FEDERAL BRIDGE CORPORATION

ANNUAL REPORT 2017-18

Canada


BLUE WATER TWIN BRIDGE IN POINT EDWARD, ONTARIO

CONTENTS


CONNIE GRAHAM

1.0 MESSAGE FROM THE CHAIR

Canada's international bridges measure the real-time temperature of our country's trade and economic health. In 2017, the traffic patterns at the Fderal Bridge Corporation's (FBCL) bridges generally mirrored those of all of Ontario's international bridges. Blue Water Bridge, Sault Ste. Marie and the Thousand Islands International Bridges finished the year with traffic flows consistent to those of the previous year. The Seaway International Bridge witnessed modest growth in crossing traffic that reflected the continuing recovery of its local economy. In other words, from the outside looking inward, business was fairly reliable and stable.

Diving deeper allows us to see that FY2017-18 was actually a pivotal time for FBCL. Let me support this statement by highlighting a key accomplishment.

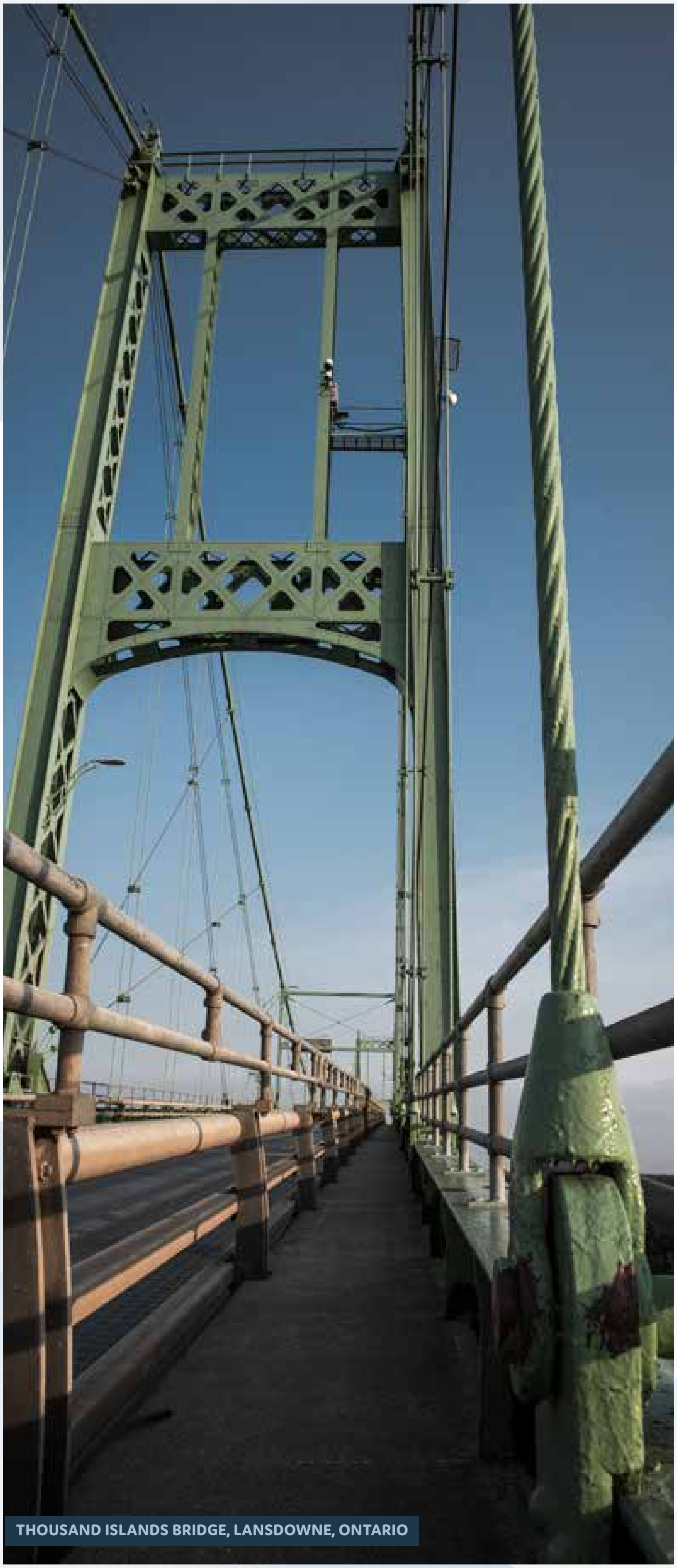
I could use this opportunity to point out that the organization has recently completed multiple major capital projects at three of its locations. Here, FBCL has significantly improved Crown assets through prudent fiscal management of nearly $200 million dollars invested over the past 6 years in the modernization of bridge and border management facilities. However, this is not the main focus of my assertion.

I could offer a comprehensive list of all the improvements and consolidations made to the organization's policy framework and governance infrastructure. Or, I could elaborate on the data-driven approach that the Corporation has adopted to support its business decision-making processes. However, these are also not what sparked this stream of thought.

While all of the above contributed significantly, they are but facets of a broader collection of actions that are propelling the Corporation forward. **This past year, FBCL witnessed the completion of the first phase of the Board's plan for the newly constituted FBCL.**

Prior to 2016, the legacy FBCL's responsibilities included the management of some St. Lawrence River crossings in Québec. The renewal of FBCL with a refocused mandate saw the spinoff of these Montreal-based assets and the amalgamations of Blue Water Bridge and the Sault Ste. Marie International Bridge subsidiary with the Corporation. It also featured closer relationships with the remaining St. Lawrence crossings. In those early days of rejuvenation, a plan was defined by the Board of Directors and the Executive Team to lay a robust framework for this new FBCL. That plan has been executed and its foundational objectives have now been firmly laid. This has set the stage for the future of FBCL and the next phase of the plan. With this achievement, we have now arrived at an important, pivotal time for FBCL.

By continuing to foster a culture of excellence and innovation, FBCL is now set to forge ahead from its initial organizational development and move into a new phase of growth.



THOUSAND ISLANDS BRIDGE, LANSDOWNE, ONTARIO

The commitment to adhering to the highest possible standards in Crown corporation governance practices and leadership remains topmost. A particular indicator of this is the recent internal publication of a Board Governance Manual. This comprehensive document sets out key corporate guidance with a particular focus on the roles, authorities, responsibilities and accountabilities all fully articulated within the context of the broader legal and corporate framework impacting FBCL. This powerful manual is intended to catalogue and keep current key corporate directives for the reference and instruction of future leaders. It is also intended to serve as a concise tool to facilitate the onboarding of new Directors.

FBCL is demonstrating its affinity for innovation and leadership both operationally and administratively in developing strong management programs across business lines. Through delivery of technical maintenance projects, implementation of a unique single-coat paint technology and investment in asset management, important reductions in costs as well as reduced environmental impact are realized. Additionally, investments in modern management systems in corporate services and security strengthen the efficacy of mandate delivery.

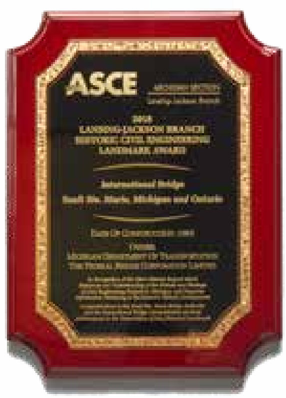
The foundations are firmly set. The next phase can commence.

In closing, I'd like to express my recognition and thanks to President and Chief Executive Officer, Micheline Dubé, her management team and all staff for their continued commitment and dedication.

Connie Graham, Chair

2.0 MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

MICHELINE DUBÉ



Top: Lansing-Jackson Branch of the American Society of Civil Engineers (ACSE) Historic Civil Engineering Landmark Award to the Sault Ste. Marie International Bridge

Bottom: Michigan Section of the ASCE Michigan Historic Civil Engineering Landmark Award to the Sault Ste. Marie International Bridge

Crossing the threshold that ended the 2017-18 fiscal period marked a highly rewarding decade at the leadership helm of FBCL.

As stewards of a broad portfolio of international bridge assets, we have largely invested our recent energies in the delivery of asset improvements and in operational consolidation while laying the self-sustaining foundations for the realigned corporation after amalgamation in 2015. With increasing numbers of successfully completed integration milestones streaming by, the Corporation is now entering a phase of portfolio development through optimization and growth. This was made possible only with the collective skills, dedication and realizations of staff and board members that ensured FBCL's present success and continue to promote its promising outlook for the future.

Our overall financial position remains positive and this perspective is supported through the assessment of Standard & Poor's Financial Services LLC. financial risks that are evaluated regularly. In November 2017, S&P Global Ratings maintained its long-term issuer credit and senior unsecured debt ratings on FBCL at 'A'. Additionally, they improved the outlook to "positive" from "stable".

The past year also bore witness to a continued on the ground, day after day effort of our operations and maintenance teams that kept the flow of traffic moving at each crossing. Their commitment combined with a number of notable events or activities have impacted or will impact bridge operations and deliver value.

SAULT STE. MARIE INTERNATIONAL BRIDGE

At Sault Ste. Marie International Bridge, coinciding nicely with the 100 millionth crossing of the span, a freshly completed eight-year Canadian bridge plaza redevelopment project delivered significant modernization and increased capacity to the community. The $51.6M redevelopment of the Canadian bridge plaza, duty-free store and CBSA facilities was substantively concluded this year. Last summer also bore witness to refreshed painting of the Canadian bridge arch using a thoroughly innovative and rapid method that resulted in reduced environmental impact as well as important time and cost savings.

BLUE WATER BRIDGE

The Blue Water Bridge is a workhorse for Canadian international trade. As the second-busiest commercial crossing between Canada and the United States, the Blue Water Bridge is a critical cornerstone in the reliability of Canada's freight transport supply chain. Through its geographic separation from Windsor, Ontario, the bridgeS provides Canada with its only true border crossing redundancy.

A project was initiated to introduce an emergency return roadway segment to the Canadian bridge plaza. This project aims to construct a means to facilitate the return to the United States of vehicles deemed to be inadmissible to Canada and to provide US-bound commercial vehicles with access to customs brokerage facilities housed in the FBCL administration building.

We also divested the currency exchange as a line of business that is now provided by a third-party tenant within the context of a broader retail operation.

THOUSAND ISLANDS INTERNATIONAL BRIDGE

With 2018 signaling this crossing's 80th anniversary, a three-year, $60M investment in the renewal of the Canadian customs plaza was substantively completed in December 2017. This modern facility provides significantly increased capacity and better segregation of passenger and commercial vehicles. We also pursued toll infrastructure and system modernization to improve overall efficiency.

SEAWAY INTERNATIONAL BRIDGE

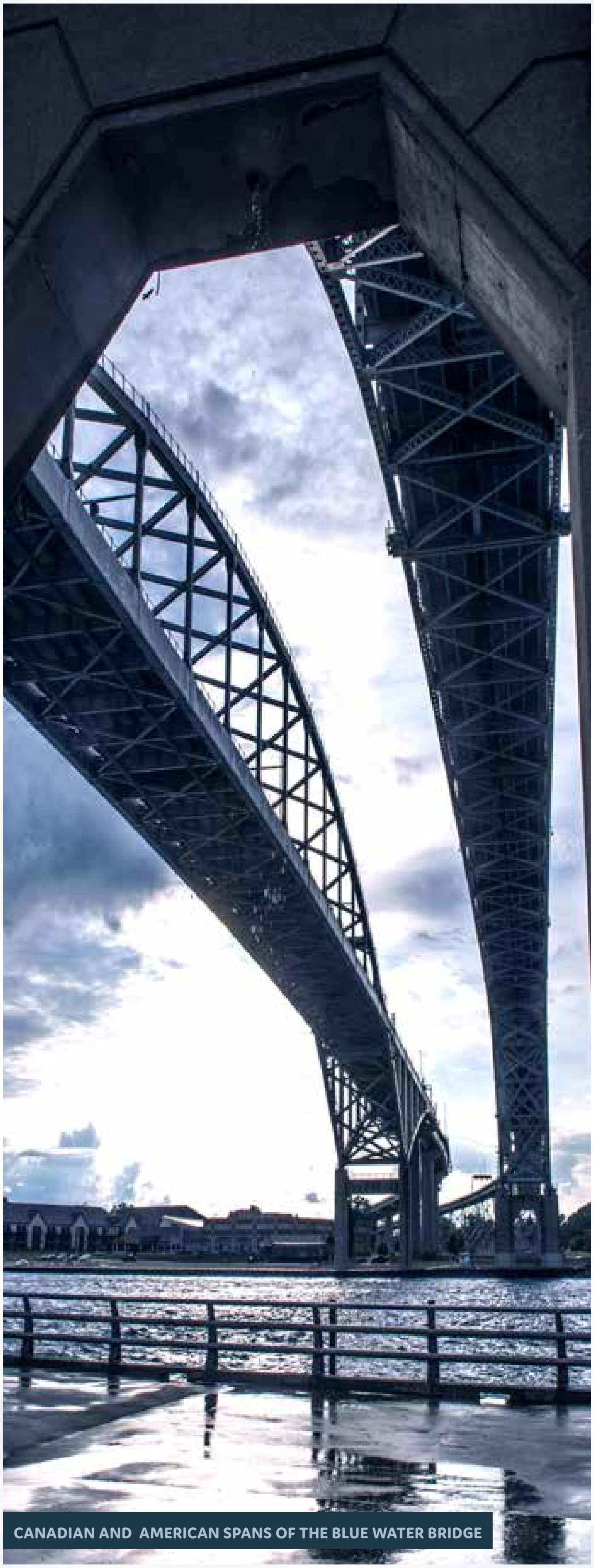
In the Cornwall area, within the framework of its designated mandate, FBCL fully maintains its commitment to supporting the needs and objectives of the Crown regarding the continued growth of a constructive relationship with the local Mohawk community and the achievement of an equitable settlement of land claims. FBCL and its subsidiary, The Seaway International Bridge Corporation, Ltd. (SIBC), have a long history of positive engagement both as a reliable source of employment for members of the local indigenous community as well as through the management of a vital facilitator of local economic growth.

