THE FEDERAL BRIDGE CORPORATION LIMITED

ANNUAL REPORT

Optimizing safety, security, sustainability and capacity of our bridge operations

2015-16

Canada

Toll collection in operation while the final phases of the North Channel Bridge demolition is underway at the Seaway International Bridge in Cornwall

CONTENTS

1. MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

I am extremely pleased to be releasing the 2015-16 Annual Report of The Federal Bridge Corporation Limited (FBCL). As President and CEO, I am proud of the progress that our employees have made in building a new FBCL legacy. The amalgamation posed significant challenges as employees struggled to deal with separate corporate cultures, multiple human resource policies, various IT systems and diverse operational practices and procedures. Yet, with all these challenges, it has been a remarkable year.

In 2015, the Corporation was amalgamated with two other federal Crown corporations who owned and/or operated international bridges, and emerged as a new corporate entity. While the FBCL brand was retained, its mandate has been transformed to include the ownership and operation of four international bridges. These bridges provide vital trade routes and links between Ontario, Michigan State and New York State, enabling the free movement of people and commodities which support the Canadian and the United States (U.S.) economies.

The 2015-16 fiscal year marked the first full year of this major renewal effort. The change in corporate status began with a goal to achieve full corporate integration and ended with an impressive list of achievements and a fresh strategic outlook.

While many aspects remain a work-in-progress, the enormity of this undertaking cannot be overstated. Nowhere is this more noticeable than in the diversity of the operations across our bridge portfolio. The Blue Water Bridge has the most volume, the Seaway International Bridge Crossing operated within a heavy construction environment and the demographics and traffic patterns at the Thousand Islands International Bridge and the Sault Ste. Marie International Bridge differ significantly.

These corporate changes will allow us, amongst other objectives, to:

I. implement consistent policies and industry best practices across the portfolio;

II. build on initiatives such as the modernization of border facilities; and,

III. expand our existing bridge partnership business model to ensure ongoing cross-border fluidity and safety.

We have embarked on the path to renew our asset management program. This program aims to develop an integrated, lifecycle approach to effective stewardship of infrastructure assets to maximize benefits, manage risk and provide satisfactory levels of service to the public in a sustainable and environmentally responsible manner. The development of this program is now well underway starting from inventory to condition assessment and cyclical maintenance for all types of assets.

In parallel, we are reviewing the use of technology to manage the preventative maintenance work process and establish a schedule that makes the best use of employee time and gains the maximum performance and value of the assets.

Our financial self–sufficiency efforts focus on fluctuating bridge traffic volumes while keeping track of the impact of currency variations on revenues, fair equity, affordability, financial management for future long-term capital needs and new or enhanced revenue sources.

As part of an internal services renewal, we have adopted many of the policies of the Government of Canada to contain cost. We are rationalizing “like services” such as financial services, including payroll, human resources and information technology. We are using information technology as an enabler to achieve economies of scale and to link our various bridge locations.

While bridges are our business, it is customer service that motivates us to do better. It begins with the implementation of cost effective toll collection, payment convenience and reduction of traffic back-ups and wait times associated with border crossings. We are constantly focusing on ways to improve customer and employee safety by monitoring traffic, load and speed of travel on the bridge, emergency response capabilities, employee safety awareness, toll plaza congestion and lane management as well as construction zone safety.

Finally, over the last few months, FBCL has completed the first phase of an intensive rebranding process which led to the selection by FBCL employees of a revised logo and corporate image to better reflect the new Corporation. FBCL seeks to enhance its brand as a steward of public funds, a trusted employer and a responsible bridge operator with a customer focus.

Micheline Dubé, President and CEO

Left: Main lobby of the FBCL head office in Ottawa
Right: Aerial view of the Blue Water Bridge linking Point Edward, Ontario, to Port Huron, Michigan.

To begin, I, as spokesperson for the Board of FBCL, wish to publicly thank all employees of the new amalgamated FBCL for their effort, talent, dedication and professionalism throughout this exciting...but challenging year. Their commitment to serving the Crown, and all Canadians, has been exemplary. The Board of Directors is proud to share, in this annual report, a summary of their work.

Amalgamation of operations at the Ottawa headquarters, and its subsidiary, in Cornwall, Ontario, with two operational bridge locations in Point Edward and Sault St. Marie, Ontario occurred just over a year ago, February 1, 2015.

Transformational governance work ensued, with the development of new corporate bylaws, board restructuring, policy alignment and innumerable other tasks to ensure the Board possessed the required capacity to move the new organization forward while providing best-in-class oversight to complex ongoing bridge operations and infrastructure construction projects.

Today, the role of the FBCL Board of Directors is to provide strategic direction, operational oversight, accountability and transparency. This will ensure the Corporation meets its dual obligations of serving the public interest while generating sufficient revenues to meet ongoing operational requirements independent of Parliamentary appropriations. The Board's newly-designed multiple-committee structure and implementation of best-practice governance methodologies ensure that the oversight of finance, risk, human resources, procurement and project management is thorough and transparent.

