appropriate implementation and service introduction plan is developed • Supports developed for employees adversely impacted by the introduction of the automated system • Project tender process generates competitive pricing by a number of qualified contractors • The contract is completed on time and on budget	Ongoing. Preliminary discussions and feedback were incorporated into a tender package which was awarded in January of 2014. The design and implementation of the toll system is ongoing and expected to be completed in the summer of 2015.
3. Create a customer-centered Canadian bridge plaza	• A suitable design reflecting key customer- centric element for the Canadian plaza is selected • A phased program of development is prepared • Multi-year funding for the phased construction of the plaza elements is secured; Funding is secured to facilitate the demolition of old plaza buildings; Preliminary scheduling of the implementation phase will be considered as the Board of Directors deliberations in Q2 2014 • Project tender process for each phase generates competitive pricing by a number of qualified contractors • Each phase contract is completed on time and on budget • Passenger traffic increases, drawn by the features of the Canadian plaza	Ongoing. BWBA in cooperation with MDOT, carried out a joint master plan update in 2013-14. The final master plan was accepted by the BWBA board of directors in Q2 2014. Funding has not yet been allocated for this phased work project and no tendering to date.

Activity 2- Improve and Modernize		
To undertake a phased program involving the migration and updating of support system infrastructure that will allow for a continuation of the staged development of the plaza, as well as the integration and improvement of information management systems. To modernize the bridge tolling system in a cost-effective manner. To create a customer-centered Canadian bridge plaza. To investigate and develop new sustainable sources of non-toll revenue generation.		
2014-15 Performance Measures	**Performance Indicators**	**Status**
4. Introduce new, sustainable sources of non-toll revenue	• A list of potential opportunities is prepared as part of the master capital plan update project • A project team is formed to evaluate the opportunities • The project team presents its top alternatives along with a business case for each • The final projects are selected and an implementation plan is developed and budgeted • The plans are implemented as sustainable and generate revenue	BWBA looked into different options; however, the Board of directors discontinued the effort for the short-term period.

Activity 3- Business, Customer and Financial Support Services		
To improve the reliability, value and scope of support services provided to BWBA's operational groups, customers and government partners.		
2014-15 Performance Measures	**Performance Indicators**	**Status**
1. Review and improve business administration and support services to offer added value operational groups	• Services are performed in less staff time, with use of time-saving automated processes • Support services will assist BWBA to meet or perform well within legislative guidelines or requirements, where applicable • Services accurately target needs of operational groups • Operational groups offer positive feedback • Maintain and enhance adherence to the *Official Languages Act* • Improve stakeholder response to requests for information under ATIP acts	Ongoing. Hired bilingual staff in 2013. Automated certain business processes in fall of 2013.
2. Refine the development and delivery of corporate planning and reporting function	• Review planning process and report product to identify areas for improvement • Establish a more realistic production timeline, which allows for greater input and feedback by directors and managers	Ongoing. Increased opportunities will exist post-amalgamation.
3. Re-engineer the customer service support function	• Survey customers to identify needs and support interests • Define program elements and quality parameters • Identify core service team, divide tasks • Look for opportunities to involve other employees	Met.
4. Re-engineer the customer service support function	• From customer surveys identify needs and support interests best addressed through existing social media avenues • Define program elements and quality parameters • Identify core service team and divide tasks • Look for opportunities to involve other employees in interaction with customers	Met. Social media content has been implemented and updated on a regular basis to inform all customers about traffic conditions and future maintenance.

5. MANAGEMENT DISCUSSION AND ANALYSIS

5.1 CORE BUSINESS AND STRATEGY

Our strategy to deliver on the priorities of bridge safety and financial sustainability is to mitigate risks through regular bridge inspections and identify and prioritize long-term major rehabilitation requirements on all our bridges and associated structures. FBCL and international partners continue to ensure the safe and secure passage at all its international crossings while promoting the efficient flow of traffic for export/import purposes, business or personal travel and to provide an ease of travel with:

A) Proactive traffic management to avoid long delays;

B) Ongoing investments in technology – allowing you to plan your route and pay the toll in any manner you so choose; and,

C) Construction and maintenance of modern facilities for maximum effectiveness of border operations.

FBCL's main activities are;

- To manage, operate, construct and rehabilitate its international bridges and associated structures; and,
- To provide internal services that ensure good governance, ethical management and efficient oversight of its activities for the employees brought together from four legacy Crown Corporations, all specialized in international bridge operations and management, which will provide great strength in numbers, expertise and synergy. The challenge is to integrate the resources of the disparate organizations, to ensure that the integrated organization is greater than the sum of the parts.

YEAR TO DATE COMPARISONS		2013-14	2014-15	CHANGE	PERCENT
Sault Ste. Marie Bridge	Passenger Cars	1,940,051	1,756,581	-183,470	-9.46%
	Trucks/Commercial	142,971	133,760	-9,211	-6.44%
	TOTAL	**2,083,022**	**1,890,341**	**-192,681**	**-9.25%**
Blue Water Bridge	Passenger Cars	3,822,862	3,683,855	-139,007	-3.64%
	Trucks/Commercial	1,544,887	1,608,520	63,633	4.12%
	TOTAL	**5,367,749**	**5,292,375**	**-75,374**	**-1.40%**
Thousand Islands Bridge	Passenger Cars	1,720,550	1,687,449	-33,101	-1.92%
	Trucks/Commercial	373,367	387,394	14,027	3.76%
	TOTAL	**2,093,917**	**2,074,843**	**-19,074**	**-0.91%**
Seaway International Bridge	Passenger Cars	2,133,672	2,262,250	128,578	6.03%
	Trucks/Commercial	74,513	65,122	-9,391	-12.60%
	TOTAL	**2,208,185**	**2,327,372**	**119,187**	**5.40%**
All Bridges	Passenger Cars	9,617,135	9,390,135	-227,000	-2.36%
	Trucks/Commercial	2,135,738	2,194,796	59,058	2.77%
	TOTAL	**11,752,873**	**11,584,931**	**-167,942**	**-1.43%**

5.2 OPERATING CONTEXT

In delivering its mandate, the Corporation is affected by internal and external factors which may highlight its strengths, generate opportunities, create challenges and impose threats. Once identified, these factors are monitored and plans are adapted to address significant changes. The amalgamation and creation of the new FBCL will permit the establishment of a common approach to key issues that arise, taking into account crossing location differences.

5.2.1 ECONOMIC IMPACT

The significant drop in the global price of oil since late-2014, has had significant impacts on the Canadian economy. The Canadian dollar has decreased to approximately 80 cents U.S. and is expected to remain low for the next couple of years. Overall, Canada is expected to maintain moderate, though weaker economic growth. Declining economic activity in the resource-producing regions of the country is expected to be largely offset by increasing activity in the manufacturing sectors in the central provinces. Fluctuations in the Canadian dollar impact cross-border traffic patterns, and the toll revenues generated by international bridges. A weaker Canadian dollar supports increased manufacturing and cross-border exports (and thus increased commercial traffic), but decreases cross-border shopping and tourism by Canadians. Other factors such as decreased gas prices are also expected to affect tourism and traffic patterns in the planning period.

5.2.2 TRAFFIC PATTERNS

Our bridges welcome approximately 12 million vehicles each year earning some $40M for direct reinvestment. International crossings are directly impacted by the economy as described in Economic Impact (section 5.2.1 above). Bad weather conditions especially this winter also had a negative impact at most crossings. In comparing 2013-14 to 2014-15; Sault Ste. Marie International Bridge had decreases of 6.44% in commercial traffic and 9.25% in total traffic, Blue Water Bridge had an increase of 4.12% in commercial traffic and decrease of 1.40% in total traffic, the Thousand Islands International Bridge saw a 3.76% increase in commercial traffic but a 0.91% decrease in total traffic and the Seaway International Bridge had a decrease of 12.60% in commercial traffic but a 5.40% increase in total traffic. Total traffic using all four international bridges has increased by 2.77% in commercial traffic which is positive as the revenue is higher. However, total traffic decreased 1.43% from 2013-14 to 2014-15 due to these factors.

5.2.3 BEYOND THE BORDER ACTION PLAN

The U.S./Canada Beyond the Border Action Plan sets out a range of initiatives to promote security and support trade and economic growth, by improving the shared border and by supporting prosperity through improved cross-border trade. As CBSA facilities are located at each of our international bridge crossings, these initiatives have a direct impact on the flow of traffic and the facilities requirements. We continue to engage with our partners, CBSA and Transport Canada (TC) to meet the objectives of the action plan. Most notable is the complete rehabilitation of the plazas at the Lansdowne crossing where the Thousand Islands International Bridge is located and at the Sault Ste. Marie International Bridge in SSM. Another example of partnership is the joint border wait-time initiative at the Blue Water Bridge with the MDOT to improve traffic flow on the Michigan side of the bridge through toll collection technology and improved customs booths.

5.2.4 CUSTOMS ACT AND HEALTH OF ANIMALS ACT IMPACT

The Customs Act (Section 6) and *Health of Animals Act (Section 31)* require the owner or operator of any international bridge to provide the accommodations, operations and maintenance costs for customs and border facilities. Expenses include such items as maintenance, janitorial, property taxes and utilities. The expanding size and complexity of CBSA facilities results in significant current federal funding requirements at two of FBCL's bridges, Sault Ste. Marie and Thousand Islands. The investments have already been made at the Blue Water Bridge for both CBSA and CFIA in recent years. The costs of operating and maintaining these facilities are also escalating. We continue to work with our partners to best define the needs and to develop the most cost-effective options to address requirements.