In 2017-18, as a fitting bookend to large-scale improvements at the Seaway International Bridge, FBCL initiated a new project to revitalize and refresh Cornwall Islands' International Road.

Internally, we are committed to providing a work environment that is safe, healthy and violence-free in which employees are treated with respect and dignity. FBCL also seeks to prevent and eliminate harassment and discrimination. As such, we are proud to have introduced new Workplace Violence Prevention and Workplace Harassment Prevention policies. Additionally, as part of a commitment to good governance, FBCL has established a policy governing the reimbursement of reasonable expenses required for the purposes of business travel, hospitality, conferences and events in accordance with Government of Canada direction.

After 10-years it's time to celebrate this Corporation that has been built on a foundation of asset stewardship, service to the travelling public and prudent financial management with ultimate regard for the safety and security of its employees and the assets entrusted to us. I look ahead to 2018-19 with much optimism to leverage those strengths and continue to deliver strong value for Canada.

Micheline Dubé
President and CEO



CANADIAN AND AMERICAN SPANS OF THE BLUE WATER BRIDGE

3.0 CORPORATE PROFILE

3.1 BACKGROUND

The Federal Bridge Corporation Limited (FBCL) is a parent Crown corporation that operates at arm's length from the federal government. Headquartered in Ottawa, the Corporation is responsible for Canadian federal interests at four of the eleven international bridges in Ontario.

FBCL's responsibilities and relationships are varied and reflect the unique origin of each bridge. FBCL owns crossing assets and provides oversight to bridge operations, administering international agreements associated with the bridges, leading bridge engineering and inspection duties and management of bridge capital investment projects.

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

3.2 MANDATE

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

The business or undertaking of the Corporation shall be limited to the following:

a) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of bridges or other related structures, facilities, works or properties, including approaches, easements, power or communication transmission equipment, pipelines integrated with any such bridge, other related structure, facility, work, or property, linking the Province of Ontario in Canada to the State of New York or the State of Michigan in the United States of America, either alone, jointly or in cooperation with any other person, legal entity or governmental authority in Canada or in the United States of America;
b) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of other bridges or other related structures, facilities, works or properties, as the Governor in Council may deem appropriate, on such terms and conditions as the Governor in Council may determine; and,
c) Any business, undertaking or other activities incidental to any bridge, or other related structure, facility, work or property contemplated in paragraph (a) or (b).

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

3.3 STRATEGIC DIRECTION

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

3.3.1 Mission

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

3.3.2 Vision

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

3.3.3 Pillars

FBCL will fulfill its mission through these key pillars:

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

4.0 CORPORATE GOVERNANCE

BLUE WATER BRIDGE CORPORATE CENTER

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

4.1 LEGISLATIVE AUTHORITY

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

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

4.2 PUBLIC ACCOUNTABILITY

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

4.3 FBCL BOARD

The FBCL Board is composed of seven directors, including the Chairperson and the President and CEO. The Chairperson and the President and CEO are appointed by the Governor in Council, in accordance with section 105 of the *Financial Administration Act* (*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.

Within the Corporation's mandate, the Board sets corporate objectives and direction, ensures good governance, monitors financial performance, approves budgets and financial statements, approves policies and by-laws, appoints or nominates for appointment, the Canadian directors of international bridge boards, as well as ensures that risks are identified and managed.

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

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

4.4 COMMITTEES

4.4.1 Finance and Audit Committee

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

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

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

4.4.2 Governance, Policy and Human Resources Committee

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

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

4.5 BOARD OF DIRECTORS REMUNERATION

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

The employment conditions of the President and CEO are provided by the Terms and Conditions of Employment for Full-Time Governor-in-Council Appointees. The salary range for the President and CEO position (CEO 3) is \$179,200 - \$210,800. The President and CEO does not receive an annual retainer nor 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.

In 2017-18, Board members received the following reimbursements for expenses:

MEMBER	TRAVEL EXPENSES
Connie Graham	$6,585
Deborah Tropea	$3,379
Diana Dodge	$3,482
Gary Atkinson	$5,712
Micheline Dubé*	-
Pascale Daigneault	$8,709
Rick Talvitie	$8,073

* *The FBCL's President and Chief Executive Officer and is also a Board Member and receives no additional reimbursement for these dual functions. Her detailed expenses are proactively disclosed every quarter on FBCL's website in accordance with the ministerial directive on travel, hospitality, conferences and events and encompass expenses incurred for all operational requirements of the corporation.*

4.6 CODE OF CONDUCT

The purpose of the *Public Servants Disclosure Protection Act* 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. Specifically, the Corporation must describe the wrongdoing; the recommendations made to the Chief Executive Officer; and the corrective action taken by the Chief Executive Officer.

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

The Corporation fully adheres to the spirit of the *Public Servants Disclosure Protection Act* and has had no disclosures to date.

4.7 PORTFOLIO MANAGEMENT

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

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

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

4.8 Audit Regime

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

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

5.0 BUSINESS AND PERFORMANCE

AMERICAN TOLL PLAZA IN SAULT STE. MARIE, MICHIGAN

At its most basic, a bridge is a connection between two points. As a business, it provides revenue opportunities from entities seeking to benefit from that connection and from other entities benefiting from the presence of crossers. In pragmatic terms, a bridge is a services-based business that delivers crossing facilitation and ancillary services to crossers. A bridge can't be relocated or extensively diversified in order to broaden its addressable market. As such, a bridge passively exerts a localized sphere of influence and, for a broader geography, must continuously maintain high levels of service and unique advantages in order to attract users.

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

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

We ensure that our bridge operations, policy decisions and future projects are supported by bridge customers and host communities. We strive to improve our community engagement and communications to warrant that community concerns are identified and addressed, and that our commitment and contribution to our international bridges are clearly understood.

5.1 OPERATIONS, CAPITAL AND SPECIAL PROJECTS


CANADIAN PLAZA BEFORE CONSTRUCTION WAS COMPLETED IN SAULT STE. MARIE, ONTARIO

As stewards of four of Canada's international bridge crossings, it is necessary to invest prudently in the maintenance, rehabilitation and at times, complete replacement of bridge and bridge plaza assets. The *Customs Act, section 6* requires the Corporation to provide, equip and maintain, free of charge, adequate buildings, accommodations or other facilities for customs and CBSA. A similar provision in the *Plant Protection Act* and the *Health of Animals Act* mandate support for CFIA faciliities at bridge crossings.

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

Over the past reporting cycles, FBCL has categorized performance tracking within four broad categories. These are Asset Management; Revenue Generation; Trade and Border Support; and, Internal Services. The Corporation's strategic initiatives commonly address needs from more than one individual category, providing overlapping value in multiple areas. Investments in facilities modernization, for example, will deliver benefits across all of the first three categories in addition to impacting the resources and infrastructure of Internal Services.


SEAWAY INTERNATIONAL BRIDGE PLAZA IN CORNWALL, ONTARIO

5.2 SAULT STE. MARIE INTERNATIONAL BRIDGE

SAULT STE. MARIE INTERNATIONAL BRIDGE ARCHES

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.

The eight-year Canadian bridge plaza redevelopment project delivered significant modernization and increased capacity to the community. The $51.6M redevelopment of the Canadian bridge plaza, duty-free store and CBSA facilities was substantively completed in December 2017.

The opening of the new CBSA traffic building and associated civil works marked the substantive completion of the redevelopment project. The new CBSA plaza is four times larger than the prior operation and it provides new technologies that support the use of efficient frequent traveller programs.

The new facilities also contribute significantly to the ongoing bridge safety, security and border infrastructure renewal.

Also in 2017, the bridge's Canadian arch was painted using a novel and cost effective single coat technique, which was faster in its implementation than previous methods in addition to minimizing any negative environmental and bridge customer impacts. Work on the $3.5 million project began May 2017, and was completed nearly three weeks ahead of schedule and on budget.

The planned five-year maintenance plan which included the replacement of slide plate bearings underneath the arch spans is 75% completed. The remaining 25% will be finished in 2018.

CANADIAN ARCH (LEFT) AND AMERICAN ARCHES OF THE SAULT STE. MARIE INTERNATIONAL BRIDGE

5.3 BLUE WATER BRIDGE

VIEWS OF THE BLUE WATER BRIDGE ARCHES AND TOLL BOOTH (BOTTOM)

The annual inspections concluded that the two spans of the bridge are in good condition. Regular maintenance activities consistent with the recommendations from the inspection report are carried out each year.

Multiple discrete projects were identified in the 2016 Master Plan Update for future implementation at intervals at the Blue Water Bridge.

The first such project is the Emergency Return Road. The new emergency return road will provide important safety and efficiency improvements for the bridge operations. It will serve to connect the commercial compound on the south side of the bridge to the plaza and bridge approach on the north side. This connection is essential to provide unrestricted bridge access to emergency first responders, to ease the return of commercial and traffic vehicles to the U.S., to facilitate outbound inspections, to allow broker access for U.S. bound commercial vehicles and to improve the entry and exit of maintenance and delivery vehicles on the bridge plaza.

The contractor mobilized and took control of the site in December 2017, and inititated the project with the abatement and demolition of vacant houses, soil stripping and archaeological remediation work.

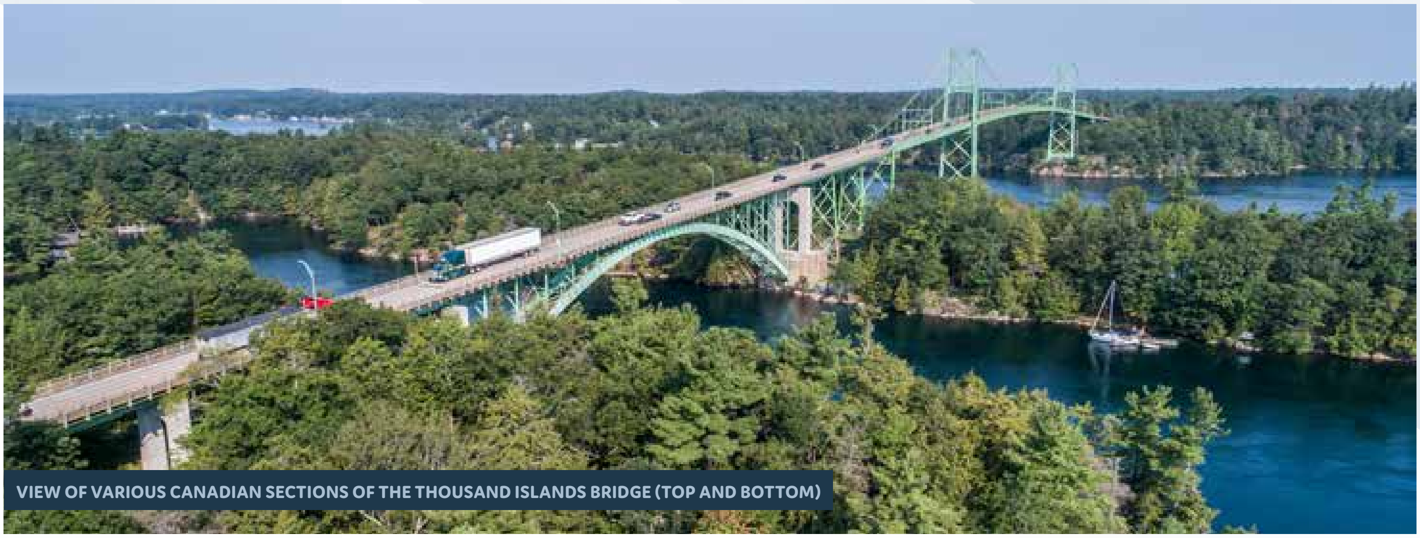
The overall project is expected to be completed by spring 2019.

Additionally, a Generator Load Banks project involved modifications to the existing emergency backup generators to reduce long-term maintenance costs and to manage power more efficiently was completed in March 2018.

Other projects include the Demolition of the former Administration Building. The demolition of the vacant building is necessary to build a future commercial truck parking and improved exit lane. A contract was awarded in March 2018 and the project is now under construction with January 2019, as a completion target date.

In February 2018, as part of a strategic review of business operations, FBCL closed the currency exchange, which, as a store front business, was considered an ancillary business to FBCL's core mandate. Following a competitive process, we entered into a lease agreement with a third party to occupy the Currency Exchange Building at the Blue Water Bridge and offer currency exchange services and other traveller amenities aimed at meeting customer needs and improving the overall client experience. The transition of currency exchange services occured seamlessly with no service interruption.

5.4 THOUSAND ISLANDS INTERNATIONAL BRIDGE



VIEW OF VARIOUS CANADIAN SECTIONS OF THE THOUSAND ISLANDS BRIDGE (TOP AND BOTTOM)

The annual inspections 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.