The primary elements of success in our post-amalgamation, portfolio-management "world" are rooted in the successful integration of our people, culture and processes in a consistent format across all FBCL owned and/or managed assets. Once operations are integrated and the portfolio approach is fully embedded, the Corporation will be able to achieve the operational efficiencies necessary to boost performance and customer service while properly managing our cost structure.

On a special note, the corporate culture alignment exercise that was undertaken in 2015, provided a unique opportunity for employees to help define a fresh identity for their organization. We are very proud of the teamwork and spirited cooperation exemplified by the new FBCL logo displayed throughout this document.

Personally, a huge thank you to my fellow Board Directors, who have contributed so much to the success of FBCL with their dedication, wisdom and passion for the Corporation and their role in it.

It was indeed, a very special year as we established the foundations of success for this new corporate entity. However, the legacy of FBCL, as expressed in valued relationships with our employees, host communities and United States bridge partners will continue to grow and develop far into a very promising future.

Connie Graham, Chairperson

3. CORPORATE PROFILE

3.1 MANDATE

FBCL's mandate, approved by the Minister of Transport and established within the executed Amalgamation Agreement of the legacy corporations, is to provide the highest level of stewardship so that the 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* (CBCA), and these articles, as amended from time to time, the capacities and powers of a natural person.

3.2 STRATEGIC DIRECTION

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

3.3 MISSION

FBCL is a Crown corporation that is responsible for overseeing the Canadian federal interests in four international bridge crossings, entrusted to us, between Canada and the United States.

3.4 VISION

We strive 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.

PILLARS

We will deliver the mission and vision through 5 key pillars:

- An organization operating with a portfolio management approach and a strong governance model;
- Stewardship of the bridge assets under our responsibility, focused on safety and security through a program of independent inspections, appropriate asset management programs and focused on providing 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 associated risk and cost;
- Sustainability of operations, maintenance and administration through a shared revenue approach, prioritized investment, toll optimization and cost containment; and,
- Sound governance of the corporation, through an optimized structure, the required capacity and skills, and strong relationships with stakeholders.