5.2.5 STAKEHOLDERS

FBCL has a variety of stakeholders that add a layer of complexity to its operations, policy establishment, and delivery of its projects. These include federal partners such as TC, Central Agencies, CBSA, CFIA and Public Works and Government Services Canada (PWGSC), U.S. CBP as well as provincial and municipal governments and agencies, local First Nations, U.S. governments and agencies, law enforcement agencies, unions and emergency responders. We continue to make improvements to our community engagement and communications using blogs and other social media to ensure that community concerns are identified and addressed, and that the contributions of its international bridges are clearly understood.

5.2.6 COMPETITION

There are various ownership and management models for international bridges that place some geographical crossings at an advantage versus others due to a variety of factors such as operations limited to Canada or financial participation of another federal entity. One example directly competing with Cornwall and Thousand Island bridges is the Ogdensburg-Prescott Bridge. The customs facilities for this bridge are placed at a land crossing in proximity to the bridge and since the bridge is U.S. owned, and as a result, PWGSC provides custom facilities, not the Bridge Authority itself. Therefore, the bridge owner does not assume associated costs of the CBSA facilities due to the location, which in turn do not affect toll rates and places the bridge at a competitive advantage. Also, Blue Water Bridge faces competition from the Detroit-Windsor Tunnel, the Ambassador Bridge and the new Gordie Howe international Bridge between Detroit and Windsor which is currently being constructed.

We monitor these factors and adjust plans including increasing tolls and looking at other revenue generating opportunities to ensure long-term financial sustainability of all our international crossings.

5.2.7 RESPONSE TO GOVERNMENT PRIORITIES

- **Continued fiscal responsibility:** We continued the path set by legacy corporations in the strong respect for the use of public funds by continuing to implement wage restraint in line with practices in the broader public sector, utilizing a value engineering process in all of its major capital projects, sharing internal services across all locations and investing in the broader use of technology.
- **Safety and security:** A priority of the Government of Canada is to protect the safety and security of Canadians. Canada is facing increasing risk of terrorist activities, especially home-grown terrorists. International Bridges represent important assets and symbols making them a potential security target in Canada and the U.S. for intentional acts of vandalism, terrorism and disruptions. We work with partners to continuously monitor potential threats that could compromise the security of our international bridges and/or cause property damage, closure of a bridge or impact the flow of traffic.
- **Pension plan affordability:** FBCL is committed to affordable and financially sustainable Crown Corporation pension plans. The Governor in Council has directed specific Crown Corporations including FBCL to ensure that its pension plans align in principle with benefits available with the Public Service Pension Plan. We will adjust and integrate our various pension plans to meet these requirements.

5.2.8 CANADIAN ENVIRONMENTAL ASSESSMENT ACT

FBCL is required to report on its activities on federal lands and outside Canada under sections 67-68 of the *Canadian Environmental Assessment Act*, 2012

Report on Activities

FBCL completed environmental evaluations for two (2) projects in Fiscal Year 2014-2015, with both projects not likely to result in significant adverse environmental effects. The two projects are:

1. High Level Bridge Demolition, North Channel Bridge Replacement, Three Nations Bridge Crossing
2. CBSA Facility Redevelopment, Thousand Islands Bridge

NUMBER OF DETERMINATIONS FOR PROJECTS	
Projects Not Likely to Result in Significant Adverse Environmental Effects	Projects Likely to Result in Significant Adverse Environmental Effects
2	0

5.2.9 STAKEHOLDER RELATIONSHIPS

Our stakeholders include federal partners, provincial and municipal governments and agencies, law enforcement and U.S. agencies. FBCL is working with CBSA, TC and the surrounding communities to accommodate and to coordinate activities to ensure efficient and effective border crossings. We work closely with U.S. partners and bridge owners at international bridge crossings between Ontario and New York State and Michigan State.

5.3 KEY PERFORMANCE DRIVERS

5.3.1 STRATEGIC ISSUES AND RISK MANAGEMENT

The Corporation considers risk management to be a shared responsibility. Accordingly, members of the Board of Directors, its Committees, the President and CEO, and all employees are accountable for managing risk within their area of responsibility. Risk management policies ensure a consistent, comprehensive and enterprise-wide risk management approach that is integrated into planning, decision-making and operational processes.

We are subject to a number of risks in carrying out its mandate and most of the risks are related to the strategic issues associated with amalgamation and issues identified by the OAG in its Special Examinations of legacy BWBA in 2007 and legacy FBCL in 2008. As we work together to standardize risk assessment and management practices over the coming year, we will review our corporate ERM policy, and re-examine the risk profile to confirm the key corporate-level risks across the portfolio.

5.3.2 INFRASTRUCTURE SAFETY

Our top priority and focus is the safety of the international bridges and associated structures. The Corporation ensures that these bridges are inspected, maintained, monitored and repaired appropriately to ensure safety at all times. We are administering our international bridge programs with a long-term view aimed at extending the life of the infrastructure and ensuring the highest level of safety in maintaining and operating these bridges for users and employees. These initiatives are undertaken in collaboration with U.S. bridge partners in order to produce a comprehensive view of their structural standing.

5.3.3 SECURITY

Canada faces increasingly complex national security threats and federal organizations must adapt to this evolving threat environment. Disruptions of important infrastructure or technologies could result in loss of life or adverse economic effects, and significantly undermine the safety and wellbeing of Canadian communities. We work with partners to monitor potential threats that could compromise the security of the international bridges and associated structures and/or cause property damage, closure of a bridge or impact the flow of traffic.

5.3.4 SUSTAINABILITY

The premise of the international bridge funding model is that toll revenues would cover operating and maintenance expenses while capital expenditures would be funded by the accumulated share of net earnings. Our international bridges face financial uncertainty in line with economic conditions affecting traffic volumes and toll revenues. The asset portfolio will be in good condition following delivery of the current program of capital projects. This should enable the Corporation to rebuild its reserves to fund future capital requirements despite some revenue uncertainty. Notwithstanding increasing operating costs, given the good condition of FBCL's assets, major capital investment will not be required in the foreseeable future .

5.3.5 GOVERNANCE

The amalgamation represents a significant change in our governance and operational models. The renewed organization brings together two parent Crown corporations, as well as pre-existing wholly-owned subsidiaries (once amalgamation with SIBC is completed) who were all in the international bridge business. The newly appointed Board is charged with rapidly familiarizing itself with Crown Corporation governance requirements, the portfolio management approach, the Amalgamation Agreement, and all bridges within the new portfolio. However, most of the Board members have experience on Crown Corporation boards and also international bridge experience which is a definite asset moving forward. Decisions on immediate requirements to ensure business continuity were undertaken swiftly at its initial organization meetings including corporate organizational matters, confirmation of By-Laws, appointment of committee members and officers and approval of key policies.

5.4 AMALGAMATION

The amalgamated corporation of FBCL, as described in section 1.1, represents a new federal corporation as at February 1, 2015. The consolidated financial statements presented reflect the activities of the corporation since its existence on February 1, 2015 to its financial close on March 31, 2015, therefore, no comparative information is provided.

Upon amalgamation, many challenges were required to be addressed including:

a) All legacy corporations and the legacy FBCL subsidiary, SIBC, closed financial records on January 31, 2015, the date immediately preceding the creation of the new corporation at February 1, 2015;

b) Legacy BWBA financial records were required to be adjusted from its previous year-end of August 31 to the new corporation's year-end of March 31;

c) The carrying value of the assets and liabilities received from the legacy FBCL were adjusted in order to comply with International Financial Reporting Standards (IFRS); and,

d) The carrying value of the assets and liabilities received from the legacy BWBA were adjusted in order comply with the accounting policies of the amalgamated corporation of FBCL.

Note 27 of the consolidated financial statements provides detailed information on this transition.

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. Profitability is directly attributable to traffic levels 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. economy and tourism in its local bridge-specific areas. 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. Our profitability improves with such increases in economic activity, since its bridges are major international crossings between the two trading nations.

We have significant responsibility inherent in the ownership and management of our bridges and associated structures, that of stewardship and public interest. Under the portfolio financial model, all revenues are used for bridge operations, ancillary bridge-related activities, construction, repairs and maintenance, debt payments and other activities within our mandate. From an operating point-of-view, sustainability of each location's operations through revenue generated is inherent in our mandate; however, requirements for major rehabilitation or replacement of bridges (i.e. new North Channel Bridge) and requirements arising from replacement of CBSA facilities (i.e. Customs Plaza rehabilitations at Sault Ste. Marie and Thousand Islands) are being funded on a project-by-project basis through the portfolio's net revenue and also through some federal transfer payments.