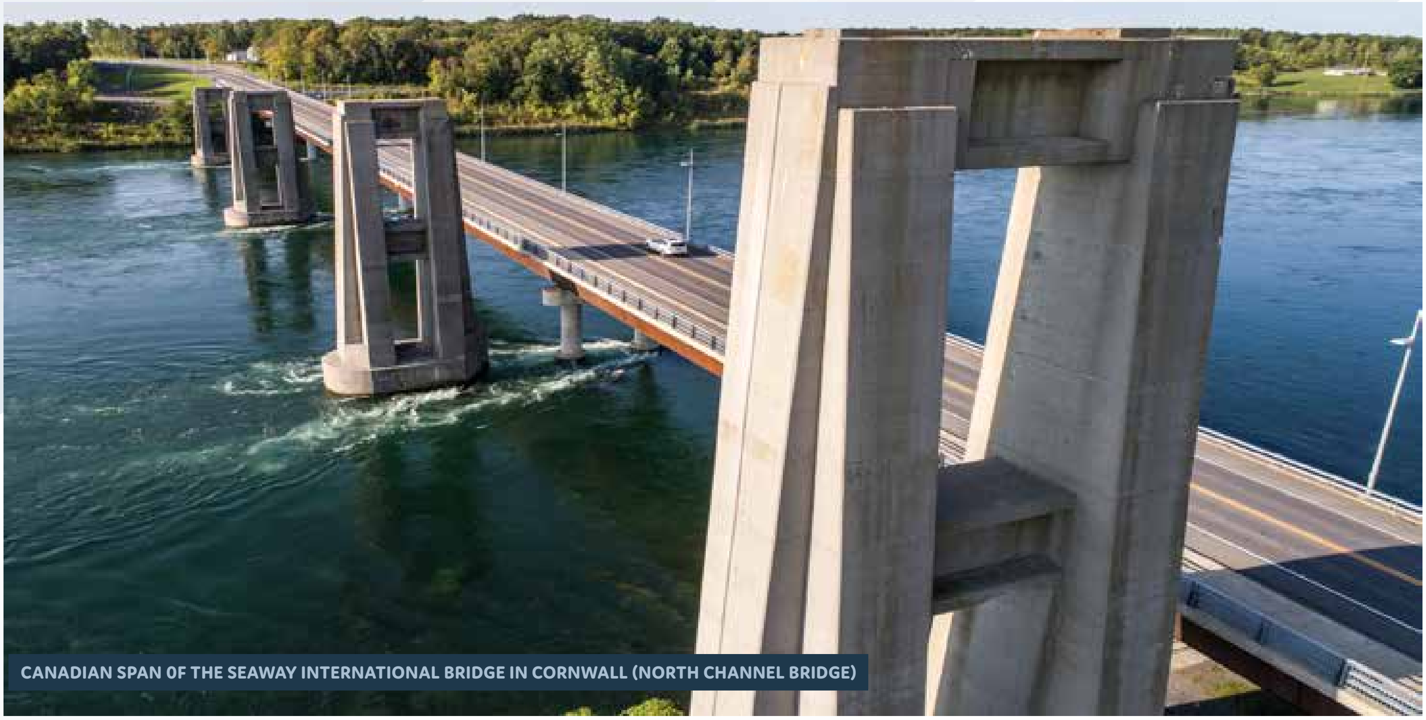
The recent key project at this Bridge was the three-year, $60M investment in the renewal of the Canadian customs plaza which was initiated in 2014 and was substantively completed on November 28, 2017.

The modern facility provides CBSA with significantly increased capacity and better segregation of passenger and commercial vehicles. It also provides new Primary Inspection Lanes an integrated traffic and commercial building and ancillary operational spaces, including lease space.

Over the last few years of bridge inspections, some piers showed signs of surface wear. The rehabilitation work for these piers was completed in June 2017.

The Thousand Islands toll infrastructure renewal project continued with the near completion of the replacement of the existing computerized toll system in all toll collection lanes in both the Canadian and the U.S. Toll Plazas and the initiation of the modernization of the existing infrastructure. The new system will be integrated with EZ Pass to allow travellers to directly manage their toll accounts online.

5.5 SEAWAY INTERNATIONAL BRIDGE

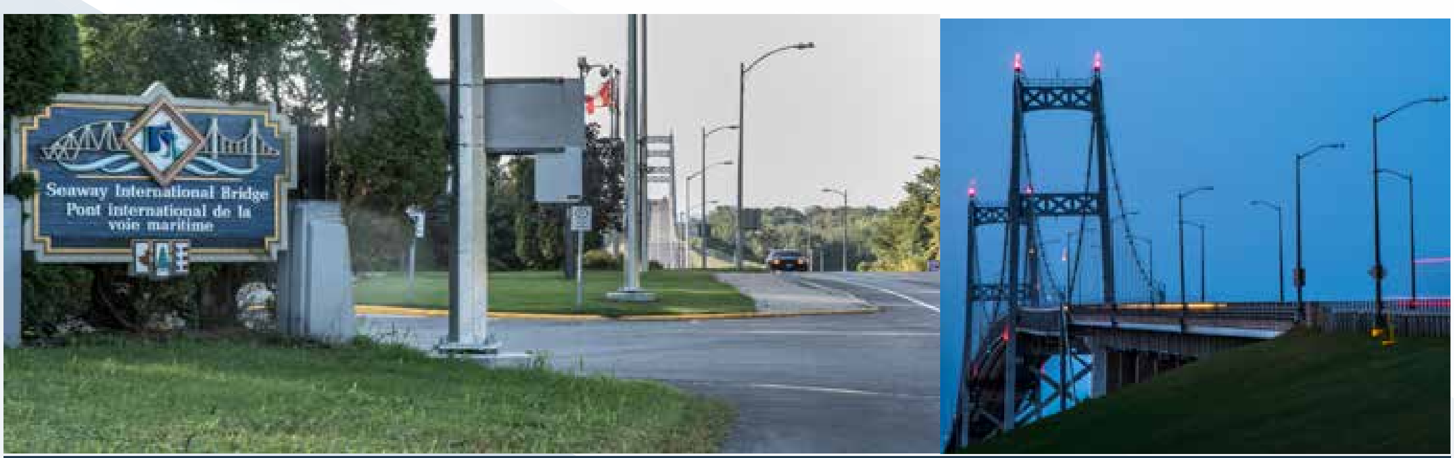


CANADIAN SPAN OF THE SEAWAY INTERNATIONAL BRIDGE IN CORNWALL (NORTH CHANNEL BRIDGE)

The annual inspections concluded that the overall condition of the South Channel Bridge is good. The North Channel Bridge has been newly constructed and opened in 2014 and is in very good condition. Regular maintenance activities consistent with the recommendations from the inspection report are carried out each year.

With the completion of the bridge and now that the contract for the reconstruction of Brookdale Avenue is complete, one of the few remaining projects was the completion of the design and construction of the pier lookout overseeing the St. Lawrence River. The lookout was completed and is now accessible to the public.

Another initiative underway is the Cornwall Island roadway connection between the North and South Channel bridges that requires upgrades to enhance safety standards. Originally included in the North Channel Bridge Replacement Project, an additional $4M funding has been sourced and the contract is now well underway with a completion target set for November 2018.



VIEW OF THE INTERNATIONAL ROAD ON CORNWALL ISLAND AND THE AMERICAN SECTION OF THE SEAWAY INTERNATIONAL BRIDGE (SOUTH CHANNEL BRIDGE)

5.6 CORPORATE SERVICES

Corporate services represent the internal business management functions of the Corporation, these services include items such as IT support, finance, legal services, communications, security, audit, information management, human resources and corporate risk management. All functions which are key enablers to the continued success of our operations.

By driving internal efficiencies, the Corporation is able to focus on its core mandate in support of all Canadians. In 2017-18, key achievements in the area of IT included the development of a cyber-security strategy, website renewal, the introduction of a new information management system and a human resources management system.

In finance, the focus was on policy renewal and systems improvements to enhance the effective use of our financial information for decision-making and reporting.

Our legal services provided excellent support to the numerous complex files in which the Corporation was implicated over the past year.

Security is certainly a priority focus for an organization whose mission it is to operate international bridge crossings. In addition to the mandatory inspections by Transport Canada, the organization conducted a comprehensive risk and threat assessment to identify potential gaps. Measures are underway to prioritize and address the findings through a comprehensive, disciplined approach.

Within human resources, a two-year HR Modernization and Integration Project was completed this year. The project reviewed the three pillars of our compensation structure – salary (based on employee classification level), benefits and pensions. This was a major initiative which had a profound impact on employees. In addition, it ensured corporate compliance with ministerial directive on pension to a ratio of 50:50. Internal policies dealing with workplace harassment and workplace violence prevention were introduced to protect our employees. In addition to promoting employee wellness and mental health initiatives, diversity and inclusion were also themes explored and introduced to employees. All of these factors help build on our "One Company. One Workforce." philosophy. This philosophy illustrates our commitment to fairness and mutual respect for all employees, no matter where they are geographically or hierarchically within the organization.

This year we initiated our three-year audit plan, by outsourcing our internal auditing functions to a third party service provider. This allows smaller corporations to take advantage of diverse skill sets and increased independence from management to ensure the objectivity of the auditors and their findings. The audit focus for this year was on toll revenue, accounts payable and payroll.

5.7 PERFORMANCE ASSESSMENT

5.7.1 Short-Term Performance Assessment

▲ Planned progress on schedule and within budget
● Slippage in terms of time to completion, budget and/or target variances
▼ Cancelled or deferred

OUTCOMES	STATUS ▲●▼	PERFORMANCE INDICATORS	TARGETS	DATA STRATEGY	PRESENT
Safe & Dependable Infrastructure	▲	Bridge inspections	Passing grades at all bridges	Annual assessments	Met
	▲	Asset management	Asset reports and metrics	Program implemented by 2018-19	Progressing on schedule
	▲	Security programs & emergency preparedness	Plan in place and reviewed	Annual assessments	Met
Open Border Crossings	▲	Capital construction projects	Completed on time and on budget	Quarterly progress reporting	Met
	▲	CBSA & CFIA support	Partner agencies meeting their targets	Annual assessments	Met
Predictable Traffic & Revenue Flows	●	Toll automation	BWB in 2017, TIBA in 2018	New systems deployed; and, monthly traffic data	- BWB project closed - TIBA toll system contract awarded
	▲	FINTRAC compliance for currency exchange	Maintained	Full regulatory compliance	Met
Informed Decision Support & Processes	▲	Currency exchange review	Completed in 2017-18	Completion	Met
	▲	Revenue diversification strategy	Marketing Plan & Revenue Analysis	Marketing plan created; and, revenue analysis completed in 2017-18	Met
	▲	Customer Relationship Management analysis	Assessed within Marketing Plan & Analysis completed in 2017-18	Completion	Met
Operational Efficiency	▲	Toll policy alignment	Tolling revenue audit program in 2017-18	Completion	Met
	▲	Financial system integration	Completed in 2018	Completion	Progressing on schedule
Operational Consistency	▲	Common policy framework	HR, Finance & IT policies integrated	Completion	Met
Common Approach to Services Delivery	▲	All bridges sharing infrastructure and resources	HR, Finance & IT policies, processes & systems	Completion	Progressing on schedule
	▲	Improved customer communications	Integrated web site	Completion	Progressing on schedule

6.0 MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) outlines FBCL's financial results and operational changes for the year ended March 31, 2018. This MD&A should be read in conjunction with FBCL's audited annual financial statements and accompanying notes for the year ended March 31, 2018. These financial statements and notes have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in thousands of Canadian dollars. All information is current as of June 28, 2018, unless otherwise stated.

Forward-looking statements

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

Materiality

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

ANALYSIS OF FINANCIAL RESULTS

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. The currency exchange services ceased at the end of February 2018 and consequently the building which housed the currency exchange is now being rented to a third party. FBCL also received Government of Canada funding for major capital projects at three locations. The profitability of FBCL is directly attributable to traffic levels that traverse its four international bridge crossings and these are affected by a number of factors, including fluctuating currency exchange rates, the strength/weakness of both the Canadian and the U.S. economies and tourism in its local bridge-specific areas. FBCL's revenues improve with increases in economic activity of both Canada and the U.S., since its bridges are major international crossings between the two trading nations. Historically, when the U.S. economy is robust or expanding, exports of Canadian products tend to rise. A growing Canadian economy will also result in an increase in the flow of goods, services and people across the two countries' land borders.

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

6.1 CONSOLIDATED FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Comparison of March 31, 2018 to March 31, 2017

At the fiscal year ended March 31, 2018, the Consolidated Statement of Financial Position for FBCL was reflected in the following manner:

Consolidated Statement of Financial Position ($000's)	March 31 2018	March 31, 2017 (Restated)	Variance
	$	$	$
Assets			
Financial assets	**39,171**	49,032	(9,861)
Non-financial assets	**399,647**	384,242	15,405
Other assets	**881**	914	(33)
Total assets	**439,699**	**434,188**	**5,511**
Current assets	***34,202***	*42,881*	*(8,679)*
Non-current assets	***405,497***	*391,307*	*14,190*
Liabilities			
Provisions	**6,292**	5,566	726
Deferred capital funding	**107,035**	82,649	24,386
Deferred revenue	**4,229**	4,518	(289)
Long-term employee benefits	**6,450**	7,573	(1,123)
Long-term debt	**70,903**	80,037	(9,134)
Other liabilities	**7,366**	15,780	(8,414)
Total liabilities	**202,275**	**196,123**	**6,152**
Current liabilities	***21,433***	*30,608*	*(9,175)*
Non-current liabilities	***180,842***	*165,515*	*15,327*
Total equity	**237,424**	**238,065**	**(641)**

Assets

Financial assets: Overall cash and investments have remained consistent when compared to the prior year. Trade and other receivables have decreased by $10M primarily due to lower parliamentary appropriations receivable at year-end since the Sault Ste. Marie Canadian Plaza Redevelopment, the Lansdowne Port of Entry construction and bridge approach improvements at the Seaway International Bridge are either substantially complete or are nearing completion.