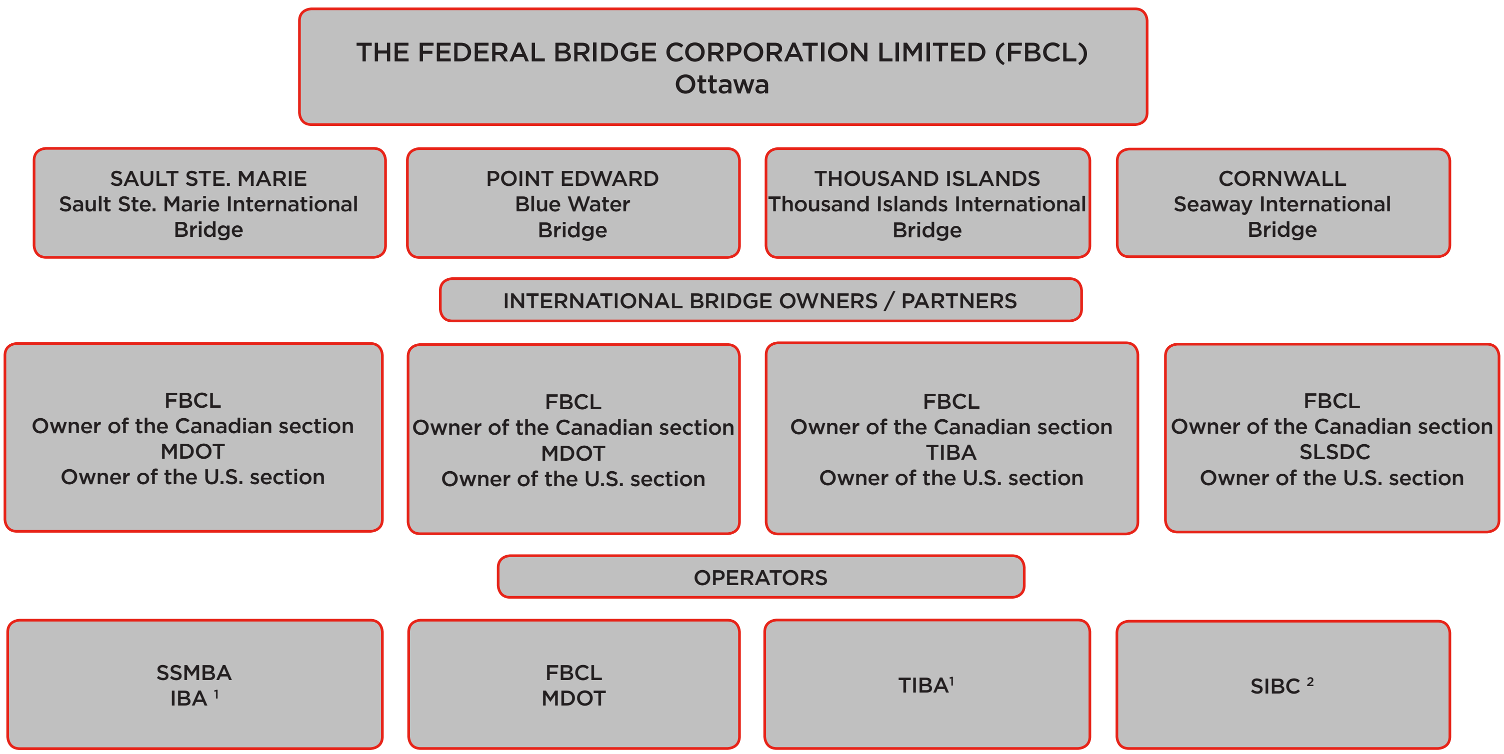
3.5 CORPORATE STRUCTURE

We are responsible for the Canadian federal interest at four of eleven international bridge locations in Ontario, as follows:

- Sault Ste. Marie: Ownership of the Canadian interest in the Sault Ste. Marie International Bridge. The bridge is managed by the International Bridge Administration (IBA), an entity of the State of Michigan, U.S., through an international agreement between the asset owners, FBCL and the Michigan Department of Transportation (MDOT). The bridge operations are overseen by a joint international Board of Directors, the Sault Ste. Marie Bridge Authority (SSMBA).
- Point Edward: Ownership, management and operation of the Canadian portion of the twinned Blue Water Bridge, linking Point Edward, Ontario to Port Huron, Michigan. FBCL works in close cooperation with MDOT, the owner, manager and operator of the U.S. portion of the bridge.
- Thousand Islands: Ownership of the Canadian interest in the Thousand Islands International Bridge. The bridge is managed by the Thousand Island Bridge Authority (TIBA), an entity of the State of New York, U.S., under a bi-national agreement between the asset owners, FBCL and TIBA.

- Cornwall: Ownership of the Canadian interest in the Seaway International Bridge Crossing. FBCL is responsible for management of the whole bridge crossing including the North Channel Bridge, an international roadway, and the South Channel Bridge. The operations are managed by international agreement as a joint venture by the SIBC on behalf of the asset owners, FBCL and the Saint Lawrence Seaway Development Corporation (SLSDC), a federal U.S. entity. Major Canadian capital projects are undertaken directly by FBCL.

FBCL AT A GLANCE



[1] Operates the bridge under an International Agreement

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

SUMMARY OF OPERATIONS

	FBCL				SIBC
OPERATIONS	**HEADQUARTERS**	**SAULT STE. MARIE INTERNATIONAL BRIDGE**	**BLUE WATER BRIDGE**	**THOUSAND ISLANDS INTERNATIONAL BRIDGE**	**SEAWAY INTERNATIONAL BRIDGE CROSSING**
LOCATION IN ONTARIO	**Ottawa**	**Sault Ste. Marie**	**Point Edward**	**Lansdowne**	**Cornwall**
CORPORATE STATUS	Incorporated in 2015 as CBCA corporation. 2015 amalgamation with SMRBC and BWBA.				Subsidiary Incorporated in 1962, continued in 1979 as a CBCA corporation.
BOARD OF DIRECTORS	Seven Directors (includes the Chairperson and the President and CEO) appointed by Governor in Council.				Eight Directors, four Canadians; four U.S., appointed by FBCL. SLSDC recommends U.S. Directors for appointment.
INTERNATIONAL AGREEMENT AND OVERSIGHT		FBCL/MDOT MDOT-International Bridge Administration (IBA) operates. Eight Directors appointed equally by each owner to the Sault Ste. Marie Bridge Authority (SSMBA).		FBCL/TIBA TIBA operates. U.S. Chair and six Directors, three U.S; three Canadian, appointed by Jefferson County. FBCL recommends Canadian Directors for appointment.	FBCL/SLSDC SIBC operates.
BRIDGE OWNERSHIP		• 50% of international bridge	• 50% of twin bridges (Canadian portion only)	• 100% Canadian Bridge • 50% rift bridge	• 100% North Channel Bridge • 32% South Channel Bridge
			ACTIVITIES		
	Portfolio management of four bridges and oversight of: • Operations; • International agreements; • Engineering, inspections; and, • Capital projects.	Bridge operations, security and maintenance.			
		Leases and licenses including Duty Free.			
			Currency exchange.		Right of free passage to the Aboriginal community.
		CBSA and CFIA facilities operations			
			CORPORATE SERVICES		
Communications, finance, human resources, information technology and management, internal audit, legal affairs, strategic planning					

Photos:

(Top) Lowering the main arch was a high point of the North Channel Bridge Replacement Project last September in Cornwall

(Bottom) U.S. and Canadian spans of the Sault Ste. Marie international Bridge with recently installed LED lighting

4.1 LEGISLATIVE AUTHORITY

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

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

4.2 PUBLIC ACCOUNTABILITY

As a parent Crown corporation, FBCL is accountable to Parliament through the Minister of Transport. It is governed by a Board of Directors which is accountable for the oversight and strategic direction. The President and CEO is also a member of the Board and is accountable for the day-to-day management and performance of the corporation in addition to supporting the Board in its oversight role.