5.5 CONSOLIDATED FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The sum of the legacy Crown corporations currently making up FBCL have provided it a position of solid financial strength. By the end of the fiscal period, ended March 31, 2015, the Consolidated Statement of Financial Position for the new organization was reflected in the following manner:

Consolidated statement of financial position (in millions)	March 31, 2015	Corporate Plan	Variance
Total Assets	373.8	362.9	10.9
Total equity and liabilities	373.8	362.9	10.9

Assets

Current assets are $45.6M at March 31, 2015. Cash and cash equivalents are the major current asset at $23.6M. At March 31, 2015, current investments were $14.0M. Non-current assets totaled of $328.2M. Non-current assets are primarily made up of property and equipment of $301.7M and investment properties of $20.5M. At March 31, 2015, non-current investments totaled $5.9M. The variance, in comparison to the Corporate Plan of $10.9M is primarily represented by two values. Accounts receivable are $5.6M higher than expected due to significant amounts due to the Corporation from the Government of Canada in relation to three on-going government-funded capital projects. The combination of property and equipment and investment property is $5.9M higher than expected due to policy choices made after the Corporate Plan was completed.

Liabilities

In aggregate, current liabilities are $34.9M at March 31, 2015. The two major line items that make up current liabilities are trade and other payables of $11.1M and decommissioning liability of $12.2M. A major component of trade and other payables is from amounts owing for the North Channel Bridge demolition at SIBC of $5.2M. Non-current liabilities primarily consist of bonds and loans payable. Bonds payable consist of $74.7M of outstanding debt of which $70.7M is non-current in nature. These bonds had an original listing of $110.0M at 6.41% in 2002 by the legacy BWBA. There was no adjustment to the carrying value of the bonds, and as a result the carrying value of the bonds was recognized by FBCL on February 1, 2015. Repayments due on the loans payable and credit facility equaled $18.2M, of which $17.6M is long-term in nature. These loans will be paid from surplus toll revenues over a twenty to twenty-five year period. The variance in liabilities and equity, in comparison to the Corporate Plan of $10.9M, is primarily due to a variance in accounts payable and accrued liabilities ($6.4M) at March 31, 2015. This was due to the timing of work performed on various projects and the associated payments.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The operating period for FBCL, in the first set of consolidated financial statements, is from the amalgamation date of February 1, 2015, to the fiscal year end of March 31, 2015. As mentioned above, since this is the first set of consolidated financial statements for the amalgamated FBCL, no comparative information has been given. However, prior to amalgamation, the legacy corporations developed joint transitional expectations of results that are shown below for analysis.

CONSOLIDATED REVENUE AND EXPENSES

FBCL's consolidated revenue for the operating period totaled $5.9M. The consolidated operating expenses for the period totaled $5.1M. This is in-line with the transitional expectation of $5.1M.

	March 31, 2015	Transitional Expectation	Variance
For the two months ended March 31, 2015	$	$	$
Revenue	5.90	362.9	10.9
Operating expenses	5.20	362.9	10.9
Operating income before government funding	0.70	0.23	0.45

Revenue

Revenue is made up of tolls and services, leases and permits, Currency Exchange, TIBA revenues, interest, foreign exchange gain, and other, the total of which was $5.9M for the period. Commercial traffic at both the Point Edward and Lansdowne bridge crossings have been showing positive trends due to an improvement in the U.S. economy and increasing exports due to the decrease in the value of the Canadian dollar; however as an offset, passenger traffic at all bridge locations has been trending negative as travel plans are closely linked to currency values.

Expenses

Expenses are made up of operations, maintenance, TIBA expenses, CBSA and CFIA, currency exchange and administration and were in line with expectations. Expenses for operations are primarily made up of salaries and benefits of operations staff and depreciation of bridges and operational buildings. These were the highest of all the expenses totaling $1.6M for the period. Administration expenses equaled $1.0M during the period. Administrative expenses are primarily made up of salaries, payments in lieu of tax, insurance, accounting, information technology, and human resources expenses.

CONSOLIDATED STATEMENT OF CASH FLOW

During the period, FBCL generated $3.6M in cash, after discounting the $19.9M that was brought into the new FBCL Corporation from legacy corporations. In March, investments matured for the purpose of funding major maintenance throughout the summer months. Cash generated from operating activities was also healthy while the need to fund financing activities was minimal (again, after discounting the cash contributed to the new corporation from the legacy corporations) due to the timing of bond payments.

ACCOUNTING POLICIES AND ESTIMATES

The appropriate accounting framework selected for the new organization was judged by management to be International Financial Reporting Standards (IFRS). The new organization used judgments in establishing its accounting policies as well as determining the carrying values of the assets and liabilities received from the legacy corporations. The significant accounting policies of FBCL are described in Note 3 to the consolidated financial statements. A summary of the adjusting items relating to the carrying value of the assets and liabilities received from the legacy corporations are discussed in Note 27. The most significant adjustments to the carrying value of the assets and liabilities received from the legacy FBCL were the componentization of its property and equipment and investment properties which resulted in a write-down of some assets ($0.5M), and the presentation of foreign currency translation gains and losses. The most significant policy adjustment to the carrying value of the assets and liabilities received from the legacy BWBA was in relation to the presentation of government funding received in prior years relating to the acquisition of property and equipment.

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and judgements which include components and associated useful lives of property and equipment, intangible assets, and investment properties; impairment testing; inputs for the calculation of employee benefit plans; classification of leases; classification of joint arrangements; presentation of TIBA operations, and decommissioning liability inputs. Actual results could differ from those estimates.

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.

Property and Equipment, Intangible Assets and Investment Properties

Property and equipment, intangible assets and investment properties 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 3 of the consolidated financial statements. The appropriateness of useful lives of these assets is assessed annually.

In order to establish useful lives for these assets, Management uses its judgment to determine the componentisation of property and equipment, intangible assets and investments properties. 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.

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 Unit (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. 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.

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.

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 US partner in the arrangement. Further details are explained in Note 4 of the financial statements.

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.

DEBT ANALYSIS

On the issuance of the bonds for legacy BWBA, two restricted reserve funds were established based on the terms of the Master Trust Indenture.

The first reserve fund entitled Debt Service Reserve Fund began with a balance of $4.5M. Payments into the fund would be necessary if the Gross Debt Service Coverage Ratio dropped below 3.00.

The second reserve fund required was the Operating and Maintenance Contingency Fund that began with the amount of $2.0M. In accordance with the terms of the Indenture, the fund was required to be at least equal to twenty-five percent (25%) of the Operating and Maintenance expenses incurred by the legacy BWBA.

Upon amalgamation at February 1, 2015, both of these funds were abolished under the revised Master Trust Indenture. Management reviews a number of ratios including the Gross Debt Service Coverage Ratio regularly as it remains a key performance indicator for managing the corporation's debt structure.

5.6 OUTLOOK

The significant change in the exchange rate between the Canadian and US dollars in 2015, whereby the value of the Canadian dollar has been dropping, is and will have a considerable effect on the volume of traffic crossing international bridges. FBCL is no exception to this effect, and will monitor the results on a bridge-by-bridge basis. The revenue and portfolio model should enable it to maintain its revenue and/or significantly limit its decrease as the reduction in passenger traffic that is expected to reach some 20% at some bridges, such as Sault Ste. Marie and Cornwall, will be offset by higher commercial traffic at others, such as Point Edward and Lansdowne. All bridges are reviewing exchange rates and will likely be required to make adjustments to toll rates.

In Sault Ste. Marie, the next phase of the Canadian Plaza Redevelopment Project is planned to begin in June 2015. The work, which is valued at $32.9M, is funded through the Gateway and Border Crossings Fund and is anticipated to be completed by March of 2018. A great deal of planning has gone into ensuring that impacts to the traffic flow and bridge operations are minimized during the construction process. A toll rate adjustment in 2015-16 will bring the toll rate to a maximum that the community can likely afford to maintain.

In Point Edward, resurfacing and waterproofing on the westbound span is expected to be completed in June 2015. The traffic is expected to move with minimal delays. Further, an initiative to enhance customer service by offering more payment options with a new automated toll program will be ongoing through the summer and fall of 2015. The phased-in approach will add a few lanes at a time during the year. Additional service offerings such as self-managed accounts linked to the new automated toll program will follow.

In Lansdowne, a new customs facility is being constructed. The rock excavation contract has been awarded and works will begin in the spring of 2015. The following site preparation and construction works will be tendered through the fall and winter. This project is expected to be completed by 2018.

In Cornwall, the demolition of the old NCB is moving forward on time and on budget. Alignment of the approaches to the new bridge will be initiated upon completion of the demolition, which is expected to be done in the spring of 2016. The significantly shortened bridge span has increased the efficiency of the crossing. The effect of the fluctuating exchange rates combined with the challenge of the free passage to the Mohawk community is expected to contribute to a large financial hardship in the 2015-16 fiscal year and perhaps beyond. SIBC and FBCL will be monitoring toll rates and operations closely during the next year to mitigate this risk.

Last April in Point Edward, Ontario, two Blue Water Bridge employees rescued a severely harmed goose and brought the bird to the Raptor Society. The bird was cured and later released in the pond area near the bridge

The Federal Bridge Corporation Limited

La Société des ponts fédéraux Limitée

Consolidated Financial Statements

As of March 31, 2015

For the 2-month persiod eneded March 31, 2015

The Federal Bridge Corporation Limited

March 31, 2015

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Management's Responsibility for Financial Statements

The consolidated financial statements contained in this Annual Report have been prepared by 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. The consolidated financial statements reported herein represent the two month period of operations since the amalgamation of the legacy Federal Bridge Corporation Limited (legacy FBCL) and the Blue Water Bridge Authority (BWBA) at February 1, 2015, which resulted in a new organisation called The Federal Bridge Corporation Limited (FBCL). In compiling the consolidated financial statements, FBCL management relies on the audited financial statements of its wholly-owned subsidiary, and on representations made by management of the subsidiary.