Non-financial assets: Non-financial assets include property & equipment, investment properties, and intangible assets. Current year acquisitions are $31.5M and relate primarily to the Sault Ste. Marie Canadian Plaza Redevelopment, the Lansdowne Point of Entry construction, bridge approach improvements at the Seaway International Bridge and various projects at the Blue Water Bridge (generator replacement, LED light replacement on the bridge, and emergency access ramp preliminary work). Depreciation for the year is $15.9M.

Liabilities

Provision: Provisions relate to decommissioning and environmental clean-up of certain assets in Sault Ste. Marie, Lansdowne and Cornwall. The provision relating to the removal of the piers at the Seaway International Bridge (Cornwall) has been increased by $2.0M as management has determined that the work will be outsourced. This is offset by a decrease in the provisions for the Sault Ste. Marie and Lansdowne locations of $1.4M which includes $0.7M for work performed and a reduction of $0.7M of the prior year's estimate as actual costs for the environmental clean-up at the Lansdowne location was lower than anticipated. Both the Sault Ste. Marie and Lansdowne decommissioning and environmental clean-up have been completed.

Deferred capital funding: $27.0M was received in federal funding for the acquisitions of capital asset acquisitions in Sault Ste. Marie, Lansdowne and Cornwall. This is off-set by amortization of deferred capital funding of $2.7M. As projects are completed and put in use, the related capital funding is amortized over the same duration as the depreciation of these projects. There is a significant increase this year to the amortization of deferred capital funding due to the opening of the CBSA facilities in Sault Ste. Marie and Lansdowne as well as the bridge approach improvements in Cornwall that were completed.

Long-term employee benefits: During the year, the eligibility criteria was revised resulting in an increase in the number of eligible employees which translated into past service costs of $0.9M. This is in addition to the more traditional costs which include current service and interest costs of $0.7M. These costs are offset by changes in the assumptions used in the valuation of employee benefits which translated to a gain of $2.5M.

Long-term debt: This includes regular principal and interest repayment of the loans payable and bonds payable as well as a repayment of a loan in the amount of $4.2M in accordance with FBCL's debt repayment plan to repay loans as they become due for renewal.

Other liabilities: Trade and other payables and holdbacks are $8.6M lower as projects in Sault Ste. Marie, Lansdowne and Cornwall are nearing completion.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Comparison to March 31, 2017

For the fiscal year ended March 31, 2018, the Consolidated Statement of Comprehensive Income for FBCL was reflected in the following manner:

Consolidated Statement of Comprehensive Income ($000's)	**March 31 2018**	March 31 2017 (Restated)	Variance
	$	$	$
Tolls and services	**30,234**	30,955	(721)
Thousand Islands International Bridge toll revenue	**6,169**	6,451	(282)
Leases and permits	**4,606**	4,370	236
Currency exchange	**888**	1,216	(328)
Interest	**570**	553	17
Other	**420**	360	60
Total revenue	**42,887**	**43,905**	**(1,018)**
Operations	**7,512**	7,824	(312)
Thousand Islands International Bridge expense	**6,813**	6,530	283
Currency exchange	**780**	670	110
Maintenance	**13,817**	14,811	(994)
CBSA & CFIA operations	**6,751**	5,344	1,407
Administration	**8,754**	7,641	1,113
Total expenses	**44,427**	**42,820**	**1,607**
Operating income before government funding and interest	**(1,540)**	**1,085**	**(2,625)**
Government funding	**3,359**	3,642	(283)
Interest expense	**(4,793)**	(5,114)	321
Net loss	**(2,974)**	**(387)**	**(2,587)**
Other comprehensive income			
Actuarial gain (loss)	**2,523**	(328)	2,851
Investment revaluations	**(190)**	(113)	(77)
Total comprehensive loss	**(641)**	**(828)**	**187**

Revenue

Tolls and Thousand Islands International Bridge toll revenue: Toll revenues are affected by traffic volume and by the Canadian and US dollar exchange rates. During the year, passenger car volumes have increased by 1.5 % while truck volumes have decreased by 2.2% for all bridges combined. Passenger cars varied between a decrease of 0.6% to an increase of 5.0% per bridge. Truck volumes, by bridge, varied between a decrease of 3.1% to an increase of 0.5 %. Also during the year, the exchange rate fluctuated between a low of C$1.21 to US$1.00 and a high of C$1.37 to US$1.00 with an average rate for the year of C$1.28 to US$1.00 (2017 - the exchange rate remained fairly stable during the year at a rate of C$1.33 to US$1.00).

Other revenues: Leases and permits, Currency Exchange, Interest Revenue and Other Revenue remained fairly consistent when compared to the prior year.

Expenses

Maintenance: In 2016-17, FBCL adjusted its provision for the decommissioning of the piers at the Seaway International Bridge which resulted in an expense of $3.5M. This year, FBCL determined that it would outsource the decommissioning of the piers and consequently increased the provision by an additional $2.0M which was expensed in the current year. This decrease in expense is offset by an increase in depreciation of $0.4M due to certain capital projects being placed into service primarily in Sault Ste. Marie (including bridge painting and repairs) as well as various smaller changes in other maintenance expenses.

CBSA/CFIA: During the year, the new Lansdowne Point of Entry and the second facility at the Sault Ste. Marie Canadian Plaza Redevelopment were opened. In addition, the first facility at the Sault Ste. Marie Canadian Plaza Redevelopment was opened partway through the 2016-17 fiscal year and therefore, this year, was operating for the full year. Thus the amortization on these three facilities results in an increase to depreciation of $1.1M this year. Consequently the cost of operating these new facilities has resulted in an additional $0.3M of other CBSA/CFIA expenses.

Administration: The eligibility criteria to qualify for post-employment health and dental benefits was revised in the current year which resulted in an increase in the number of eligible employees. This resulted in an increase of $0.9M for past service costs.

Other expenses: Operations, Thousand Islands International Bridge, and Currency Exchange expenses have remained fairly consistent when compared to the prior year. The variances, although insignificant, relate to changes in salaries and depreciation.

Government funding and interest expense

Government funding: Government funding consists of amortization of amounts allocated in prior years relating to capital projects that are now completed as well as government funding received during the year for the decommissioning of the capital assets that have been (or are being) replaced. Amortization of government funding this year is $1.6M higher as result of opening of the new facilities in Lansdowne and Sault Ste. Marie. Funding received with respect to decommissioning liability has decreased by $1.8M as much of the work relating to the older facilities that were replaced was completed in the current year.

Interest expense: Interest expense is $0.3M lower than prior year as FBCL has made regular principal repayment on its debt as well as repaying tranches of loans as they become due for renewal. One loan, in the amount of $3.5M, was repaid at the beginning of 2016-17 and one loan, in the amount of $4.1M, was repaid at the end of 2017-18.

Comparison to budget

The following is a summary of actual revenues and expenses as compared to the 2018-2022 Corporate Plan:

Consolidated Statement of Income ($000"s)	Budget 2018	**March 31 2018**	Variance
	$	**$**	$
Tolls and Thousand Islands International Bridge tolls	37,589	**36,403**	1,186
Other revenue	6,187	**6,484**	(297)
Government funding	2,237	**3,359**	(1,122)
Operating expenses	39,815	**44,427**	(4,612)
Interest expense	4,753	**4,793**	(40)
Net income (loss)	1,445	**(2,974)**	4,419

Tolls and Thousand Islands International Bridge tolls: In the budget, FBCL expected to maintain its toll revenues from the prior year. However, actual volumes in the year were slightly lower than expected particularly with higher grossing commercial traffic.

Government funding: The difference is due to the amortization of deferred capital funding as budgeted deferred capital funding is $1.8M lower than actual funding.

Operating expenses: These expenses were higher than budget as assets were completed earlier than planned and depreciation was applied in an amount of $1.1M higher than budget, post-employment benefits costs increased by $0.9M due to changes in the eligibility criteria, and an increase in the provision for the decommissioning of the piers at the North Channel Bridge of $2.0M.

Other revenue and interest expense: Both other revenue and interest expense are comparable to budget.

CONSOLIDATED STATEMENT OF CASH FLOW

Consolidated Statement of Cash Flows ($000's)	**March 31 2018**	March 31 2017 (Restated)	Variance
	$	$	$
Net cash generated by operating activities	**12,881**	12,376	505
Net cash used in investing activities	**(6,979)**	(8,867)	1,888
Net cash used in financing activities	**(9,134)**	(8,275)	(859)
Foreign exchange on cash balance	**(475)**	257	(732)
Net decrease in cash	**(3,707)**	**(4,509)**	**802**

Net cash generated by operating activities: Cash flow from operations reached $12.6M (2017- $12.9M) in addition to changes in the working capital of $0.3M (2017 - use of $0.5M).

Net cash used by investing activities: FBCL has invested an additional $4.0M (2017 – decrease of $0.9M from investments). Net cash has also been used relating to capital projects of $3.0M (2017 - use of cash of $9.7M), when taking into account cash received for government funding of capital projects.

Net cash used by financing activities: Financing activities relate solely to the principal repayment of loans and bonds payable.

Foreign exchange on cash balance: The foreign exchange on cash balance is impacted by the exchange rate. This year, a loss was incurred as the exchange rate decreased from C$1.33 to US$1.00 at the beginning of the year to C$1.29 to US$1.00 at the end of the year (2017 – increase from C$1.30 to US$1.00 at the beginning of the year to C$1.33 to US$1.00 at the end of the year).

6.2 REPORT ON ANNUAL EXPENDITURES FOR TRAVEL, HOSPITALITY, AND CONFERENCES FOR 2017-18

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

(a) align their travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations; and
(b) to report on the implementation of this directive in their next corporate plan.

FBCL has complied with this directive and has implemented a new *Policy on Travel, Hospitality, Conference and Event Expenditures*. As per the Treasury Board requirements, this report provides information on the total annual expenditures for each of travel, hospitality, and conferences for the Corporation for the fiscal year ending March 31, 2018.

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

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

Year ending March 31 ($000's)	**2018**	2017
	$	$
Travel	**219**	242
Hospitality	**2**	-
Conferences	**20**	36
Events	**4**	3
Total	**245**	281

6.3 COMPLIANCE WITH DIRECTIVE ON PENSION PLANS

The Corporation is subject to directives pursuant to Section 89 of the *FAA*. By Order in Council P.C. 2014-1382 dated December 10, 2014, the Corporation is:

(a) to ensure that the pension plans will provide
  (i) a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017, and,
  (ii) for any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and,
(b) to outline its implementation strategies with respect to the commitments set out in paragraph (a) in its next corporate plan and subsequent corporate plans until the commitments are fully implemented.

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

6.4 OUTLOOK

Operating outlook

FBCL utilizes a portfolio management approach to its international bridge management. In doing so, it must also continue to review its plans and operations on a bridge by bridge basis to ensure long-term financial sustainability at all international crossings. For example, toll rate adjustments may be introduced as part of the regular exchange rate equalization and to mitigate financial pressures brought on by the devaluing Canadian dollar and lower traffic volumes.

Additionally, FBCL continues to face increasing CBSA and CFIA requirements at its international crossings with new facilities being expanded to three times the original plaza size. While the Corporation received government funding for the capital investment in these facilities, operating costs are the responsibility of the corporation. A balance must be achieved between the facilities operating requirements of these agencies and the funding availability.

The economic forecast of a low Canadian dollar will likely continue to depress passenger traffic for the foreseeable future. This has not only affected the Corporation's international bridges, but all the international bridges between Canada and the U.S. Proactive management decisions to reduce costs, where possible, and the adjustment of toll rates in fiscal 2016 have provided for stability. The Corporation's revenue and portfolio model allows it to monitor bridges both individually and in total, whereby reductions at one bridge in passenger volume may be offset by increase in commercial trucking revenue at other locations.