4.3 FBCL BOARD

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

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

4.4 BOARD COMMITTEES

The Board is currently supported in its role and responsibilities by a Finance and Audit Committee which is legally required and a Governance, Policy and Human Resources Committee. The functions of these committees are not to approve but make recommendations for approval by the Board.

4.4.1 FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee (FAC) assists the Board in overseeing the Corporation's financial reporting and controls. The Committee also assists the Board in monitoring whether the Corporation complies with financial covenants and legal, contractual and regulatory requirements governing financial disclosure matters and financial risk management.

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.

The Committee is composed of three regular members who are directors of the Corporation, none of whom may be officers or employees of the Corporation or any of its affiliates. The members are appointed annually by the Board and serve at the pleasure of the Board. Each member must qualify as an independent director, as determined by the Board in the exercise of its business judgment. Each member of the Committee is financially literate, with at least one member designated as a financial expert or having accounting or related financial management expertise. The Board designates one of the members as the Chair of the Committee. The Chair of the Committee has responsibility for overseeing that the Committee fulfills its mandate and duties effectively.

4.4.2 GOVERNANCE, POLICY AND HUMAN RESOURCES COMMITTEE

The Governance, Policy and Human Resources 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. The Committee is composed of two regular members who are directors of the Corporation. As with the FAC, the members are appointed annually by the Board and serve at the pleasure of the Board. Each member must qualify as an independent director, as determined by the Board in the exercise of its business judgment. The Board designates one of the members as the Chair of the Committee. The Chair of the Committee has responsibility for overseeing that the Committee fulfills its mandate and duties effectively.

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 $177,400 - $208,600. The President and CEO does not receive a per diem for attending Board meetings. The Governor-in-Council may also grant to the President and CEO performance pay of up to 15 percent of the base salary, according to the achievement of key performance objectives, as determined by the Board of Directors.

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

4.6 CODE OF CONDUCT

The *Public Servants Disclosure Protection Act* (PSDPA) came into force on April 15, 2007. Its purpose is to encourage employees in the public sector including Crown corporations and other public agencies to come forward if they have reasons to believe that serious wrongdoing has taken place and to provide protection to them against reprisal should they do so. One requirement of the Act is to promptly provide public access to certain information respecting founded cases of wrongdoing resulting from a disclosure brought forward under the PSDPA. Specifically, the Corporation must describe the wrongdoing; the recommendations made to the chief executive; and the corrective action taken by the chief executive.

In late 2015, 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 was signed by all employees while ongoing discussions are underway with the unionized employees, as part of the collective agreement negotiations.

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

4.7 PORTFOLIO MANAGEMENT

The Corporation has adopted a portfolio management approach to deliver its mandate. It is not a portfolio of corporations but rather one parent Crown corporation overseeing a portfolio of federal assets which are used in pursuit of public policy objectives. Key aspects of the portfolio management approach to be implemented (partly in parallel with, and partly subsequent to the integration of the legacy corporations) include:

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

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

Truck traffic is a vital source of revenue for the Thousand Islands Bridge

5.1 OUR BUSINESS

View of the Arch Bridge, part of the Canadian section of the Thousands Islands Bridge

Our business is bridges and border crossing infrastructure. As we deal exclusively with international crossings there is an inherent complexity to the operations and management of these structures as they cross provincial and state boundaries, along the Canada – US border. The international border requires us to provide and maintain an extensive network of associated structures related to border functions, such as customs, immigration, and food inspection enforcement activities.

We work with six entities delivering on three bi-national partnerships that include ten bridge structures, roadway approaches, border facilities for CBSA, CFIA, Duty Free Shops and Currency Exchange.

The Corporation has a variety of stakeholders that add a layer of complexity to the operations, policy establishment, and delivery of projects. FBCL works in close collaboration with these stakeholders and the surrounding communities to ensure efficient and effective border crossings.

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

We must also ensure that our bridge operations, policy decisions and future projects are supported by our bridge customers and host communities. Bridge users, like many in North America, are quickly advancing towards non-cash models of payment. To ensure ongoing efficiency of operations, we also need to remain responsive with technology. As such, we strive to improve our community engagement and communications using blogs and other social media to ensure that community concerns are identified and addressed, and that the contributions of our international bridges are clearly understood.