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 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 as amended by the *Economic Action Plan 2014* 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 directive issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the consolidated financial statements.

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 reviewed the consolidated financial statements with the external auditor and has submitted its report to the FBCL Board of Directors. 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 Operating Officer

November 25, 2015

Auditor General of Canada
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 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the two-month period 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.

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

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 2015, and its financial performance and its cash flows for the two-month period then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 27 to the consolidated financial statements which describes the recognition and measurement of assets and liabilities received by The Federal Bridge Corporation Limited as a result of the amalgamation that occurred on 1 February 2015. My opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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* as amended by the *Economic Action 2014 Plan 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 directive issued pursuant to Section 89 of the *Financial Administration Act* described in Note 1 to the consolidated financial statements.

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

25 November 2015
Ottawa, Canada

Consolidated Statement of Financial Position as at March 31, 2015

(in thousands of Canadian dollars)

	Notes	2015
		$
Assets		
Current Assets		
Cash and cash equivalents		23,562
Investments	7	14,003
Trade and other receivables	8	7,685
Prepaids		378
Total Current Assets		45,628
Non-Current Assets		
Property and equipment	9	301,735
Investment properties	10	20,468
Intangible assets	10	43
Investments	7	5,940
Total Non-Current Assets		328,186
Total assets		373,814
Liabilities		
Current Liabilities		
Trade and other payables	11	11,120
Employee benefits		654
Due to US partner of the joint operations	12	1,849
Decommissioning liability	13	12,183
Holdbacks	14	1,075
Deferred revenue	15	2,864
Current portion of loans payable	16	619
Current portion of bonds payable	17	3,999
Current portion of deferred capital funding	18	564
Total Current Liabilities		34,927
Non-Current Liabilities		
Loans payable	16	17,572
Bonds payable	17	70,740
Employee benefits	19	7,531
Deferred revenue	15	2,142
Deferred capital funding	18	6,564
Decommissioning liability	13	1,291
Total Non-Current Liabilities		105,840
Equity		
Share capital - 2 shares @ no par value	20	-
Retained earnings		232,741
Accumulated other comprehensive income		306
Total Equity		233,047
Total Equity and Liabilities		373,814
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.

Consolidated Statement of Comprehensive Income for the two-month period ended March 31, 2015

(in thousands of Canadian dollars)

	Notes	2015
		$
Revenue		
Tolls and services		4,186
Leases and permits		480
Currency exchange		135
Thousand Islands International Bridge revenue		772
Interest		107
Foreign exchange gain		166
Other		27
Total Revenue		5,873
Expenses		
Operations		1,592
Thousand Islands International Bridge expenses		910
Currency exchange		127
Maintenance		909
Canada Border Security Agency & Canadian Food Inspection Agency operations		644
Administration		1,004
Total Expenses	21	5,186
Operating Income Before Government Funding		687
Government Funding		
Amortisation of deferred capital funding	18	87
Funding with respect to decommissioning liability		4,363
Total Government Funding		4,450
Non-Operating Items		
Interest expense		(972)
Total Non-Operating Income		(972)
Net Income		4,165
Other Comprehensive Income		
Items that will not be reclassified subsequently to net income		
Actuarial losses	19	(237)
Items to be reclassified to net income when specific conditions are met		
Investments revaluation loss on available-for-sale investments		(54)
Cumulative gain reclassified to income on sale of available-for-sale investments		(7)
Total Other Comprehensive Income		(298)
Total Comprehensive Income for the Period		3,867

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

Consolidated Statement of Changes in Equity
for the two-month period ended March 31, 2015

(in thousands of Canadian dollars)

	Notes	Retained Earnings	Accumulated Other Comprehensive Income	Total
		$	$	$
Net assets received from legacy FBCL and BWBA	**27**	228,813	367	229,180
Total Comprehensive Income:				
Net income		4,165	-	4,165
Other Comprehensive Income:				
Actuarial gains (losses)	**19**	(237)	-	(237)
Investments revaluation loss on available-for-sale		-	(54)	(54)
Cumulative gain reclassified to income on sale of available-for-sale investments		-	(7)	(7)
Other Comprehensive Income total		(237)	(61)	(298)
Total Comprehensive Income		3,928	(61)	3,867
Balance at March 31, 2015		**232,741**	**306**	**233,047**

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

Consolidated Statement of Cash Flows
for the two-month period ended March 31, 2015

(in thousands of Canadian dollars)

	Notes	2015
		$
Cash Flows from Operating Activities		
Net income		4,165
Adjustments for:		
Amortisation of deferred capital funding	18	(87)
Depreciation of property and equipment	9	1,844
Depreciation of intangible assets	10	3
Depreciation of investment properties	10	121
Loss on disposal of assets	9	7
Change in employee benefits		575
Foreign exchange gain		(69)
		6,559
Changes in Working Capital:		
Increase in trade and other receivables		(2,125)
Decrease in prepaids		102
Increase in trade and other payables		2,568
Decrease in decommissioning liability	13	(4,895)
Decrease in deferred revenue		(182)
		(4,532)
Net Cash Generated by Operating Activities		2,027
Cash Flows from Investing Activities		
Payments for property and equipment		(903)
Government funding related to acquisitions of property and equipment received		621
Proceeds on sale of investments		2,214
Purchase of investments		(302)
Net Cash Generated by Investing Activities		1,630
Cash Flows from Financing Activities		
Cash and cash equivalents received from legacy corporations		19,939
Increase in due to US partner of the joint operations		1
Repayment of loans payable		(104)
Net Cash Generated by Financing activities		19,836
Foreign exchange gain on cash and cash equivalents held in foreign currency		69
Net increase in cash and cash equivalents		23,562
Cash and cash equivalents at the beginning of the period		-
Cash and Cash Equivalents at the End of the Period		23,562
Supplemental disclosure on cash flow information		
Interest received included in operating activities		92
Interest paid included in operating activities		89

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

Notes to the Consolidated Financial Statements
(in thousands of dollars)

1. Authority and Activities

The Federal Bridge Corporation Limited (the "Corporation") is a new entity resulting from the amalgamations under the *Canada Business Corporations Act* of the legacy The Federal Bridge Corporation Limited (the "legacy FBCL"), 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) on February 1, 2015, in accordance with the authorities provided by the *Economic Action Plan 2013 Act, No. 2*, as amended, by *the Economic Action Plan 2014 Act, No. 2.* The Corporation is an agent parent Crown Corporation listed in Part I of Schedule III of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*.

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 Saint 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, 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 Sarnia, Ontario, and Port Huron, Michigan, the Corporation owns and operates the Canadian portion of the crossing. The other side of the crossing is owned and operated by the Michigan Department of Transportation (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, The Seaway International Bridge Corporation, Ltd. (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.

By Order in Council P.C. 2014-1382 dated December 10, 2014, the Corporation is also subject to a directive pursuant to Section 89 of the *Financial Administration Act* as follows:

(*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 these changes by the required dates.

The registered office of the Corporation is 55 Metcalfe, Suite 1210, Ottawa, Ontario, K1P 6L5.

The consolidated financial statements were approved and authorised to issue by the Board of Directors on November 25, 2015.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

2. Amalgamation of Corporation

The legacy FBCL was incorporated on September 2, 1998 under the *Canada Business Corporations Act.* The legacy FBCL was an agent parent Crown Corporation listed in Part I of Schedule III of the *Financial Administration Act* and was not subject to income tax under the provisions of the *Income Tax Act*. The legacy FBCL had three wholly-owned subsidiaries: The Jacques Cartier and Champlain Bridge Incorporated (the "JCCBI"), SMRBC and SIBC.

BWBA was established by the *Blue Water Bridge Authority Act* on May 21, 1964, and became a Crown corporation on April 26, 2002. It was a non-agent parent Crown Corporation listed in Part I of Schedule III of the *Financial Administration Act*, and was not subject to income tax under the provisions of the *Income Tax Act*.

In 2013, the Government of Canada announced its plan to restructure the Corporation in three phases, as follows:

Phase I - JCCBI becoming a stand-alone parent Crown corporation;

Phase II - Amalgamation of the legacy FBCL with its two remaining subsidiaries, SIBC and SMRBC;

Phase III - Amalgamation of the legacy FBCL with BWBA.

On February 13, 2014, as authorised by Order in Council, P.C. 2014-0142 legacy FBCL transferred 100% of its shares in JCCBI, which also represented all of the outstanding shares of JCCBI, to the Minister of Transport.

As authorised by legislation, legacy FBCL completed its amalgamations with SMRBC on January 27, 2015 and with BWBA on February 1, 2015.

The amalgamation of the legacy FBCL with BWBA on February 1, 2015 involved, among other things, (i) the creation of a new Corporation as of the date of amalgamation and (ii) the recognition of the assets and liabilities received from the legacy Corporations at their carrying value as at the date of amalgamation in the new Corporation's financial statements. An explanation of how carrying value of those assets and liabilities received by the Corporation was measured is discussed in Note 27.

Since legacy FBCL previously owned 100 % of the shares of SMRBC, there were no adjustments to the carrying values received from SMRBC.