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

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

Consolidated Statement of Income ($000's)	Budget 2019	Budget 2020	Budget 2021	Budget 2022	Budget 2023
	$	$	$	$	$
Tolls and services	30,272	31,649	32,085	32,510	32,895
Leases and permits	4,532	4,587	4,646	4,702	4,759
Currency exchange	-	-	-	-	-
International Thousand Islands Bridge revenue	7,168	7,204	7,719	7,757	7,796
Interest	589	597	599	599	601
Other	30	31	33	34	35
Total revenue	42,591	44,068	45,082	45,602	46,086
Operations	5,076	5,155	5,288	5,371	5,455
Thousand Islands International Bridge expenses	4,357	4,594	4,746	4,831	4,918
Currency exchange	-	-	-	-	-
Maintenance	5,513	5,024	5,079	5,136	5,303
CBSA & CFIA operations	3,338	3,318	3,394	3,449	3,506
Administration	7,083	6,736	6,851	6,957	7,065
Restructuring costs	-	-	-	-	-
Depreciation	17,497	18,200	18,380	19,075	19,267
Total expense	42,864	43,027	43,738	44,819	45,514
Operating income before government funding and interest	(273)	1,041	1,344	783	572
Government funding	4,082	4,202	4,202	4,202	4,202
Interest expense	(4,296)	(3,899)	(3,516)	(3,056)	(2,612)
Net (loss) income	(487)	1,344	2,030	1,929	2,162

Capital budget outlook

Capital budget (in 000's)			Budget		
	2018-19	2019-20	2020-21	2021-22	2022-23
Funded by government					
Cornwall Island Roadway Improvements	3,443	-	-	-	-
Sault Ste. Marie Customs Plaza Redevelopment	350	-	-	-	-
Funded internally					
Blue Water bridge paving, repairs, painting	100	150	2,120	7,255	4,150
Blue Water equipment and electronic system	2,765	3,670	2,070	150	-
Blue Water plaza design improvements and rehabilitation	8,359	6,194	1,232	300	300
Cornwall bridge repairs	1,460	-	-	-	-
Sault Ste. Marie painting and maintenance projects	300	109	201	388	317
Lansdowne toll upgrade & eletronic tolling	512	-	-	-	-
Property acquisitions	500	-	-	-	-
Other	2,763	1,415	1,342	1,426	2,066
Total	20,552	11,538	6,965	9,519	6,833

In Sault Ste. Marie, plaza improvements on both sides of the border continue to improve the functionality and appearance of the crossing. On the Canadian side of the border, the rehabilitation of the Canadian Plaza is substantially complete, with $0.35M for landscaping to be executed by fall 2018. The work, which is valued at $51.6M, is funded through the Gateway and Border Crossings Fund. Painting and maintenance projects will occur over the next five years.

In Point Edward, additional improvements to the Plaza design are scheduled in order to improve the flow of traffic, as well as long-term maintenance including repaving, repainting and other repairs to the bridges.

In Lansdowne, the Corporation's share of construction works on a toll upgrade and electronic tolling project is anticipated to be completed by March 31, 2019.

In Cornwall, since the old North Channel Bridge demolition and the realignment of traffic flow along Brookdale have been completed, the attention has now shifted towards the corridor improvements on Cornwall Island to improve infrastructure and safety. This $4.0M project is funded through parliamentary appropriations. Additionally, the piers from the old North Channel Bridge that currently remain in the water are to be removed within the next two years, however the expense for this project has already been realized in the Corporation's current financial statements.

7.0 CONSOLIDATED FINANCIAL STATEMENTS

FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2018

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Management's Responsibility for Financial Statements

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

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

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

The FBCL Board of Directors is composed of six directors who are not employees of FBCL and one director who is the President and CEO of FBCL. The Board of Directors of FBCL's wholly owned subsidiary is composed of eight directors who are currently employees of either FBCL or SLSDC (FBCL's partner at its wholly owned subsidiary). 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 Auditor General of Canada. The wholly owned subsidiary's Board of Directors has approved and submitted its financial statements together with the external auditor's report to the FBCL (parent) Board of Directors. The FBCL Audit Committee has discussed the consolidated financial statements with the external auditor, The Auditor General of Canada, and has submitted its report to the FBCL Board of Directors. The Auditor General of Canada is responsible for auditing the consolidated financial statements and for issuing his report thereon. The FBCL Board of Directors has reviewed and approved the consolidated financial statements.

Micheline Dubé
President and Chief Executive Officer

Natalie Kinloch
Chief Financial and Operating Officer

June 28, 2018

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

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of The Federal Bridge Corporation Limited, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Federal Bridge Corporation Limited as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

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

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

28 June 2018
Ottawa, Canada

The Federal Bridge Corporation Limited

Consolidated Statement of Financial Position

(in thousands of Canadian dollars)

As at	Notes	March 31 2018	March 31 2017 (Restated)	April 1 2016 (Restated)
	3	$	$	$
Assets				
Current Assets				
Cash and cash equivalents	7	**5,024**	8,731	13,240
Investments	8	**25,816**	20,805	23,787
Trade and other receivables	9	**2,731**	12,696	5,684
Prepaids		**631**	649	407
Total Current Assets		**34,202**	42,881	43,118
Non-Current Assets				
Property and equipment	10	**379,546**	363,703	319,874
Investment properties	11	**20,083**	20,523	20,739
Intangible assets	12	**18**	16	25
Lessor inducement		**250**	265	280
Investments	8	**5,600**	6,800	4,800
Total Non-Current Assets		**405,497**	391,307	345,718
Total Assets		**439,699**	434,188	388,836
Liabilities				
Current Liabilities				
Trade and other payables		**5,478**	12,026	11,350
Employee benefits		**1,036**	820	565
Provisions	13	**-**	1,372	2,526
Holdbacks	14	**601**	2,663	2,157
Deferred revenue	15	**2,561**	2,698	3,200
Current portion of loans payable	16	**3,494**	4,578	4,006
Current portion of bonds payable	17	**4,863**	4,556	4,269
Current portion of deferred capital funding	18	**3,400**	1,895	272
Total Current Liabilities		**21,433**	30,608	28,345
Non-Current Liabilities				
Loans payable	16	**5,494**	8,988	13,566
Bonds payable	17	**57,052**	61,915	66,471
Employee benefits	19	**6,450**	7,573	7,435
Deferred revenue	15	**1,668**	1,820	1,971
Deferred capital funding	18	**103,635**	80,754	30,628
Provisions	13	**6,292**	4,194	1,462
Lessee inducement		**251**	271	65
Total Non-Current Liabilities		**180,842**	165,515	121,598
Equity				
Share capital - 2 shares @ no par value	20	**-**	-	-
Retained earnings		**237,647**	238,098	238,813
Accumulated other comprehensive income (loss)		**(223)**	(33)	80
Total Equity		**237,424**	238,065	238,893
Total Equity and Liabilities		**439,699**	434,188	388,836
Contingent liabilities	24			
Commitments	25			

Approved by the Board of Directors

Director Director

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

The Federal Bridge Corporation Limited

Consolidated Statement of Comprehensive Income
for the year ended March 31

(in thousands of Canadian dollars)

	Notes	2018	2017
	3		(Restated)
		$	$
Revenue			
Tolls and services		**30,234**	30,955
Leases and permits		**4,606**	4,370
Currency exchange		**888**	1,216
Thousand Islands International Bridge revenue		**6,169**	6,451
Interest		**570**	553
Other		**420**	360
Total Revenue		**42,887**	43,905
Expenses			
Operations		**7,512**	7,824
Thousand Islands International Bridge expenses		**6,813**	6,530
Currency exchange		**780**	670
Maintenance		**13,817**	14,811
Canada Border Security Agency & Canadian Food Inspection Agency operations		**6,751**	5,344
Administration		**8,754**	7,641
Total Expenses	**21**	**44,427**	42,820
Operating Income Before Government Funding		**(1,540)**	1,085
Government Funding			
Amortisation of deferred capital funding	**18**	**2,657**	1,120
Funding with respect to decommissioning liability		**702**	2,522
Total Government Funding		**3,359**	3,642
Non-Operating Items			
Interest expense		**(4,793)**	(5,114)
Total Non-Operating Income		**(4,793)**	(5,114)
Net loss		**(2,974)**	(387)
Other Comprehensive Income (Loss)			
Items that will not be reclassified subsequently to net income			
Actuarial gain (loss)	**19**	**2,523**	(328)
Items to be reclassified to net income when specific conditions are met			
Investments revaluation gain (loss) on available-for-sale investments		**(152)**	207
Cumulative gain reclassified to income on sale of available-for-sale investments		**(38)**	(320)
Total Other Comprehensive Income (Loss)		**2,333**	(441)
Total Comprehensive Loss for the Year		**(641)**	(828)

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

The Federal Bridge Corporation Limited

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

(in thousands of Canadian dollars)

	Notes	Retained Earnings (Restated)	Accumulated Other Comprehensive Income (Loss)	Total (Restated)
	3			
		$	$	$
Balance as at April 1, 2016		238,813	80	238,893
Total Comprehensive Income (Loss):				
Net loss		(387)	-	(387)
Other Comprehensive Income (Loss):				
Actuarial loss	**19**	(328)	-	(328)
Investments revaluation gain on available-for-sale investments		-	207	207
Cumulative gain reclassified to income on sale of available-for-sale investments		-	(320)	(320)
Total Other Comprehensive Income (Loss)		(328)	(113)	(441)
Total Comprehensive Loss		(715)	(113)	(828)
Balance at March 31, 2017		238,098	(33)	238,065
Total Comprehensive Income (Loss):				
Net loss		(2,974)	-	(2,974)
Other Comprehensive Income (Loss):				
Actuarial gain	**19**	2,523	-	2,523
Investments revaluation loss on available-for-sale investments		-	(152)	(152)
Cumulative gain reclassified to income on sale of available-for-sale investments		-	(38)	(38)
Total Other Comprehensive Income (Loss)		2,523	(190)	2,333
Total Comprehensive Loss		(451)	(190)	(641)
Balance at March 31, 2018		**237,647**	**(223)**	**237,424**

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

The Federal Bridge Corporation Limited

Consolidated Statement of Cash Flows
for the year ended March 31

(in thousands of Canadian dollars)

	Notes	2018	2017
	3		(Restated)
		$	$
Cash Flows from Operating Activities			
Net loss		**(2,974)**	(387)
Adjustments for:			
Amortisation of deferred capital funding	**18**	**(2,657)**	(1,120)
Depreciation of property and equipment	**10**	**15,153**	13,833
Depreciation of investment properties	**11**	**742**	669
Depreciation of intangible assets	**12**	**11**	9
Loss on disposal of assets	**21**	**203**	68
Change in employee benefits		**1,616**	65
Foreign exchange (gain) loss		**475**	(257)
		12,569	12,880
Changes in Working Capital:			
Trade and other receivables		**(153)**	1,849
Lessor inducement		**15**	15
Prepaids		**18**	(242)
Trade and other payables		**56**	(2,548)
Holdbacks		**(41)**	(709)
Lessee inducement		**(20)**	206
Provisions	**13**	**726**	1,578
Deferred revenue	**15**	**(289)**	(653)
		312	(504)
Net Cash Generated by Operating Activities		**12,881**	12,376
Cash Flows from Investing Activities			
Payments for property and equipment		**(39,968)**	(53,744)
Payments for investment properties		**(168)**	-
Payments for intangible assets		**(3)**	-
Government funding related to acquisitions of property and equipment received		**37,161**	44,008
Proceeds on sale of investments		**24,532**	27,283
Purchase of investments		**(28,533)**	(26,414)
Net Cash Used by Investing Activities		**(6,979)**	(8,867)
Cash Flows from Financing Activities			
Repayment of loans payable		**(4,578)**	(4,006)
Repayment of bonds payable		**(4,556)**	(4,269)
Net Cash Used by Financing activities		**(9,134)**	(8,275)
Foreign exchange (loss) gain on cash and cash equivalents held in foreign currency		**(475)**	257
Net decrease in cash and cash equivalents		**(3,707)**	(4,509)
Cash and cash equivalents at the beginning of the year		**8,731**	13,240
Cash and Cash Equivalents at the End of the Year	**7**	**5,024**	8,731
Supplemental disclosure on cash flow information			
Interest received included in operating activities		**599**	582
Interest paid included in operating activities		**4,813**	5,107

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

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

1. Authority and Activities

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

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

The Corporation's wholly-owned subsidiary, SIBC, operates the Seaway International Bridge crossing in Cornwall as a joint operation (as described in note 6) per agreement between the Corporation as Canadian owner and The St. Lawrence Seaway Development Corporation (SLSDC) as U.S. owner. As a Crown corporation, SIBC is also subject to the same authorities as the Corporation. The Corporation is also a party to two other agreements for the operation of the international bridges. In regards to the Sault Ste. Marie International Bridge, this agreement is with the U.S. owner, the Michigan Department of Transportation (MDOT). The bridge oversight is through a joint international entity, Sault Ste. Marie Bridge Administration (SSMBA), and its operation is done by the International Bridge Authority (IBA), an entity of MDOT. The agreement applicable to the operations of the Thousand Islands International Bridge is also with the U.S. owner, the Thousand Islands Bridge Authority (TIBA), an entity of Jefferson County, State of New York. At the Blue Water Bridge crossing between Point Edward, Ontario, and Port Huron, Michigan, the Corporation owns and operates the Canadian portion of the crossing. The U.S. side of the crossing is owned and operated by MDOT.

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

The Corporation is subject to directives pursuant to Section 89 of the FAA. By Order in Council P.C. 2014-1382 dated December 10, 2014, the Corporation is:

(*a*) to ensure that the pension plans will provide
  (i) a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017, and,
  (ii) for any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and,

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

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

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

1. Authority and Activities (continued)

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

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

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

The Corporation complied with this directive in the 2016-17 fiscal year.

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

The consolidated financial statements were approved and authorised to issue by the Board of Directors on June 28, 2018.

2. Basis of Presentation and Significant Accounting Policies

Statement of Compliance

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

Functional and Presentation Currency

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

Basis of Preparation

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

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

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

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

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

The significant accounting policies are set out below.