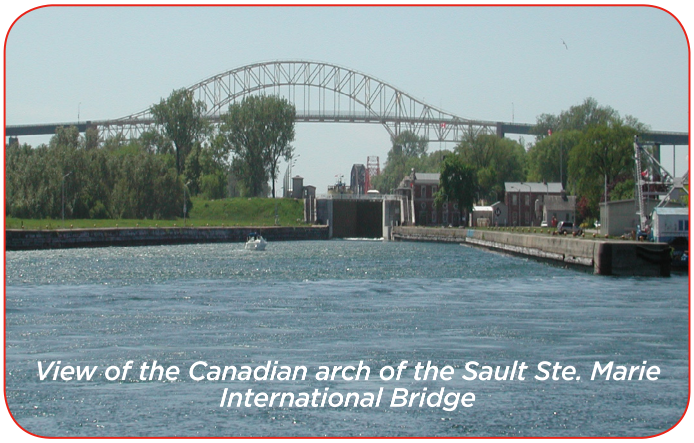
5.2 OPERATIONS, CAPITAL AND SPECIAL PROJECTS

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

The *Customs Act, section 6* requires the Corporation to provide, equip and maintain, free of charge, adequate buildings, accommodations or other facilities for customs and the CBSA. A similar provision in the *Plant Protection Act* mandates support for the CFIA based at bridge crossings.

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

5.2.1 SAULT STE. MARIE: FBCL ownership of 50% of the international bridge with operations conducted by, IBA, a U.S. entity through an international agreement. Major capital projects are undertaken by FBCL directly.



View of the Canadian arch of the Sault Ste. Marie International Bridge

Bridge Condition and Maintenance (ongoing): The annual inspection concluded that the overall condition of the bridge is structurally sound. Regular maintenance activities consistent with the recommendations of the inspection report are carried out each year. Maintenance work planned for the next five years include the replacement of slide plate bearings on the arch spans in 2015-16 and the repainting of the upper arch of the Canadian Bridge in 2018-19. An asset monitoring and management system has been developed to track, detect and determine maintenance and capital investment. It is currently in the latter stages of being populated with historical data and is generating valuable information for bridge planning.

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

Aerial view of the Canadian Plaza Redevelopment Project Site in Sault Ste. Marie

The first phase of the project is complete. It is comprised of property acquisitions funded by the owner, construction of the maintenance garage and the new Duty Free facility, civil works and demolition of acquired buildings. The maintenance garage is serving as a temporary secondary inspection location for CBSA. The final contract which includes the CBSA traffic building, commercial building and surrounding site work was awarded in April 2015 for $33M. Work is proceeding, with now completed foundations for the CBSA traffic building, erection of the steel superstructure, most of the building envelope, interior mechanical and electrical rough-ins, partitions and underground and surface civil infrastructure work.

As part of this project, CBSA has identified specific leasehold and furniture fit-up requirements to meet the needs of their workforce. These works totaling $1.5M have been integrated at the request of CBSA within the FBCL contract. The project is estimated for completion in 2017-18. The new CBSA plaza facilities will be three times larger than their existing program and for FBCL, at least two and a half times the cost to maintain and operate.

In 2016, the bridge operator will undertake a joint bridge painting project that will span four years to 2019. This estimated $10.8M project is funded with owner reserves. While painting certainly is aesthetically pleasing to our clients, the main purpose is to safeguard the asset from our harsh Canadian climate. Painting is essential to maintaining the integrity and longevity of the steel super structure. As well, major maintenance and /or replacement of the rocker and slip bearings will be undertaken by IBA and as part of tendered work to specialized contractors.

Toll Rates: A toll review for the crossing is undertaken every six months and adjustments made in consideration of the average exchange rate of the US to Canadian dollar. The Canadian dollar toll rate increase was announced in March 2016 to be implemented in April from $4.40 to $4.70 per transit for a typical passenger vehicle.

U.S. Plaza Redevelopment (completed): The $8.9M U.S. Toll Plaza Redevelopment project was jointly funded by the owners and substantially completed in 2015. A ribbon cutting event to celebrate the completion of the administration building was held in October 2015, in conjunction with the October 22nd SSMBA meeting.

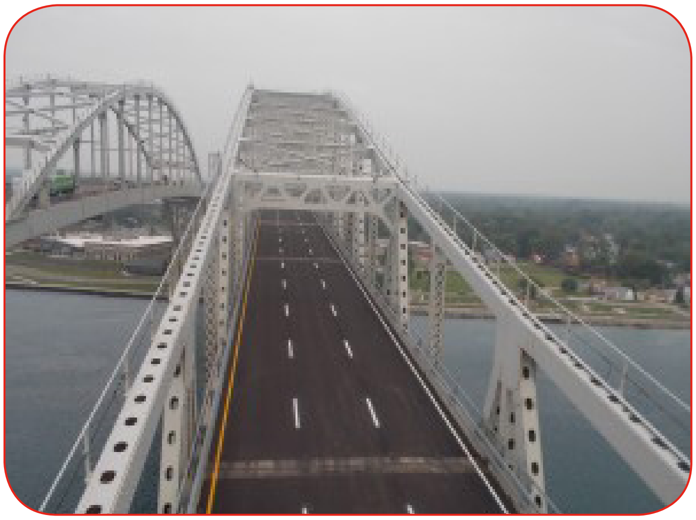
Officials from FBCL, IBA and CBSA attending a ribbon cutting ceremony held at the opening of the U.S Plaza in Sault Ste. Marie, Michigan

5.2.2 POINT EDWARD: FBCL has ownership of 50% of the Blue Water International Bridge and is responsible for bridge operations and major capital projects on the Canadian portion only.