The amalgamation of the Corporation with SIBC has not been realised to date.

3. 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). The consolidated financial statements include two months of operations and cash flows as this represents the operations and cash flows from February 1, 2015, the date the Corporation was created, to March 31, 2015. In addition, no comparative information is included in the consolidated financial statements as these consolidated financial statements represent FBCL's first year of operations.

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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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

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.

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 IFRSs applicable to the particular assets, liabilities, revenues and expenses.

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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

3. **Basis of Presentation and Significant Accounting Policies (continued)**

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.

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 such as Duty Free stores, commercial custom brokers, travel and tourism offices and private coffee shops.

Currency exchange revenues are recognised at the time the currency exchange transaction is completed. Payments received in US dollars are translated into Canadian dollars at daily exchange rates.

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 1 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 22. 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;
- 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 4);
- Currency exchange: expenses pertaining to the operation of the currency exchange facility operated at the Sarnia crossing;

Notes to the Consolidated Financial Statements
(in thousands of dollars)

3. **Basis of Presentation and Significant Accounting Policies (continued)**

- Canada Border Security Agency & Canadian Food Inspection Agency operations: The Corporation is required to provide facilities and certain maintenance of these facilities at its crossings to the Canada Border Service Agency and the Canadian Food Inspection Agency, for which there is no related revenue; and
- Administration: the expenses related to the management and oversight of the operations of the Corporation.

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 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.

Property and Equipment, Intangible Assets and Investment Properties

Items of property and equipment, intangible assets and investment properties 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, intangible assets, and investment properties 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
Intangible assets	5 years
Investment properties	10 – 70 years

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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

An item of property and equipment, intangible assets or investment properties 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, intangible assets or investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in net income.

Assets in the course of construction are carried at cost. Cost includes design, engineering and professional fees, material inputs and capitalised salaries. For qualifying assets, borrowing costs are capitalised in accordance with the Corporation's accounting policy. Such assets are classified to the appropriate categories of property and equipment, intangible assets or investment properties 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 componentization of property and equipment, intangible assets and investment properties. 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in net income in the period in which they are incurred.

Leases

All leases are classified as operating leases.

Impairment

At the end of each reporting period the Corporation reviews its property and equipment, intangible assets and investment properties 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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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

It has been assessed that investment properties and the currency exchange facilities represent varying 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 impairment indication exists and changes are made to remaining useful lives on a prospective basis.

Decommissioning Liability

Decommissioning liability reflect the liability associated with retiring certain long-lived assets such as bridges and roads, and other structures.

The decommissioning liability is recognised when the Corporation has a present obligation (legal) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

The associated decommissioning liability costs are capitalised as part of the cost of the long-lived asset being demolished. 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 decommissioning liability obligation, 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 updates assumptions such as discount rates. Actual costs incurred to dispose of the asset will reduce the decommissioning liability. A gain or loss may be incurred upon settlement of the liability.

Employee Benefits

<u>Retirement and Other Post-Employment Benefits</u>

SIBC employees are covered by the Public Service Pension Plan (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 the Sault Ste. Marie Bridge Authority (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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

3. 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.

Short-Term and Other Long-Term Employee Benefits

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 employees with a long history of commitment, dedication and exceptional service and has 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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

3. **Basis of Presentation and Significant Accounting Policies (continued)**

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.

(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
Holdback	Other liabilities	Amortised cost
Due to US partner of the joint operations	Other liabilities	Amortised cost
Loan 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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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

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.

Available-for-Sale Financial Assets

Government of Canada, provincial bonds and deposit certificates held by the Corporation that are traded in an active market 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), 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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

3. **Basis of Presentation and Significant Accounting Policies (continued)**

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.

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 an 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.

Contingencies and Provisions

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.

4. **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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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

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, Intangible Assets and Investment Properties

Property and equipment, intangible assets and investment properties 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 3. The appropriateness of useful lives of these assets is assessed annually. Changes to the useful life estimates would affect future depreciation expenses and the future carrying value of assets.

In order to establish useful lives for these assets, Management uses its judgment to determine the componentisation of property and equipment, intangible assets and investments properties. 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.

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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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

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. 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.

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.

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 US 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 third 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.

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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

5. Future Changes in Accounting Policies

The following accounting standards are issued but not yet effective. Management is still assessing the potential impacts of these standards, however it is not expected to have these implemented until the effective dates.

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. The Corporation is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

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. The Corporation is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

6. Joint Operations

The Corporation has entered into a joint operation with the St. Lawrence Seaway Development Corporation (SLSDC) for operation of toll bridges across the St. Lawrence River between the City of Cornwall, Ontario, Canada and Rooseveltown, New York, United States of America 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 50% of the assets, liabilities, revenues and expenses of SIBC.

The Corporation has entered into an arrangement with the Michigan Department of Transportation (MDOT) for the operation of the Sault Ste. Marie International Bridge through a separate legal entity, the Sault Ste. Marie Bridge Authority (SSMBA) and for operational delivery by the International Bridge Authority (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 50% of the assets, liabilities, revenues and expenses of the SSMBA.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

7. Investments

As at March 31	2015
	$
Held-to-maturity investments carried at amortized cost	
Deposit certificates	14,174
Total held-to-maturity investments	14,174
Available for sale investments carried at fair value	
Government of Canada bonds	1,208
Provincial bonds	2,149
Corporate bonds	2,412
Total available for sale investments	5,769
Total investments	**19,943**
Less: Current portion	14,003
Long term portion	5,940

The average term to maturity for the Corporation's deposit certificates is 398 days, and earns interest at an average annual rate of 1.76%. The average term to maturity for the Corporation's bonds is 9.6 years, and they earn an average effective interest rate of 2.65%.

8. Trade and Other Receivables

As at March 31	2015
	$
Federal departments and agencies	6,268
Trade receivables	1,417
	7,685

Age of receivables that are past due but not impaired.

As at March 31	2015
	$
60-90 days	1
91-120 days	34
121+ days	107
Total	142

Notes to the Consolidated Financial Statements
(in thousands of dollars)

9. Property and Equipment

As at March 31 **2015**

	Land	Bridges and roads	Vehicles and equipment	Buildings	Property Improvements	Projects in progress	Total
	$	$	$	$		$	$
Cost							
Assets received from the legacy corporations	13,585	236,276	17,301	80,336	17,454	24,418	389,370
Additions	17	-	91	-		1,740	1,848
Disposals	-	-	(32)	-		-	(32)
Transfers	-	-	-	-		-	-
Balance, end of period	**13,602**	**236,276**	**17,360**	**80,336**	**17,454**	**26,158**	**391,186**

As at March 31 **2015**

	Land	Bridges and Roads	Vehicles and Equipment	Buildings	Property Improvements	Projects in Progress	Total
	$	$	$	$		$	$
Accumulated depreciation							
Assets received from the legacy corporations	-	47,115	10,713	16,940	12,864	-	87,632
Eliminated on disposal of assets	-	-	(25)	-	-	-	(25)
Depreciation	-	999	274	465	106	-	1,844
Balance, end of period	**-**	**48,114**	**10,962**	**17,405**	**12,970**	**-**	**89,451**
Net Book Value, end of period	**13,602**	**188,162**	**6,398**	**62,931**	**4,484**	**26,158**	**301,735**

Additions to land includes $17 of interest expense capitalised during the period. The weighted average capitalisation rate on funds borrowed generally is 3.28%. The bridges and roads include decommissioning costs of $17,608 which have been fully depreciated and the buildings include decommissioning costs of $1,681 in which $505 has been depreciated to date.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

10. Intangible Assets and Investment Properties

As at March 31		2015
	Intangible Assets	Investment Properties
	$	$
Cost		
Assets received from the legacy corporations	1,028	23,869
Additions	—	13
Balance, end of period	**1,028**	**23,882**
Accumulated depreciation		
Assets received from the legacy corporations	982	3,293
Depreciation expense	3	121
Balance, end of period	**985**	**3,414**
Net book value, end of period	**43**	**20,468**

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

Rental income for March 31, 2015 amounts to $437 included within 'leases and permits'. Direct operating expenses of $9 was reported within maintenance expenses. Contingent rent of $245 was also recognised. No investment properties were vacant at March 31, 2015.

Fair value of the investment property at the Blue Water Bridge has been determined based on a valuation performed by an independent valuator who is a member of the Appraisal Institute of Canada and have appropriate qualifications and recent experience in the valuation of properties in the relevant location. The fair value was determined as at September 1, 2010 and has been extrapolated to March 31, 2015 using the Consumer Price Index and has been adjusted for obsolescence. The value of the property has not been determined on transactions observable in the market because of the nature of the property and the lack of comparable data. The total fair value of the investment property has been determined to be $20,561. The fair value of the investment property was determined by estimating the replacement cost of the building while deducting the obsolescence. The inputs used to determine the fair value include the type of building, age, condition and region that the building is in as well as the mechanical systems attached.

Fair value of the investment property at Sault Ste. Marie was determined based on actual expenditures incurred for property acquisitions and actual construction costs incurred for the completion of the building and its mechanical systems which came into use in November 2014. From this value, obsolescence has been deducted. The total fair value of this investment property has been determined to be $3,741 at March 31, 2015.