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

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

Interests in Joint Operations

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

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

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

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

Accounting for the Thousand Islands International Bridge

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

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

Government Funding

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

Government funding is recognised as a receivable when the related expenditure is incurred. Government funding relating to decommissioning liability is recognised in the Consolidated Statement of Comprehensive Income in the year 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 years as the assets acquired using the government funding.

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

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

Revenue Recognition

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

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

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

Currency exchange revenues are from the currency exchange facility operated at the Point Edward crossing (until its closure on February 28, 2018 – note 11) and are recognised at the time each transaction is completed. Payments received in U.S. dollars are translated into Canadian dollars at daily exchange rates. Cash accounts at the currency exchange are translated at the yearend exchange rate and the adjustment relating to this translation is also included in the currency exchange revenue.

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

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

Functional presentation of expenses

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

- Maintenance: expenses related to the maintenance, upkeep, and repair of the Corporation's assets;
- Operations: expenses related to the collection of toll revenue, security, and traffic management;
- Thousand Islands International Bridge: represents the Corporation's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands (see note 4);
- Currency exchange: expenses pertaining to the operation of the currency exchange facility operated at the Point Edward crossing. These expenses are recorded up to the closure of the currency exchange which took place on February 28, 2018;
- CBSA & CFIA operations: The Corporation is required to provide facilities and certain maintenance of these facilities at some of its crossings to the CBSA and the CFIA, for which there is no related revenue; and,
- Administration: the expenses related to the management and oversight of the operations of the Corporation.

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

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

Foreign Currencies

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

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

Cash and Cash Equivalents

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

Property and Equipment, Investment Properties and Intangible Assets

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

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

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

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

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

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

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

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

Leases

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

Impairment

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

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

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

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

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

Contingencies and Provisions

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

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

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

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

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

Employee Benefits

Retirement and Other Post-Employment Benefits

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

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

The Corporation's remaining employees participate in a defined contribution private pension plan and the cost of this plan is shared equally by the employees and the Corporation, allowing for additional voluntary contributions by employees. Payments to the defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

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

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

The Corporation also provides 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 year 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 year of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the year to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

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

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

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

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

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

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

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

Current service cost, interest cost and past service costs are presented in expense as per the function to which it relates. Actuarial gains and losses are recognised in full in the year 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.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
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2. 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 years 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
Holdbacks	Other liabilities	Amortised cost
Loans payable	Other liabilities	Amortised cost
Bonds payable	Other liabilities	Amortised cost

(ii) Effective Interest Method

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

(iii) Financial Assets

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

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

Loans and Receivables

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

Held-to-Maturity Investments

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

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

Available-for-Sale Financial Assets

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

Impairment of Financial Assets

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

For financial assets, objective evidence of impairment could include:

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

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

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

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

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

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

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

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

Derecognition of Financial Assets

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

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

(iv) Other Financial Liabilities

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

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

3. Restatement of prior years

In the course of preparing the March 31, 2018 annual consolidated financial statements adjustments were identified relating to the prior year. This included the classification of certain land, buildings, and property improvements to be adjusted between property and equipment and investment properties; the calculation of depreciation of certain property and equipment; the presentation of revenues and expenses; and the classification of property and equipment between buildings, roads and bridges, vehicles and equipment, and property improvements.

The following changes to the Consolidated Statement of Financial Position as at April 1, 2016 and March 31, 2017 were required:

	March 31, 2017			**April 1, 2016**		
	As restated	Adjustment	As previously reported	**As restated**	Adjustment	As previously reported
	$	$	$	**$**	$	$
Property and equipment	**363,703**	(1,049)	364,752	**319,874**	(858)	320,732
Investment properties	**20,523**	905	19,618	**20,739**	948	19,791
Total non-current assets	**391,307**	(144)	391,451	**345,718**	90	345,628
Total assets	**434,188**	(144)	434,332	**388,836**	90	388,746
Deferred capital funding	**80,754**	(507)	81,261	**30,628**		30,628
Total non-current liabilities	**165,515**	(507)	166,022	**121,598**	-	121,598
Retained earnings	**238,098**	363	237,735	**238,813**	90	238,723
Total equity	**238,065**	363	237,702	**238,893**	90	238,803
Total equity and liabilities	**434,188**	(144)	434,332	**388,836**	90	388,746

Property and equipment of $2,202 has been reclassified to investment properties, as at March 31, 2017 ($2,245 as at April 1, 2016), and investment properties of $1,297 has been reclassified to property and equipment, as at March 31, 2017 ($1,297 – as at April 1, 2016). Property and equipment increased by $85 as a replacement of one toll booth was expensed in 2017 rather than capitalised to property and equipment. The depreciation of property and equipment has been adjusted by $319 as at March 31, 2017 ($90 - as at April 1, 2016). Consequently, since certain property and equipment are funded by government, deferred capital funding was adjusted by $507 for amortisation as at March 31, 2017 ($ nil – as at April 1, 2016).

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
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3. Restatement of prior years (continued)

The following changes to the Consolidated Statement of Comprehensive Income for the year ended March 31, 2017 were required:

	March 31, 2017		
	As restated	Adjustment	As previously reported
	$	$	$
Leases and permits	**4,370**	204	4,166
Other	**360**	90	270
Total revenue	**43,905**	294	43,611
Operations	**7,824**	140	7,684
Thousand Islands International Bridge expenses	**6,530**	(414)	6,944
Maintenance	**14,811**	(85)	14,896
Canada Border Security Agency & Canadian Food Inspection Agency operations	**5,344**	851	4,493
Administration	**7,641**	36	7,605
Total expenses	**42,820**	528	42,292
Operating income before government funding	**1,085**	(234)	1,319
Amortisation of deferred capital funding	**1,120**	507	613
Total government funding	**3,642**	507	3,135
Net (loss) income	**(387)**	273	(660)
Total comprehensive (loss) income for the year	**(828)**	273	(1,101)

As described above, depreciation has been adjusted by $319 as at March 31, 2017 ($90 for depreciation of as at April 1, 2016). Consequently, since certain property and equipment are funded by government, the amortisation of deferred capital funding has been adjusted by $507 as at March 31, 2017. Maintenance expense was decreased by $85 as the replacement of one toll booth was capitalised.

Additionally, there are reclassified details within the Consolidated Statement of Comprehensive Income. Thousand Islands International Bridge expenses decreased by $414, which was moved to Canada Border Security Agency & Canadian Food Inspection Agency operations expenses as presentation of depreciation was adjusted. Certain revenues and expenses, which were previously netted, have been grossed up ($204 increase to leases and permits revenue and operations expense, and $90 increase to other revenue and administration expense).

The following changes to the Consolidated Statement of Changes in Equity for the year ended March 31, 2017 were required:

	March 31, 2017 (Retained earnings)			March 31, 2017 (Total)		
	As restated	Adjustment	As previously reported	**As restated**	Adjustment	As previously reported
	$	$	$	**$**	$	$
Balance as at April 1, 2016	**238,813**	90	238,723	**238,893**	90	238,803
Net (loss) income	**(387)**	273	(660)	**(387)**	273	(660)
Total comprehsive income (loss)	**(715)**	273	(988)	**(828)**	273	(1,101)
Balance at March 31, 2017	**238,098**	363	237,735	**238,065**	363	237,702

As mentioned under the Consolidated Statement of Comprehensive income, changes were made to depreciation of $319, to maintenance expense of $85, and to amortisation of deferred capital funding of $507. These items impacted the net (loss) income and total other comprehensive income (loss) for the year ending March 31, 2017.

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3. Restatement of prior years (continued)

The following changes to the Consolidated Statement of Cash Flows for the year ended March 31, 2017 were required:

	March 31, 2017		
	As restated	Adjustment	As previously reported
	$	$	$
Net (loss) income	**(387)**	273	(660)
Amortisation of deferred capital funding	**(1,120)**	(507)	(613)
Depreciation of property and equipment	**13,833**	276	13,557
Depreciation of investment properties	**669**	43	626
Total adjustment for:	**12,880**	85	12,795
Net cash generated by operating activities	**12,376**	85	12,291
Payments for property and equipment	**(53,744)**	(85)	(53,659)
Net cash (used) by investing activities	**(8,867)**	(85)	(8,782)

The adjustments of $276 in depreciation of capital assets, $85 to maintenance expense, $507 in amortisation of deferred capital funding, and a reclassification of $43 from depreciation of property and equipment have impacted the cash flow.

The changes listed above have impacted the disclosures in notes 10, 11, 18, 21, and 23.

Note 10: Property and equipment impacts

In addition, to the adjustments listed above, there was a reclassification within note 10, which did not have an impact on the financial statements themselves:

- As at April 1, 2016, the cost of buildings was decreased by $2,064 (the accumulated depreciation decreased by $53) in which $1,977 was transferred to the cost of bridges and roads (the accumulated depreciation increased by $52), $71 was transferred to the cost of vehicles and equipment (the accumulated depreciation increased by $1), and $16 to the cost of property improvements (the accumulated depreciation increased by $nil). For the year ended March 31, 2017 depreciation for buildings decreased by $80, and depreciation for bridges and roads, vehicles and equipment, and property improvements increased by $77, $2, and $1 respectively.

The following is the cumulative impact on note 10:

- Land: April 1, 2016 cost balance has increased by $322 to $14,448 (previously stated - $14,126).
- Bridges and Roads: April 1, 2016 cost balance has increased by $1,977 to $237,396 (previously stated - $235,419) and accumulated depreciation balance has increased by $52 to $54,803 (previously stated - $54,751). In addition, depreciation for the year ended March 31, 2017 increased by $77 to $7,534 (previously stated - $7,457).
- Vehicles and equipment: April 1, 2016 cost balance has increased by $71 to $21,089 (previously stated - $21,018) and accumulated depreciation balance has increased by $1 to $10,429 (previously stated - $10,428). In addition, depreciation for the year ended March 31, 2017 increased by $2 to $1,680 (previously $1,678).
- Buildings: April 1, 2016 cost balance has decreased by $3,715 to $ 84,706 (previously stated $88,421) and accumulated depreciation balance has decreased by $528 to $19,658 (previously stated - $ 20,186). In addition, depreciation for the year ended March 31, 2017 increased by $197 to $3,938 (previously stated - $3,741) and transfers for the year ended March 31, 2017 increased by $693 to $18,959 (previously stated - $18,266).
- Property improvements: April 1, 2016 cost balance has decreased by $62 to $20,297 (previously stated - $20,359) and accumulated depreciation balance has decreased by $74 to $13,465 (previously stated - $13,539). There was no impact to the depreciation for the year ended March 31, 2017.

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3. Restatement of prior years (continued)

- Projects in progress: Additions for the year ended March 31, 2017 increased by $85 to $56,730 (previously stated - $56,645) and transfers for the year ended March 31, 2017 increased by $693 to $32,047 (previously stated - $ 31,354).

Note 11: Investment properties impacts

The cost as at April 1, 2016 has increased by $1,406 to $25,223 (previously stated - $23,817) and accumulated depreciation as at April 1, 2016 has increased by $458 to $4,484 (previously stated - $4,026). Depreciation for the year ended March 31, 2017 has increased by $43 to $669 (previously stated - $626). As a consequence of assets now being moved to investment properties, the fair value of investments has increased by $2,862 to $24,575 (previously stated - $21,713).

As a result of showing certain revenues on the gross basis, total rental income and contingent rent have increased by $204 to $4,197 and $2,849, respectively (previously stated - $3,993 and $2,645, respectively).

Note 18: Deferred capital funding

Amortisation of deferred capital funding for the year ended March 31, 2017 has been adjusted by $507 to $1,120 (previously stated - $613).

Note 21: Expenses by nature

Depreciation of property and equipment has increased by $276 to $13,833 (previously stated - $13,557), goods and services increased by $136 to $4,099 (previously stated - $ 3,963), repairs and maintenance increased by $73 to $2,754 (previously stated - $2,681), depreciation of investment properties has increased by $43 to $669 (previously stated $626). This results in total expenses being increased by $528 to $42,820 (previously stated - $42,292).

Note 23: Facility rentals

As a result of showing certain revenues on the gross basis, contingent rent has increased by $204 to $2,849 (previously stated - $2,645).

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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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.

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

Property and Equipment, Investment Properties and Intangible Assets

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

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

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 years.

Employee Benefit Plans

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

Leases

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

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Notes to the Consolidated Financial Statements
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4. Key Sources of Estimation Uncertainty and Critical Judgments (continued)

Joint Arrangements

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

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

Thousand Islands International Bridge

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

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

Contingencies and Provisions

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

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

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

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

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

5. Future Changes in Accounting Policies

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

IFRS 9, Financial Instruments

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

IFRS 15, Revenue from Contracts with Customers

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

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5. Future Changes in Accounting Policies (continued)

IFRS 16, Leases

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

IAS 40, Investment Property

IAS 40, Investment Property has been revised to incorporate amendments to clarify that an entity transfers property to, or from, investment property when, and only when, there is evidence that a change in use of the property has occurred and the entity must have taken observable actions to support such a change – management's intentions alone do not provide evidence of a change in use. The effective date for this amendment is for periods beginning on or after January 1, 2018.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

This new Interpretation provides guidance on how to determine the "date of the transaction" for purposes of identifying the exchange rate to use in transactions within the scope of IAS 21, The Effects of Changes in Foreign Exchange Rates, involving the payment or receipt of consideration in advance. The interpretation is effective for annual periods beginning on or after January 1, 2018.