Bridge(s) Condition and Maintenance (ongoing): The annual inspection concluded that the overall condition of the bridges are structurally sound. Regular maintenance activities consistent with the recommendations of the inspection report are carried out each year. Annual maintenance works such as painting and minor structural and lighting repairs will commence in late spring, while capital projects such as the rehabilitation of concrete piers, bridge deck repairs and roof replacement at the Canadian maintenance garage have all been scoped and are ready for tender on or before fiscal year end.

Other regular maintenance projects over the fiscal year included bridge, building, and stormwater pump maintenance. On an ongoing basis, BWB performed regular repair and maintenance of the plaza roads, IT & equipment, electrical, lighting fire systems, Closed-Circuit Television (CCTV), heating, ventilation, and air conditioning systems (HVAC) and its operations vehicles. Generator testing and corporate building LEED systems monitoring were and remain ongoing tasks.

Span 1 Resurfacing Project (nearly completed): The bridge was originally built in 1937 and currently serves US-bound traffic. This span was completely resurfaced and waterproof undercoating was applied over a period of three months in the spring of 2015. Traffic was accommodated very efficiently in collaboration with all bridge partners during this period. This project was coordinated with the U.S. owner, MDOT, and was funded separately by each partner through accumulated toll revenues. The finalization of minor works were deferred to the spring of 2016, in order to accommodate at the adjacent site, the completion of the toll infrastructure renewal.



Aerial view of the Blue Water Bridge Canadian and U.S. bridge spans in Point Edward

Blue Water Bridge Master Plan (under review): Maintaining a current master capital plan is a fundamental element of the ongoing infrastructure management and development program for the Point Edward location. In 2009-2011, the Blue Water Bridge Corporate Centre was constructed, the CBSA primary and secondary commercial inspection facilities and CFIA inspection facilities were redeveloped, and the plaza highway access, signage and associated utilities were improved.

From the existing Master Plan, the Span 1 emergency return access ramp has been identified as a priority in 2015-16, and is currently budgeted in FY2016-17 and FY2017-18,. The ramp has been incorporated into the design at the base of the original bridge adjacent to the Duty Free Shop to provide for the safe and secure movement.

Toll Infrastructure Renewal (delivery underway): The existing computer-based tolling system at this location was outdated and required modernization to meet the needs of bridge travelers as well as ensure the security of information systems. The upgrade of the utility infrastructure supporting the toll operations in each lane was also necessary. Final toll lane utility infrastructure updates and system installation was completed in 2015, and the system is now in operation in all lanes. Substantive work on the back office, final updates to in-lane capabilities, calibration and testing are continuing into 2016.

As part of the new toll system, the implementation of a new customer facing website was introduced. On March 29, 2016, the existing commercial customers were directed to migrate to the new site. From this website the commercial customers are able to manage their own account, pay online, view their balances and access their statements. The website also has the facility for the customers to be rebilled to their credit card automatically.

Toll Rates: On March 10, 2016, FBCL announced a Canadian toll rate adjustment from $3.50 to $4.00 (effective April 1, 2016) per transit for a typical passenger vehicle, to compensate for the exchange rate of the Canadian dollar, which had significantly declined vis-à-vis the United States (U.S.) dollar, and general economic conditions associated with bridge operations. Simultaneously, the old token program was also phased out to give way to an upcoming modern commuter discount program.

Toll booths at the Blue Water Bridge

Souls Memorial: The Souls Memorial was erected by the Blue Water Bridge as part of a major redevelopment of its waterfront in Point Edward. It represents a pinnacle in the long history of co-operation between the Aamjiwnaag First Nation and the Blue Water Bridge and stands as a symbol of co-operation and respect.

The Souls Memorial is located in a park underneath the Blue Water Bridge

Last March, an incident involving graffiti applied overnight on the monument, led to discussions with the aboriginal community and concluded with a joint cleanup initiative shortly thereafter.

5.2.3 LANSDOWNE: FBCL has ownership of 50% of the Thousand Islands International Bridges while operations are conducted by TIBA, a U.S. entity through an international agreement. Major capital projects executed by FBCL directly.

View of a section of the Thousand Islands Bridge in Lansdowne

Bridge(s) Condition and Maintenance (ongoing): The annual inspection concluded that the overall condition of the bridges are structurally sound. Regular maintenance activities consistent with the recommendations of the inspection report are carried out each year. Annual maintenance works such as painting and minor structural and lighting repairs commenced in late spring, while capital projects such as the rehabilitation of concrete piers, bridge deck repairs and roof replacement at the Canadian maintenance garage have all been scoped and are ready for tender on or before fiscal year end.

Rehabilitation of CBSA Lansdowne Port of Entry (delivery underway): This port of entry, in operation since the 1950's, has been identified as a priority in the Canada/United States "Beyond the Border Action Plan" as announced by the Government of Canada in April 2013. As such, a full modernization and expansion of the CBSA facilities will be completed.