Fair value of the investment property at the Thousand Islands International Bridge is only composed of the land where the property is located. Within the past six months, the legacy FBCL purchased a property in the immediate vicinity of this location and has used the market valuation technique to assess the value of the investment property. The total fair value of this investment property has been determined to be $821 at March 31, 2015.

11. Trade and Other Payables

As at March 31	2015
	$
Federal departments and agencies	222
Trade payables	10,898
	11,120

Notes to the Consolidated Financial Statements
(in thousands of dollars)

12. Due to US Partner of the Joint Operations

The amount owed to SLSDC the U.S. partner of the joint operations (relating to SIBC in Cornwall, ON), bears interest at a rate which varies between 1.43% and 1.79% and is payable on demand. The carrying amount approximates its fair value.

13. Decommissioning Liability

As at March 31 **2015**

	North Channel Bridge[i]	Sault Ste. Marie[ii]	Thousand Islands[iii]	Total
	$	$	$	$
Liability received from the legacy corporations	16,644	1,044	681	18,369
Interest accretion	81	7	4	92
Reductions arising from payments	(4,792)	(195)	-	(4,987)
Balance at end of period	**11,933**	**856**	**685**	**13,474**
Less: Current portion	11,933	-	250	12,183
Long-term portion	-	856	435	1,291

i. The Corporation has constructed a new low-level North Channel Bridge in Cornwall. Now that this new bridge is open for circulation, the Corporation is proceeding with the demolition of the existing high-level bridge. The estimation of this decommissioning liability costs depends on engineering estimates of timing, inflation, site conditions, availability of specialised workforce, and commodity prices for the recycling of material. The estimated cash flows of $19,585 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 2.92% to 3.04%.

Per the current project schedule, cash payments for the disposal of the existing North Channel Bridge are expected to occur in the 2015 and 2016 calendar years. These cash flows will be funded from government funding to be received at the time of demolition.

ii. The Corporation has also initiated construction of a new Customs 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 $1,100 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 2.68% to 2.86%.

Per the current project schedule, cash payments for the demolition of existing structures are expected to occur in the 2015, 2016, and 2017 calendar years. These cash flows will be funded from government funding to be received at the time of demolition.

iii. Additionally, the Corporation has initiated a project for the construction of a new Customs Plaza in Lansdowne, Ontario, 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 $700 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 2.70%.

Per the current project schedule, cash payments for the demolition of existing structures are expected to occur in the 2015 and 2017 calendar years. These cash flows will be funded from government funding to be received at the time of demolition.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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 current construction works on the North Channel Bridge, the Thousand Islands Customs Plaza project, the Sault Ste. Marie Customs Plaza Rehabilitation project, as well as the Electronic Toll Program Installation and Toll Plaza Resurfacing projects at the Blue Water Bridge.

15. Deferred Revenue

As at March 31	**2015**
	$
Debit cards	72
Passenger vehicles tokens/tickets	1,004
Prepaid commercial/commuter vehicles	1,402
Current prepaid facility rentals	384
Non-current prepaid facility rentals	2,142
Prepaid professional fees	2
Total deferred revenue	**5,006**
Less: Current portion	2,864
Long-term portion	2,142

16. Loans Payable

As at March 31	**2015**
	Carrying Cost
	$
(a) $15 million term facility	
$4 million @ 3.37 % locked until July 27, 2016	3,602
$4 million @ 3.81% locked until July 27, 2018	3,623
$3 million @ 2.85 % locked until July 27, 2019	2,681
$4 million @ 4.42 % locked into July 27, 2021	3,651
payable monthly	
(b) Credit facility	
$5 million @ 3.28 % locked until March 15, 2018	4,634
Total loans payable	**18,191**
Less: Current portion	619
Long-term portion	**17,572**

Notes to the Consolidated Financial Statements
(in thousands of dollars)

16. Loans Payable (continued)

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

As at March 31			2015
	Principal	Interest	Total
	$	$	$
2016	619	640	1,259
2017	643	616	1,259
2018	665	594	1,259
2019	689	570	1,259
2020	713	546	1,259
Thereafter	14,862	4,566	19,428
	18,191	**7,532**	**25,723**

The Corporation maintains three separate credit facilities with a Canadian chartered bank in the total amount of $35,000. These facilities have been approved by the Minister of Finance as part of the Corporation's borrowing plan.

1. The first facility is a $15,000 line of credit to be used in the event of temporary cash deficiencies resulting from the timing of capital expenditure payments. This line of credit is prohibited to be used to cover cash shortages resulting from operating losses. This facility carries the same security as the full bond issuance (Note 17). Nothing has been drawn on this facility at March 31, 2015. Per the Minister of Finance instruction in July 2015, this facility was reduced to $5,000.
2. The second 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, 2015, $13,557 remained drawn on this facility in four tranches.
3. The third 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, 2015, $4,634 in principal payments remained outstanding.

17. Bonds Payable

As at March 31	2015
	Carrying cost
	$
Series 2002-1 bonds maturing July 9, 2027 payable semi-annually on January 9 and July 9	74,739
	74,739
Less: current portion	3,999
Total Long-Term Bonds Payable	**70,740**

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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			2015
	Principal	Interest	Total
	$	$	$
2016	3,999	4,887	8,886
2017	4,269	4,617	8,886
2018	4,557	4,329	8,886
2019	4,863	4,023	8,886
2020	5,191	3,695	8,886
Thereafter	51,860	14,786	66,646
	74,739	**36,337**	**111,076**

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.

iv) 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, 2015 the Corporation has no active swap agreement.

v) 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.

Financing costs of $1,300 related to the issuance of the bonds and financing costs of $360 related to the bond restructuring from the amalgamation of legacy BWBA and the legacy FBCL have been included in non-current bonds payable.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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 3.

As at March 31	2015
	$
Liability received from the legacy corporations	6,119
Government funding for capital expenditures received	1,096
Amortisation of deferred capital funding	(87)
Balance, end of period	**7,128**
Less: Current portion	564
Non-current portion	6,564

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 6.5% of their annual earnings. In accordance with the plan, the Corporation is required to fund matching contributions, 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 noted directive. During the year, the Corporation's pension contributions amounted to $53.

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 1.28. 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 $8 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 $91.

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, 2015.

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:

As at March 31	2015	
Defined benefit obligation	**Post-employment**	**Other long-term**
	$	**$**
Liability received from the legacy Corporations	7,147	88
Current service cost	41	1
Interest cost	44	1
Actuarial gain - Other	(178)	(12)
Actuarial loss - demographic assumptions	415	-
Benefits paid	(15)	(1)
Balance, end of period	**7,454**	**77**

Changes in other comprehensive income during the period:

As at March 31	2015
	$
Actuarial losses arising during the year	(237)
Other comprehensive income	**(237)**

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

As at March 31	2015	
	Post-employment	**Other long-term**
		$
Current service costs	**41**	**1**
Interest cost	**44**	**1**
Net post-employment expense recognised in period	**85**	**2**

Notes to the Consolidated Financial Statements
(in thousands of dollars)

19. Employee Benefits (continued)

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	2015
Weighted average assumptions as at:	
Discount Rate, accrued benefit obligation	**3.70%**
Discount Rate, benefit cost	**3.70%**
Estimated per capita claims costs escalation rates:	
General inflation	**2.00%**
Dental and vision care	**4.50%**
Employee assistance program	**2.50%**
Mortality rates	**CPM Public Table generational improvements using CPM Scale B**

The assumed health care inflation rate as of March 31, 2015 is 7.3% per annum decreasing linearly to 4.5% per annum in the 2022/2023 fiscal year.

Expected benefits to be paid regarding the post-employment benefit plans for the year end March 31, 2016 are $110.

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

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	2015
Discount rate - increase of 1 %	(1,382)
Discount rate - decrease of 1 %	1,836
Future mortality - increase of 1 year age	(334)
Future mortality - decrease of 1 year age	342
Trend rates - increase of 1 %	1,655
Trend rates - decrease of 1 %	(1,276)

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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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 two-month period ended March 31, 2015.

Two-Months Ended March 31	2015
	$
Depreciation of property and equipment	1,844
Salaries and employee benefits	1,595
Goods and services	1,191
Repairs and maintenance	316
Depreciation of investment property	121
Professional services	109
Loss on disposal of assets	7
Depreciation of intangible assets	3
Total Expenses	**5,186**

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 21, and government bonds and deposits certificates investments are disclosed in Note 7.

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, 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 with the exception of the assets and liabilities received as part of the amalgamation as these assets and liabilities were received at the carrying value as explained in Note 27.

The nature of expenses incurred with government related entities consists of training costs. The nature of revenue from government related entities is largely in the form of government funding, as well as fees related to the construction of a CBSA facility in Cornwall, ON.

During the period, the parent Corporation incurred expenses totaling $2, and recorded revenue, deferred revenue, and government funding of $5,210. At March 31, 2015, the parent Corporation recorded $6,004 in accounts receivable with related parties, and accounts payable $186.

During the period, the joint operations incurred expenses totaling $nil, and recorded revenue, deferred revenue, and government funding of $nil. At March 31, 2015, the joint operations recorded $nil in accounts receivable with related parties, and accounts payable $nil.