6. Joint Operations

The Corporation has entered into a joint operation with SLSDC for operation of toll bridges across the St. Lawrence River between Cornwall, Ontario, Canada and Rooseveltown, New York, U.S. through a wholly-owned subsidiary of the Corporation, SIBC. Although the Corporation owns 100% of the shares of SIBC there is a governing agreement that grants the Board of Directors of SIBC with the full power to manage the affairs of SIBC. Since the Corporation and SLSDC each appoint 50% of the Directors, the Corporation concluded it has joint control of SIBC with SLSDC. Although the joint arrangement is structured as a separate vehicle, the Corporation considered the purpose and design of the arrangement and concluded that each of the parties have rights to the assets and obligations for the liabilities of the joint arrangement and SIBC has been classified as a joint operation. The consolidated financial statements of the Corporation include its share of the assets, liabilities, revenues and expenses of SIBC. The Corporation's share of SIBC's cash and cash equivalents is adjusted to account for the difference in the equity distribution between the Corporation and the U.S partner, SLSDC, in the amount of $2,988 (2017 - $3,073). The amounts owed to the U.S. partner of SIBC bear interest at a rate which varies between 1.14 % and 1.20% (2017 – 1.10% and 1.36%) and is payable on demand.

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

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7. Cash and cash equivalents

As at March 31	2018	2017
	$	$
Cash	4,736	5,051
Cash equivalents	288	3,680
Total cash and cash equivalents	**5,024**	8,731

8. Investments

As at March 31	2018	2017
	$	$
Held-to-maturity investments carried at amortised cost		
Deposit certificates	16,051	20,894
Total held-to-maturity investments	16,051	20,894
Available for sale investments carried at fair value		
Government of Canada bonds	1,938	1,436
Provincial bonds	6,233	2,848
Corporate bonds	7,194	2,427
Total available for sale investments	15,365	6,711
Total investments	**31,416**	27,605
Less: Current portion	25,816	20,805
Non-current portion	5,600	6,800

The average term to maturity for the Corporation's deposit certificates is 467 days (2017 – 476 days), and earns interest at an average annual rate of 1.55% (2017 – 1.52%). The average term to maturity for the Corporation's bonds is 5.97 years (2017 – 10.7 years), and they earn an average effective interest rate of 2.44% (2017 – 3.88%).

9. Trade and Other Receivables

As at March 31	2018	2017
	$	$
Federal departments and agencies	1,737	11,906
Trade receivables	994	790
Total trade and other receivables	2,731	12,696

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10. Property and Equipment

Cost	Land	Bridges and roads	Vehicles and equipment	Buildings	Property Improvements	Projects in progress	Total
	$	$	$	$		$	$
(Restated - note 3)							
Balance, April 1, 2016	14,448	237,396	21,089	84,706	20,297	40,293	418,229
Additions	52	364	393	575	69	56,730	58,183
Disposals	-	(17,687)	(119)	(1,909)	-	-	(19,715)
Transfers	-	8,544	2,762	18,959	2,096	(32,047)	314
Balance, March 31, 2017	14,500	228,617	24,125	102,331	22,462	64,976	457,011
Additions	-	33	115	-	242	30,982	31,372
Disposals	-	(123)	(108)	(4,820)	-	(203)	(5,254)
Transfers	148	32,275	5,964	47,079	4,714	(90,595)	(415)
Balance, March 31, 2018	**14,648**	**260,802**	**30,096**	**144,590**	**27,418**	**5,160**	**482,714**

Accumulated depreciation	Land	Bridges and Roads	Vehicles and Equipment	Buildings	Property Improvements	Projects in Progress	Total
	$	$	$	$		$	$
(Restated - note 3)							
Balance, April 1, 2016	-	54,803	10,429	19,658	13,465	-	98,355
Elimination on disposal of assets	-	(17,687)	(119)	(1,841)	-	-	(19,647)
Transfers	-	-	-	767	-	-	767
Depreciation	-	7,534	1,680	3,938	681	-	13,833
Balance, March 31, 2017	-	44,650	11,990	22,522	14,146	-	93,308
Eliminated on disposal of assets	-	(123)	(108)	(4,790)	-	-	(5,021)
Transfers	-	16	(65)	(240)	17	-	(272)
Depreciation	-	8,212	1,723	4,393	825	-	15,153
Balance, March 31, 2018	**-**	**52,755**	**13,540**	**21,885**	**14,988**	**-**	**103,168**
Net book value, March 31, 2018	**14,648**	**208,047**	**16,556**	**122,705**	**12,430**	**5,160**	**379,546**
Net book value, March 31, 2017	14,500	183,967	12,135	79,809	8,316	64,976	363,703

THE FEDERAL BRIDGE CORPORATION LIMITED
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11. Investment Properties

	Investment Properties
	$
Cost	
(Restated - note 3)	
Balance, April 1, 2016	25,223
Additions	—
Transfers	(314)
Balance, March 31, 2017	24,909
Additions	168
Disposals	(116)
Transfers	405
Balance, March 31, 2018	**25,366**
Accumulated depreciation	
(Restated - note 3)	
Balance, April 1, 2016	4,484
Depreciation expense	669
Transfers	(767)
Balance, March 31, 2017	4,386
Transfers	271
Disposals	(116)
Depreciation expense	742
Balance, March 31, 2018	**5,283**
Net book value, March 31, 2018	**20,083**
Net book value, March 31, 2017	20,523

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

Rental income for the year ended March 31, 2018 amounts to $4,422 (2017 restated (note 3) – $4,197) included within 'leases and permits'. Contingent rent of $2,910 (2017 restated (note 3) - $2,849) is included in rental income. No investment properties were vacant at March 31, 2018.

During the year, there was one transfer from property and equipment to investment properties:

i. $405 in cost and $271 in accumulated depreciation were transferred from property and equipment (buildings $358 in cost and $229 in accumulated depreciation, equipment $40 in cost and $35 in accumulated depreciation, and property improvement $7 in cost and $7 in accumulated depreciation) to investments properties. As part of the Corporation's strategic review of business operations, the operations at its Currency Exchange in Point Edward ceased on February 18, 2018. Subsequently the building has been repurposed and is now leased to an independent third party.

Fair value of the investment properties have been determined based on a valuation performed by an independent valuator who is a current member of the Appraisal Institute of Canada with the exception of the fair value of land. The fair value, excluding the current year transfers and the reclassification from property and equipment to investment properties as at April 1, 2016 (as indicated in note 3), is $21,480 (2017 restated (note 3) - $21,503) and was determined as at March 31, 2017, and extrapolated to March 31, 2018, using the Consumer Price Index and has been adjusted for obsolescence. The fair value of the current year transfers and the reclassification as at April 1, 2016 (as indicated in note 3) from property and equipment is $3,530 (2017 – $3,072). This includes the valuation of two buildings performed as at March 31, 2018 and the valuation of one parcel of land, which has been extrapolated using the Municipal Property Assessment Corporation's increase since the time of purchase. The total fair value of investment properties is $25,010 (2017 restated (note 3) - $24,575). The fair value of the properties have not been determined on transactions observable in the market because of the nature of the properties and the lack of comparable data. The fair value was determined by estimating the replacement cost of the building while deducting the obsolescence and considering inputs such as the type of building, age, condition and region that the building is in as well as the mechanical systems attached.

THE FEDERAL BRIDGE CORPORATION LIMITED
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12. Intangible Assets

	Intangible Assets
	$
Cost	
Balance, April 1, 2016	1,028
Additions	—
Balance, March 31, 2017	1,028
Additions	3
Disposals	(712)
Transfers	10
Balance, March 31, 2018	**329**
Accumulated depreciation	
Balance, April 1, 2016	1,003
Depreciation expense	9
Balance, March 31, 2017	1,012
Depreciation expense	11
Disposal	(712)
Balance, March 31, 2018	**311**
Net book value, March 31, 2018	**18**
Net book value, March 31, 2017	16

The Corporation does not hold any internally generated intangible assets.

13. Provisions

	Cornwall[i]	Sault Ste. Marie[ii]	Lansdowne [iii]	Total
	$	$	$	$
Balance, April 1, 2016	1,365	675	1,948	3,988
Interest accretion	-	19	16	35
Additional provisions recognised	3,531	128	462	4,121
Reductions arising from payments	(702)	(661)	(1,215)	(2,578)
Balance, March 31, 2017	4,194	161	1,211	5,566
Interest accretion	96	-	14	110
Additional (reduced) provisions recognised	2,002	(20)	(705)	1,277
Reductions arising from payments	-	(141)	(520)	(661)
Balance, March 31, 2018	**6,292**	**-**	**-**	**6,292**
Less: Current portion	-	-	-	-
Non-current portion	6,292	-	-	6,292

THE FEDERAL BRIDGE CORPORATION LIMITED
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13. Provisions (continued)

i. The Corporation has completed the demolition in fiscal 2017 of the existing high-level bridge in Cornwall with the exception of the in-water piers. In fiscal 2017, the Corporation determined that it is more likely than not that the in-water piers would be demolished and consequently recognised a provision for the decommissioning of the in-water piers. The estimates related to this decommissioning liability depend on engineering variables such as timing, inflation, site conditions, and whether the project is conducted internally or whether a contractor is hired. During this year, management has determined that the project would be conducted externally at an estimated undiscounted cash flow of $6,448 (2017 - the estimated undiscounted cash flow ranges between $3,500 and $6,000 depending if the works are performed internally or contracted externally). These cash flows 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 2.65 % (2017 - 2.23% to 2.59%).

ii. The Corporation has substantially completed the construction of a new Canadian Plaza in Sault Ste. Marie and has consequently completed the demolition of the existing assets in the current year.

iii. The Corporation has completed the construction of a new Customs Plaza in Lansdowne, at the Thousand Islands International Bridge and has consequently completed the demolition of the existing assets in the current year.

Additionally, at the Lansdowne location, a provision for contaminated land was recorded based on management's best estimate of the probable cash outflows related to the remediation of the site which were under redevelopment until this current fiscal year. The remediation of the contamination has been completed in the current fiscal year. The March 31, 2017 total provision for Lansdowne of $1,211 is made of up decommissioning liability of $438 and contaminated land liability of $773. Actual clean-up of contaminated land costs were $737 below the estimation at March 31, 2017, as the contamination was not as severe as originally expected.

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. The significant holdbacks relate to the Point Edward Automated Toll Program Installation and the construction works at the Sault Ste. Marie and Lansdowne Customs Plazas.

15. Deferred Revenue

As at March 31	**2018**	2017
	$	$
Debit cards	**67**	67
Passenger vehicles tokens/tickets	**522**	685
Prepaid commercial/commuter vehicles	**1,785**	1,760
Current prepaid facility rentals	**187**	186
Non-current prepaid facility rentals	**1,668**	1,820
Total deferred revenue	**4,229**	4,518
Less: Current portion	**2,561**	2,698
Non-current portion	**1,668**	1,820

THE FEDERAL BRIDGE CORPORATION LIMITED
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16. Loans Payable

As at March 31	2018	2017
	Carrying cost	Carrying cost
	$	$
(a) $15,000 term facility		
$4,000 @ 3.81% locked until July 27, 2018	**3,273**	3,394
$3,000 @ 2.85% locked until July 27, 2019	**2,395**	2,493
$4,000 @ 4.42% locked until July 27, 2021 payable monthly	**3,320**	3,436
(b) Credit facility		
$5,000 @ 3.28% locked until March 15, 2018	**-**	4,243
Total loans payable	**8,988**	13,566
Less: Current portion	**3,494**	4,578
Non-current portion	**5,494**	8,988

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

As at March 31			2018
	Principal	**Interest**	**Total**
	$	**$**	**$**
2019	3,494	253	3,747
2020	2,419	161	2,580
2021	134	133	267
2022	2,941	43	2,984
	8,988	**590**	**9,578**

The Corporation maintains one (2017 – two) credit facility with a Canadian chartered bank in the total amount of $15,000 (2017 - $20,000) as the second facility was closed in March 2018. These facilities have been approved by the Minister of Finance as part of the Corporation's borrowing plan.

1. The first credit facility is a reducing term facility, which originally was drawn for $15,000 on a fixed rate, non-current basis with periodic payments of interest and principal not to exceed a maturity of 25 years. This facility carries the same security as the full bond issuance (note 17). At March 31, 2018, $8,988 remained drawn on this facility in three tranches (2017 - $ 9,323). In January 2016, the Corporation has put in place a debt repayment plan that specifies its intent to pay down these tranches as they come due. These repayments have been identified as principal payments in the table above.

2. The second facility was 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 included monthly payments of $28 over a twenty-year period, at an interest rate of 3.28% with a five year term. In January 2016, the Corporation put in place a debt repayment plan that specified its intent to fully pay this loan at renewal. At March 31, 2018, the entire loan has been repaid (2017 - $4,243 in principal payments remained outstanding).

THE FEDERAL BRIDGE CORPORATION LIMITED
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17. Bonds Payable

As at March 31	2018 Carrying cost	2017 Carrying cost
	$	$
Series 2002-1 bonds maturing July 9, 2027 payable semi-annually on January 9 and July 9	**61,915**	66,471
Total bonds payable	**61,915**	66,471
Less: current portion	**4,863**	4,556
Non-current portion	**57,052**	61,915

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

As at March 31	Principal	Interest	2018 Total
	$	$	$
2019	4,863	4,023	8,886
2020	5,191	3,695	8,886
2021	5,539	3,347	8,886
2022	5,914	2,972	8,886
2023	6,312	2,574	8,886
Thereafter	34,096	5,893	39,989
	61,915	**22,504**	**84,419**

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

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

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

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

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

iii) Except for borrowings arising as a result of movements in the termination values of swap agreements and any purchase money obligations not exceeding $2,000 in the aggregate at any time and the Corporation shall not create, incur, assume or otherwise become liable for any additional indebtedness unless it is pursuant to a supplemental Indenture. As at March 31, 2018 the Corporation has no active swap agreement (2017-nil).