Model of the new CBSA Lansdowne Port of Entry

The major elements will include the:

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

New Utility Service Building

This $60M rehabilitation project, started in 2014, has advanced well with the completion of the full design, environmental and investigative studies, mass excavation, the $4M utility service building, temporary facilities for CBSA's commercial operations, demolition of the old commercial building and the tendering of the new main building. The project is estimated for completion by 2017-18. The new plaza facilities will be considerably larger for FBCL, at a higher cost to maintain and operate.

Toll Infrastructure Renewal (delivery underway): This project supports the replacement of the existing computerized toll system in all toll collection lanes in both Canada and U.S. toll plazas. To achieve the tolling installation, it requires the complete modernization of the existing infrastructure. Initial feasibility studies have now been completed. The design is underway with a prioritization on the infrastructure component. This jointly funded project is estimated at $2.6M and is expected to be completed in 2016-17.

Pier 10, 12 and 13 Rehabilitation and Deck Repair (planning): The concrete piers were rehabilitated in 2000. Over the last few years of bridge inspections, Piers 10, 12 & 13 were found to be in fair condition but were observed to show some signs of surface failures. In 2014, a comprehensive condition survey of these piers and the Warren truss deck was undertaken. Further investigation provided recommendations for rehabilitation schemes and helped prepare tender documents for the project. These rehabilitation works are planned in 2016-2017.

View of a Canadian section of the Thousand Islands Bridge in Lansdowne

Toll Rates: A toll review for the crossing is undertaken periodically and adjustments made in consideration of the average exchange rate of the US to Canadian dollar. The Canadian dollar toll rate was increased in February 2016, from $3.25 to $3.50 per transit for a typical passenger vehicle.

5.2.4 CORNWALL: FBCL has the ownership of 100% of the North Channel and 32% of the South Channel bridges at the Seaway International Bridge and operations are conducted by FBCL subsidiary, SIBC, through an international agreement. Major capital projects are executed by FBCL directly.

Aerial view of the toll plaza and the North Channel Bridge

Bridge(s) Condition and Maintenance: The North Channel Bridge has been newly constructed and opened last year. The South Channel Bridge is considered to be in structurally sound condition according to annual inspection reports for the Canadian and American portions of the bridge. Regular maintenance activities consistent with the recommendations of the inspection report are carried out each year. As part of

Pier demolition/steel structure removal in Cornwall

the maintenance program and following the demolition of the former CBSA plaza, the old and abandoned water treatment plant was decommissioned. As well, new boulevard lighting has been installed at the south end of the International road leading to the SCB. The FBCL continues to work with the Mohawk community on common interest issues including the use of local Mohawk contractors.

An emergency bridge repair of the rocker arm link adjacent to the main tower was undertaken in May 2015. The localized failure was repaired within a 36 hour bridge closure. An assessment of the repair, bridge closure and reaction time of the emergency repair suggested that all aspects of the emergency response were handled in an effective and efficient manner and in accordance with the Emergency Response Plan of SIBC.

North Channel Bridge (delivery ongoing): This $74.8M project encompasses the construction of a new low-level North Channel Bridge, demolition of the old North Channel Span of the Seaway International Bridge crossing, as well as

Aerial view of the Canal Bridge with toll plaza on the left, with piers and steel structures of the old North Channel bridge under demolition related infrastructure improvements. The new bridge and toll facilities were opened to traffic in January 2014. In parallel, we delivered the project and construction management services for the temporary CBSA-funded port of entry.

The highly technical demolition of the old high-level bridge structure was instigated in mid-2014 and is 95% complete. The final contract for the realignment of Brookdale Avenue and the necessary improvements to the approaches and final alignment of roadways, required as per the Harmonized Environmental Assessment Report, was tendered at the end of March 2016. This contract incorporates an agreement with the City of Cornwall to share costs associated with upgrades to sewer, storm and water infrastructure for the realigned roadway. The full project completion is planned for 2016-17.

Toll Facilities (complete): A temporary toll facility was constructed as a strategic initiative to accommodate and eliminate health and safety concerns during the demolition work adjacent the new toll plaza. The "bypass" provides for large truck loads to circumvent the standard truck toll lane.

International Roadway (identification and planning): The Cornwall Island roadway connection between the North and South Channel international bridges requires major upgrades to better meet current road and safety standards. This project was originally included in the North Channel Bridge Replacement Project in 2006, but was canceled to reallocate the funds to the core bridge project. However, discussions are continuing on additional funding options. The scope of the roadway reconstruction would include reconfiguration of the North and South Channel bridge approaches and infrastructure renewal. As part of the overall assessment of capital projects, we are further reviewing the scope of this project which will require community consultation.

South Channel Bridge: The planned deck repairs and new overlay construction was initiated in the fall of 2015. Approximately 66% of the remaining work will be undertaken in the spring of 2016. FBCL has initiated and adopted new hand held technology to identify deck repair and potential long term degradation of the concrete bridge deck. The new technology is the first of its kind for inspection and surpasses the use of chain drag and other familiar investigative techniques.