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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

22. Related Party Transactions (continued)

Compensation of key management personnel was as follows:

Two-Months Ended March 31	2015
	$
Wages	116
Retirement and other post-employment benefits	13
Short-term employee benefits	9
Total	**138**

23. Facility Rentals

The Corporation has entered into contracts with fifteen customs brokers and two logistics companies who rent space in the Corporation buildings at various crossings. The Corporation, and its partners, also act as the lessors for four Duty Free Shops at three of its crossings, as well as renting space on the bridges at two crossings for natural gas lines and telecommunications companies. Contingent rent, based on sales at these 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 $234. The lessee of the Duty Free Shop at the Blue Water Bridge 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 future minimum rental receivable under non-cancellable operating leases are as follows:

As at March 31	2015
	$
Within one	1,120
After one year but not more than five	2,392
More than five	1,467
Total	**4,979**

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, 2015, there were six claims made by current and former employees against the Corporation, three of which have been settled by the publication date of these statements. 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 FBCL 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 million, subject to accounting for bridge tolls and revenues. Transport Canada has assumed responsibility to defend against the claim. SIBC and its parent corporation FBCL 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.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

25. Commitments for Expenditure

a) The Corporation has commitments principally for maintenance and construction contracts, and rental agreements for amounts totaling $27,731.

Capital project contracts have been awarded as at March 31, 2015 for the purchase of property and equipment with an outstanding commitment of $26,642.

Maintenance and other awarded contracts have an outstanding commitment of $609 at March 31, 2015.

The Corporation has administrative contracts outstanding which total $142 at March 31, 2015.

There remains 13 months of a lease for office space, with a renewal option, which has not yet been exercised, which has $338 in remaining payments.

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.

Total commitments for capital projects, maintenance, administrative, and other contracts, in years, are as follows:

As at March 31	2015
	$
Within one	24,027
After one year but not more than five	3,366
More than five	—
Total	**27,393**

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

As at March 31	2015
	$
Within one	312
After one year but not more than five	26
More than five	—
Total	**338**

Notes to the Consolidated Financial Statements
(in thousands of dollars)

26. Financial Instruments

Fair Value

The fair values of trade and other receivables, trade and other payables, holdback, 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			2015
	Value	Cost	Level
	$	$	
Financial instruments measured at fair value on a recurring basis			
Available-for-sale investments	5,769	5,769	Level 1
Due to US partner of joint operations	1,826	1,826	Level 2
Financial instruments measured at amortised costs			
Held-to-maturity investments	14,383	14,174	Level 1
Loans payable	18,220	18,191	Level 2
Bonds payable	95,076	74,739	Level 2

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 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 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. 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, 2015, accounts receivable from federal governmental departments comprised 81% of the total amount due.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

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 Corporations 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				**2015**
	Carrying amount	Less than 3 months	3 months to 1 year	Over 1 year
	$	$	$	
Trade and other payables	11,120	9,488	1,269	363
Due to US partner of the joint operatic	1,826	-	-	1,826
Holdback	1,076	35	1,041	-
Long-term debt payable	136,799	315	9,830	126,654
Total	**150,821**	**9,838**	**12,140**	**128,843**

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, 2015 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 9.6 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, 2015 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 Corporation is subject to foreign currency exchange rate risk on tolls collected in US dollars at international crossings. A hypothetical 3% variation in the average exchange rate during the year would not have a material impact on the Corporation's results. The Corporation manages this risk by periodically adjusting the US toll rates with the Canadian rate and vice versa and by converting US bank account balances to Canadian dollars where applicable. Management has assessed the currency risk as not significant for the Corporation. During the two-month period ended March 31, 2015 the foreign exchange gain recognised in the Consolidated Statement of Comprehensive Income was $166.

Price risk is the risk that the value of available-for-sale investments will fluctuate as a result of changes in market prices caused by factors specific to an investment, its issuer, or all factors affecting a market or market segment. Maximum risk resulting from financial instruments is equivalent to their fair value.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

26. Financial Instruments (continued)

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 million with Minister of Finance approval.

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. Accounting of assets and liabilities received from legacy Corporations

As stated in Note 2, the amalgamation of legacy FBCL with legacy BWBA on February 1, 2015 involved, among other things, (i) the creation of a new Corporation as of the date of amalgamation and (ii) the recognition of the assets and liabilities received from the legacy corporations at their carrying value as at the date of amalgamation in the new Corporation's financial statements. Previously, the legacy FBCL prepared its consolidated financial statements in accordance with Canadian Public Sector Accounting Standards ("PSAS") and BWBA applied IFRS. The carrying values of the assets and liabilities received have been adjusted, where applicable, at the date of amalgamation to comply with IFRS and to align with the accounting policies, methods and assumptions adopted by the Corporation.

Presented here is a reconciliation of each of the legacy corporations' statements of financial position, starting from their latest published audited financial statements, incorporating all the operating results from the date immediately following the latest published audited financial statements to the date immediately prior to the amalgamation.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

27. Accounting of assets and liabilities received from legacy Corporations (continued)

	Legacy FBCL - PSAS		
	March 31, 2014 (restated)**	April 1, 2014 - Jan. 31, 2015 activity *	January 31, 2015
FINANCIAL ASSETS			
Cash and cash equivalents	9,035	(4,270)	4,765
Restricted cash	1,565	(1,565)	-
Accounts receivable			
Federal departments and agencies	4,900	(1,761)	3,139
Other	781	789	1,570
Portfolio investments	13,813	(400)	13,413
TOTAL FINANCIAL ASSETS	**30,094**	**(7,207)**	**22,887**
LIABILITIES			
Accounts payable and accrued liabilities			
Federal departments and agencies	3,872	(3,872)	-
Other ** (ii)	4,635	1,184	5,819
Due to a government partner	1,644	204	1,848
Holdback	852	35	887
Employee future benefits	133	5	138
Asset retirement obligation	17,869	500	18,369
Credit facility	4,820	(154)	4,666
Deferred revenue	374	(63)	311
TOTAL LIABILITIES	**34,199**	**(2,161)**	**32,038**
NET DEBT	**(4,105)**	**(5,046)**	**(9,151)**
NON-FINANCIAL ASSETS			
Tangible capital assets ** (i)	80,978	15,076	96,054
Prepaid expenses	173	69	242
TOTAL NON-FINANCIAL ASSETS	**81,151**	**15,145**	**96,296**
ACCUMULATED SURPLUS, March 31, 2014 (as previously reported)	**80,807**		
Prior period adjustments ** (i) and (ii)	**(3,761)**		
ACCUMULATED SURPLUS, March 31, 2014 (restated)	**77,046**		
Total Revenue		11,445	
Maintenance expense		(5,704)	
Operations expense		(1,394)	
Administration expense		(3,881)	
International Thousand Islands Bridge expense		(4,349)	
Government transfers		13,159	
Net operating surplus		9,276	
Increase in foreign exchange remeasurement		489	
Increase in portfolio investment remeasurement		334	
ACCUMULATED SURPLUS, January 31, 2015		**10,099**	**87,145**

* The amalgamation between legacy FBCL and SMRBC took place on January 27, 2015. Since legacy FBCL previously owned 100 % of the shares of SMRBC, there were no adjustments to the carrying values received from SMRBC.

** The restatement of prior period errors relate to:

(i) The remaining unamortized asset retirement cost related to the Cornwall North Channel Bridge (NCB) that was capitalized as part of tangible capital assets should have been derecognized by January 2014 when the old NCB ceased being used. As a result, the March 31, 2014 carrying amount of tangible capital assets and accumulated surplus were decreased by $3,314.

(ii) A portion of the funding provided by the Government of Canada in the assistance of managing the closure of the NCB in 2009 was applied against accounts payable rather than being expensed. As a result, the March 31, 2014 accounts payable balance was increased by $447 and the accumulated surplus was decreased by the same amount.

Notes to the Consolidated Financial Statements
(in thousands of dollars)

27. Accounting of assets and liabilities received from legacy Corporations (continued)

	Legacy BWBA - IFRS		
	August 31, 2014	September 1, 2014 - Jan. 31, 2015 activity	January 31, 2015
ASSETS			
Current			
Cash	15,682	(508)	15,174
Investments	1,264	4,936	6,200
Trade and other receivables	500	(124)	376
Prepaid expenses	419	(181)	238
Total current assets	**17,865**	**4,123**	**21,988**
Investments	-	2,303	2,303
Property, plant and equipment	204,646	(870)	203,776
Intangible assets	39	7	46
Investment properties	16,679	156	16,835
Restricted funds	6,506	(6,506)	-
TOTAL ASSETS	**245,735**	**(787)**	**244,948**
LIABILITIES AND EQUITY			
Current			
Trade and other payables	2,313	(621)	1,692
Holdbacks payable	213	58	271
Deferred revenue	2,495	246	2,741
Current portion of loans payable	419	6	425
Current portion of bonds payable	3,913	86	3,999
Total current liabilities	**9,353**	**(225)**	**9,128**
Employee benefits	6,625	610	7,235
Non-current deferred revenue	1,934	202	2,136
Non-current loans payable	13,382	(178)	13,204
Non-current bonds payable	73,111	(2,371)	70,740
Total liabilities	**104,405**	**(1,962)**	**102,443**
EQUITY			
Retained Earnings, August 31, 2014	141,330		
Total revenue		11,384	
Depreciation of property, plant and equipment		(2,580)	
Interest on long-term debt		(2,267)	
Salaries, wages and benefits		(2,311)	
General and administrative		(1,505)	
Maintenance and other expenses		(850)	
Depreciation of investment property		(252)	
Depreciation of intangible assets		(7)	
Net income - bridge operations		1,612	
OCI - actuarial losses		(437)	
Retained Earnings, January 31, 2015		1,175	142,505
TOTAL LIABILITIES AND EQUITY	**245,735**	**(787)**	**244,948**