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

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

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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 year to the same rates of depreciation as disclosed in note 2.

As at March 31	2018	2017 (Restated*)
	$	$
Balance, start of year	**82,649**	30,900
Government funding for capital expenditures received	**27,043**	52,869
Amortisation of deferred capital funding	**(2,657)**	(1,120)
Balance, end of year	**107,035**	82,649
Less: Current portion	**3,400**	1,895
Non-current portion	**103,635**	80,754

*note 3

19. Employee Benefits

Pension Benefits

The Corporation has contracted an outside firm to operate and administer an employee pension plan. Employees of the Corporation must join the pension plan, subject to eligibility requirements. The pension plan, which is a defined-contribution pension plan, is funded on a money-purchase basis with members contributing up to 11.5% of their annual earnings. In accordance with the plan, the Corporation is required to fund matching contributions (2018 - up to 9.0%, 2017 – up to 6.5%), with some eligible employees receiving double matching contributions, up to 12%, up to December 31, 2017. During the year, the Corporation's pension contributions amounted to $403 (2017 – $386).

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 1.00 for all employees (2017 - 1.01 for employees hired before January 1, 2013 and 1.00 for employees hired after December 31, 2012). 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 $50 (2017 – $52) during the year.

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 $321 (2017 – $317).

Contributions, for the fiscal year ending March 31, 2019, to the Public Service Pension Plan and the State of Michigan's defined benefit and defined contribution plans are anticipated to be consistent with the contributions made during the year.

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19. Employee Benefits (continued)

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, 2018. During the current fiscal year, the Corporation revised the eligibility criteria which resulted in an increase in the number of eligible employees.

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

Defined benefit obligation	Post-employment $	Other long-term $
Balance, April 1, 2016	7,357	78
Current service cost	255	5
Past service credit	(640)	-
Interest cost	302	3
Actuarial gain - other	5	(1)
Actuarial gain - financial assumptions	323	1
Benefits paid	(112)	(3)
Balance, March 31, 2017	7,490	83
Current service cost	371	5
Past service cost	868	8
Interest cost	297	3
Actuarial gain - other	(957)	(16)
Actuarial gain - demographic assumptions	456	(5)
Actuarial gain - financial assumptions	(2,022)	-
Benefits paid	(128)	(3)
Balance, March 31, 2018	**6,375**	**75**

Total post-employment non-pension related benefit plan is $6,450 (2017 - $7,573).

Changes in other comprehensive income during the year:

As at March 31	2018	2017
	$	$
Actuarial gains (losses) arising during the year	**2,523**	(328)

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19. Employee Benefits (continued)

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

As at March 31		2018
	Post-employment	Other long-term
	$	$
Current service costs	371	5
Past service costs	868	8
Interest cost	297	3
actuarial gain	-	(21)
Net post-employment expense recognised in year	1,536	(5)

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

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

As at March 31	2018	2017
Weighted average assumptions as at:		
Discount Rate, accrued benefit obligation	**3.60%**	3.80%
Discount Rate, benefit cost	**3.80%**	4.00%
Estimated per capita claims costs escalation rates:		
General inflation	**2.50%**	2.50%
Dental and vision care	**4.50%**	4.50%
Employee assistance program	**2.50%**	2.50%
Mortality rates	**Mortality Improvement 2017 scale MI-2017 (2017- CPM Scale B)**	

The assumed health care inflation rate as of March 31, 2018 is 6.8% (2017 – 6.6%) per annum decreasing linearly to 4.5% (2017 – 4.5%) per annum in the 2027-2028 (2017 - 2022-23) fiscal year.

The average expected maturity of the plan obligation is 19 years (2017 – 22 years).

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19. Employee Benefits (continued)

Sensitivity Analysis

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

As at March 31	2018	2017
	$	$
Discount rate - increase of 1 %	**(1,111)**	(1,331)
Discount rate - decrease of 1 %	**1,476**	1,758
Future mortality - increase of 1 year age	**(260)**	(347)
Future mortality - decrease of 1 year age	**265**	357
Trend rates - increase of 1 %	**1,276**	1,785
Trend rates - decrease of 1 %	**(993)**	(1,342)

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

20. Issued Capital

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

21. Supplementary Expense Information

The following table shows the breakdown of expenses by nature for each function on the Consolidated Statement of Comprehensive Income.

Year ended March 31	2018	2017 (Restated*)
	$	$
Salaries and employee benefits	**17,097**	14,767
Depreciation of property and equipment	**15,153**	13,833
Goods and services	**4,360**	4,099
Decommissioning	**2,001**	3,659
Repairs and maintenance	**2,842**	2,754
Professional services	**1,658**	1,883
Foreign currency translation	**360**	1,079
Depreciation of investment property	**742**	669
Loss on disposal of assets	**203**	68
Depreciation of intangible assets	**11**	9
Total Expenses	**44,427**	42,820

*note 3

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22. Related Party Transactions

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

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

Transactions with Government Related Entities

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

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

During the year, the parent Corporation recorded government funding of $27,745 (2017 – $55,391). At March 31, 2018, the parent Corporation recorded $1,737 (2017 – $11,906) in accounts receivable with related parties.

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

Compensation of Key Management Personnel

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

Compensation of key management personnel was as follows:

Year ended March 31	**2018**	2017
	$	$
Short-term employee benefits	**1,093**	962
Retirement and other post-employment benefits	**78**	78
Total	**1,171**	1,040

23. Facility Rentals

The Corporation has entered into contracts with companies who rent space in its buildings at various crossings. Contingent rent, based on sales at the Duty Free Shops, are the largest components of the rent received by the Corporation from these lessees. One of these Duty Free stores has a fixed component of its rent. Contingent revenue recognised during the current year for these leases was $2,910 (2017 restated (note 3) – $2,849). The lessee of the Duty Free Shop at the Point Edward crossing has also paid for the expansion of the building. This payment was recorded as deferred revenue and is recognised as revenue on a straight-line basis, amortised over the non-cancellable lease term. On March 1, 2018, FBCL has entered into a five year lease agreement which contains a minimum annual lease amount as well as contingent rent.

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

As at March 31	**2018**	2017
	$	$
Within one year	**1,156**	932
After one year but not more than five	**3,344**	2,664
More than five years	**84**	556
Total	**4,584**	4,152

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

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, 2018, there were five claims made by current and former employees against the Corporation. It is the opinion of management that the settlement of such matters will not result in any material liabilities to the Corporation. The timing of cash outflows related to the claims is uncertain, as it often depends on the outcome of specific events including, but not limited to, the length of legal proceedings.

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

25. Commitments for Expenditure

a) The Corporation has commitments totaling $8,468 (2017 – $26,290) including:

i. Administrative contracts of $771 (2017 – nil) for internal audit, internet services and other contracts;

ii. capital project contracts of $3,378 (2017 – $21,951) for the purchase of property and equipment;

iii. maintenance contracts of $1,564 (2017 – $1,788) have been awarded; and

iv. rental agreement of $2,755 (2017 - $2,551) for the Ottawa office lease.

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 administrative, maintenance and capital projects contracts, in years, are as follows:

As at March 31	2018	2017
	$	$
Within one year	4,702	22,088
After one year but not more than five	1,011	1,651
More than five years	-	-
Total	5,713	23,739

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

As at March 31	2018	2017
	$	$
Within one year	303	280
After one year but not more than five	1,230	1,119
More than five years	1,222	1,152
Total	2,755	2,551

The office space lease does not contain a renewal option.

THE FEDERAL BRIDGE CORPORATION LIMITED
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, holdbacks, and the current portion of the loans payable and bonds payable approximate their carrying value due to the short-term nature of these instruments.

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

As at March 31			**2018**
	Value	**Cost**	Level
	$	**$**	
Financial instruments measured at fair value on a recurring basis			
Available-for-sale investments	**15,365**	**15,365**	Level 2
Financial instruments measured at amortised cost			
Held-to-maturity investments	**16,043**	**16,051**	Level 1
Loans payable	**8,994**	**8,988**	Level 2
Bonds payable	**72,203**	**61,915**	Level 2

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

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

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

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

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

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

26. Financial Instruments (continued)

Credit Risk

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

The Corporation manages this risk by dealing only with members of the Payments Canada or the Government of Canada and by closely monitoring the issuance and collection of credit to commercial clients. The carrying amount reported on the Corporation's Consolidated Statement of Financial Position for its financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk. At March 31, 2018 (2017 – nil) there were no provisions recorded. The credit risk is not significant for the Corporation.

The credit risk associated with cash, cash equivalents, and available-for-sale investments is reduced substantially by ensuring that cash surpluses are invested in highly liquid investments. The Corporation's policy is to invest cash surpluses in low-risk instruments at an investment grade “A” or equivalent. Management believes the risk of loss is not significant. The credit risk associated with accounts receivable is minimised since a large portion of the amount is owed from federal government departments generally within 90 days. As at March 31, 2018, accounts receivable from federal governmental departments comprised 64% of the total amount due (2017 – 94%).

Liquidity Risk

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

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

As at March 31				**2018**
	Carrying amount	**Less than 3 months**	**3 months to 1 year**	**Over 1 year**
	$	**$**	**$**	**$**
Trade and other payables	5,478	4,018	1,460	-
Holdbacks	601	68	533	-
Long-term debt payable	93,997	170	12,463	81,364
Total	**100,076**	**4,256**	**14,456**	**81,364**

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

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

26. Financial Instruments (continued)

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, 2018, 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 6.0 years (2017 – 10.7 years). The fair market value of these instruments is indirectly affected by fluctuations of the market interest rate. The impact of a hypothetical 1% variation in interest rates at March 31, 2018 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.

A variation in exchange rates during the year would significantly affect toll revenue income. The strengthening Canadian dollar over the duration of the 2018 fiscal year produced a decrease in toll revenue, which is recorded in Canadian dollars. A hypothetical 1% weakening of the Canadian dollar during the course of the fiscal year would have had a $125 (2017 - $132) increase in recorded toll revenue. FBCL's U.S. cash is held in different banks, due to FBCL's U.S. bridge operating partners utilising locally available banks. At March 31, 2018, the Corporation's U.S. dollar bank balance was $1,646 (2017 - $2,873). A hypothetical 1% variance in the exchange rate at March 31, 2018, would produce a $21 (2017 - $37) gain or loss for the Corporation. The Corporation manages this risk by periodically adjusting the US toll rates with the Canadian rate and vice versa and by converting a portion of U.S. bank account balances to Canadian dollars and vice versa where applicable.

Capital Management

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

As per legislative authorities, the maximum amount that the Corporation can borrow is $130,000 with Minister of Finance approval (2017 – $130,000).

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

8.0 DIRECTORS AND OFFICERS

THE FEDERAL BRIDGE CORPORATION LIMITED

BOARD OF DIRECTORS

(as of March 31, 2018)

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

COMMITTEES OF THE BOARD OF DIRECTORS

FINANCE AND AUDIT COMMITTEE

Deborah Tropea	Chair
Diana Dodge	Member
Rick Talvitie	Member

GOVERNANCE, POLICY AND HUMAN RESOURCES COMMITTEE

Gary Atkinson	Chair
Pascale Daigneault	Member
Diana Dodge	Member

OFFICERS AND SENIOR MANAGERS

Micheline Dubé, FCPA, FCMA	President and Chief Executive OfficerEO
Natalie Kinloch, CPA, CA	Chief Financial and Operating Officer
Jacques E. Pigeon Q.C.	Vice-President, Legal Affairs and Corporate Secretary
Thye Lee, MEng, PEng	Vice-President, Engineering and Construction
Anthony Pickett	Chief Corporate Services Officer

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

BOARD OF DIRECTORS

(as of March 31, 2018)

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

COMMITTEES OF THE BOARD OF DIRECTORS

MANAGEMENT COMMITTEE

Micheline Dubé	Chair
Carrie Mann-Lavigne	Member

AUDIT COMMITTEE

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

OFFICERS AND SENIOR MANAGERS

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

CORPORATE OFFICES

OTTAWA HEAD OFFICE

200-55 Metcalfe Street
Ottawa, Ontario K1P 6L5

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

www.federalbridge.ca / info@federalbridge.ca

BLUE WATER BRIDGE LOCATION

1555 Venetian Blvd,
Point Edward, Ontario N7T 0A9

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

Joe Dedecker, Bridge Director

SUBSIDIARY

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

200 Akwesasne International Road
Akwesasne, Ontario K6H 5R7

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

www.sibc.ca
Wade Dorland, Bridge Director

PARTNERS

SAULT STE. MARIE BRIDGE AUTHORITY

934 Bridge Plaza
Sault Ste. Marie, Michigan 49783

(705) 942-4345

www.saultbridge.com
Peter Pertäinen, Bridge Director

THE THOUSAND ISLANDS BRIDGE AUTHORITY

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

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

www.tibridge.com
Robert Horr, Executive Director