Notes to the Consolidated Financial Statements
(in thousands of dollars)

27. Accounting of assets and liabilities received from legacy Corporations (continued)

Upon amalgamation, the legacy FBCL's carrying values were adjusted to comply with IFRS and the legacy BWBA's carrying values were adjusted in order to align the accounting policies of the legacy BWBA with those of the Corporation. The following is a reconciliation between the legacy corporations' January 31, 2015 statements of financial position and the carrying values that were received by the Corporation as at the date of the amalgamation:

	Legacy FBCL				Legacy BWBA				FBCL
	As at Jan. 31, 2015 as shown above	IFRS adjusting entries	Notes	Carrying value of assets and liabilities received on Feb. 1, 2015	As at Jan. 31, 2015 as shown above	Alignment of Accounting Policies	Notes	Carrying value of assets and liabilities received on Feb. 1, 2015	IFRS
	$	$		$	$	$		$	$
Assets									
Current assets									
Cash and cash equivalents	4,765			4,765	15,174			15,174	19,939
Investments	13,413	(3,902)	i	9,511	6,200			6,200	15,711
Trade and other receivables	4,709			4,709	376			376	5,085
Prepaids	242			242	238			238	480
Total current assets	23,129	(3,902)		19,227	21,988	-		21,988	41,215
Non-current assets									
Property and equipment	96,054	(4,211)	iv, v	91,843	203,776	6,119	vii	209,895	301,738
Investment property	-	3,741	iv	3,741	16,835			16,835	20,576
Intangible assets	-			-	46			46	46
Investments	-	3,902	i	3,902	2,303			2,303	6,205
Total non-current assets	96,054	3,432		99,486	222,960	6,119		229,079	328,565
Total assets	119,183	(470)		118,713	244,948	6,119		251,067	369,780
Liabilities									
Current liabilities									
Trade and other payables	5,819			5,819	1,692			1,692	7,511
Employee benefits	138			138				-	138
Due to US partner of the joint op	1,848			1,848	-			-	1,848
Decommissioning liabilities	18,369	(1,291)	iii	17,078	-			-	17,078
Holdback	887			887	271			271	1,158
Deferred revenue	311			311	2,741			2,741	3,052
Current portion of loan payable	-	191	ii	191	425			425	616
Current portion of bond payable	-			-	3,999			3,999	3,999
Deferred capital funding	-			-	-	564	vii	564	564
Total current liabilities	27,372	(1,100)		26,272	9,128	564		9,692	35,964
Non-current liabilities									
Loan payable	4,666	(191)	ii	4,475	13,204			13,204	17,679
Bonds payable	-			-	70,740			70,740	70,740
Employee benefits	-			-	7,235			7,235	7,235
Deferred revenue	-			-	2,136			2,136	2,136
Deferred capital funding	-			-	-	5,555	vii	5,555	5,555
Decommissioning liabilities	-	1,291	iii	1,291	-			-	1,291
Total non-current liabilities	4,666	1,100		5,766	93,315	5,555		98,870	104,636
Equity									
Retained earnings	85,839	469	v, vi	86,308	142,505			142,505	228,813
Accumulated other comprehensi	1,306	(939)	vi	367	-			-	367
Total equity	87,145	(470)		86,675	142,505	-		142,505	229,180
Total equity and liabilities	119,183	(470)		118,713	244,948	6,119		251,067	369,780

Notes to the Consolidated Financial Statements
(in thousands of dollars)

27. Accounting of assets and liabilities received from legacy Corporations (Continued)

Notes:

(i) Presentation of investment - under IFRS the Corporation must separate its investments into current and non-current amounts. This resulted in a reclassification of $3,902.

(ii) Presentation of loans payable - under IFRS the Corporation must separate its loans payable into current and non-current amounts. This resulted in a reclassification of $191.

(iii) Presentation of decommissioning liabilities - under IFRS the Corporation must separate its decommissioning liability (formerly referred to as "asset retirement obligation" under PSAS) into current and non-current amounts. This resulted in a reclassification of $1,291.

(iv) Presentation of investment properties - under IFRS the Corporation presents its investment properties into a dedicated line item on its statement of financial position.

(v) Componentisation of property and equipment - under IFRS the Corporation has to separate its property and equipment into components in accordance with IAS 16. This process resulted in partial aspects of previously capitalised assets to be derecognized in the amount of $470.

(vi) Presentation of foreign currency translation - under IFRS the Corporation foreign currency translations are shown in net income rather than in remeasurement gains and losses. This resulted in a reclassification of $939.

(vii) Presentation of government funding - to conform the presentation to the Corporation's accounting policy, which is to set up the government funding as deferred capital funding, an adjustment to the acquisition cost of property and equipment of $9,181 and to accumulated depreciation of $3,062 was made to reallocate the remaining unamortised amounts of government funding received in previous years to deferred capital funding. The presentation was updated in both current and non-current liabilities.

In respect to the componentisation of property and equipment, all changes and adjustments were made on a prospective basis. The establishment of components (and the associated useful lives) did not affect the carrying values received from the legacy FBCL. Components and useful lives of the legacy BWBA were also adjusted on a prospective basis in order to comply with the accounting policies of the Corporation, and did not affect the values of the assets received from the legacy BWBA.

28. Subsequent Event

In July 2015, the Minister of Finance directed FBCL to reduce $15,000 line of credit to a $5,000 line of credit. This adjustment to the line of credit has been effected.

APPENDIX A

BOARD OF DIRECTORS

THE FEDERAL BRIDGE CORPORATION LIMITED (as of March 31, 2015)

BOARD OF DIRECTORS

Connie Graham[1]
Chairperson

Gary Atkinson [2]
Director

Pascale Daigneault [3]
Vice-chairperson

Diana Dodge [4]
Director

Micheline Dubé [5]
Director

Richard Talvitie [6]
Director

Deborah Tropea [7]
Director

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Deborah Tropea
Chairperson

Gary Atkinson
Member

Diana Dodge
Member

COMMITTEE OF THE WHOLE

Gary Atkinson
Chair of the Committee

Pascale Daigneault
Member

Diana Dodge
Member

Connie Graham
Member

Micheline Dubé
Member

Rick Talvitie
Member

Debbie Tropea
Member

OFFICERS OF THE CORPORATION

Micheline Dubé
President and CEO

Jacques E. Pigeon Q.C.
Corporate Secretary

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (as of march 31, 2015)

BOARD OF DIRECTORS

Micheline Dubé
President and Director

Glenn Hewus
Director

Natalie Kinloch
Director and Treasurer

Carrie-Mann Lavigne
Director

Thomas Lavigne
Director

Jacques E. Pigeon, Q.C.
Director

Salvatore Pisani
Vice-President and Director

Marsha Sienkiewicz
Director and Assistant-Treasurer

OFFICERS AND SENIOR MANAGEMENT

Micheline Dubé
President & CEO

Wade Dorland
General Manager

Natalie Kinloch
Treasurer

Carrie Mann-Lavigne
Deputy General Counsel

Jacques E. Pigeon, Q.C.
General Counsel and Corporate Secretary

COMMITTEES OF THE BOARD OF DIRECTORS

MANAGEMENT COMMITTEE

Micheline Dubé
Chairperson

Carrie Mann-Lavigne
Member

Salvatore Pisani
Member

AUDIT COMMITTEE

Marsha Sienkiewicz
Chair

Jacques E. Pigeon, Q.C.
Member

Natalie Kinloch
Member

APPENDIX B – LIST OF ABBREVIATIONS

ATIP	ACCESS TO INFORMATION AND PRIVACY
BWBA	BLUE WATER BRIDGE AUTHORITY
CBCA	CANADA BUSINESS CORPORATIONS ACT
CBSA	CANADA BORDER SERVICES AGENCY
ERM	ENTERPRISE RISK MANAGEMENT
FAA	FINANCIAL ADMINISTRATION ACT
FBCL	THE FEDERAL BRIDGE CORPORATION LIMITED
IBA	INTERNATIONAL BRIDGE ADMINISTRATION
IBTA	INTERNATIONAL BRIDGES AND TUNNELS ACT
IFRS	INTERNATIONAL FINANCIAL REPORTING STANDARDS
JCCBI	JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED
MDOT	MICHIGAN DEPARTMENT OF TRANSPORTATION
OAG	OFFICE OF THE AUDITOR GENERAL OF CANADA
PAA	PROGRAM ALIGNMENT ARCHITECTURE
PSPP	PUBLIC SERVICE PENSION PLAN
PWGSC	PUBLIC WORKS AND GOVERNMENT SERVICES CANADA
SIBC	THE SEAWAY INTERNATIONAL BRIDGE CORPORATION LIMITED
SLSDC	ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION
SMRBC	ST. MARY’S RIVER BRIDGE COMPANY
SSMBA	SAULT STE. MARIE BRIDGE AUTHORITY
TC	TRANSPORT CANADA
TIBA	THOUSAND ISLANDS BRIDGE AUTHORITY

CORPORATE OFFICES

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