Scheduled maintenance included refurbishment of the expansion joints, painting of several sections and a replacement of guard ribbon posts.

Toll Rates: A toll review for the crossing is undertaken periodically and adjustments made in consideration of the average exchange rate of the US to Canadian dollar. The Canadian dollar toll rate was increased on August 1, 2015 from $3.25 to $3.50 per transit for a typical passenger vehicle.

View of the South Channel Bridge between Cornwall Island and Massena, New York

TRAFFIC PATTERN TABLE

FISCAL YEAR 2015-16	YTD AUTO		YR OVER YR VARIANCE		YTD COMMERCIAL		YR OVER YR VARIANCE	
Location	**2016**	**2015**	**No.**	**%**	**2016**	**2015**	**No.**	**%**
Sault Ste. Marie	1,379,814	1,756,581	(376,767)	-21.4%	132,703	133,760	(1,057)	-0.8%
Point Edward*	3,190,038	3,778,069	(588,031)	-15.6%	1,698,525	1,668,629	29,896	1.8%
Lansdowne	1,608,494	1,687,449	(78,955)	-4.7%	404,632	387,394	17,238	4.4%
Cornwall	2,204,688	2,262,250	(57,562)	-2.5%	66,553	64,219	2,334	3.6%
Paid	662,531	832,163	(169,632)	-20.4%	47,898	47,479	419	0.9%
Free passage	1,542,157	1,430,087	112,070	7.8%	18,655	16,740	1,915	11.4%

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

CANADIAN ENVIRONMENTAL ASSESSMENT ACT REPORTING TABLE

Report on Activities on Federal Lands and Outside Canada under sections 67-68 of the *Canadian Environmental Assessment Act*, 2012.

REPORT ON ACTIVITIES

FBCL completed environmental evaluations for two (2) projects in Fiscal Year 2015-2016, both projects were determined to be not likely to cause significant adverse environmental effects. The 2 projects are:

1. Pier 10, 12 & 13 Rehabilitation, Thousand Islands Bridge
2. Warren Truss Spans Rehabilitation, Thousand Islands Bridge

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

5.3 PERFORMANCE ASSESSMENT 2015-16

The following are the corporate objectives, strategies and performance targets by activity that we delivered in 2015-16 and will continue to undertake to deliver on mandate.

ACTIVITY 1- REHABILITATE, CONSTRUCT, OPERATE			
Expected Results: Ensure the ongoing safety and security of clients while maintaining efficient operations and management of construction and rehabilitation projects at the international bridges and associated structures.			
2015-16 PERFORMANCE MEASURES	**PERFORMANCE INDICATORS**	**TIMELINE**	**STATUS**
1. Mitigate risks through regular bridge inspections, undertake all minor repairs within available funding and identify/ prioritize long-term major rehabilitation requirements.	Reporting on results of the inspection program and repairs undertaken at each bridge.	Annually	MET Inspections undertaken at the four international bridges. Each bridge is considered structurally sound with repairs being addressed as required. Inspection reports are submitted to TC annually.
	Formal reports on asset risks as part of Enterprise Risk Management (ERM).	Annually	PARTIALLY MET Bridge asset risks are monitored quarterly and reports are presented and discussed with the Board of Directors as part of ERM. The Board with the assistance of the Finance and Audit Committee monitors risk areas including such items as bridge security, technology, financial sustainability, workforce management and corporate transition. More in-depth information on other facilities and assets is being collected for analysis and reporting.
2. Ensure innovations or new technologies are explored and/or utilized.	Implement automated tolling at international bridges as follows:		
	Sault Ste. Marie	2015-16	MET This joint project was completed and the official bi-national opening was held in October 2015. Toll lanes were fully reconstructed and are now equipped with automated card readers, gates and patron fare displays.
	Blue Water Bridge	2015-16	PARTIALLY MET The new toll system was implemented and is in use in all lanes. Commercial self-managed accounts are active. The back office systems are being tested and there is ongoing staff training. The debit/credit equipment is installed.
	Thousand Islands Bridge (subject to design and funding approvals)	2014-17	ONGOING This project to replace the existing obsolete computerized toll system is now underway. Upon completion of a feasibility study and review of options, an E-ZPass system integrated with the New York Throughway was selected by the bridge operator. The full system implementation is expected over the next year in parallel with toll infrastructure rehabilitation.

ACTIVITY 1- REHABILITATE, CONSTRUCT, OPERATE			
Expected Results: Ensure the ongoing safety and security of clients while maintaining efficient operations and management of construction and rehabilitation projects at the international bridges and associated structures.			
2015-16 PERFORMANCE MEASURES	**PERFORMANCE INDICATORS**	**TIMELINE**	**STATUS**
3. Deliver funded major international bridge construction projects on time and on budget.	Sault Ste. Marie: Customs Plaza Rehabilitation ($51.6M)	2013-18	ONGOING The first phase of work: the maintenance garage, Duty Free facility and civil works, has been completed. Final completion of all landscaping and deficiency work was completed in September 2015. The final contract including the CBSA traffic and commercial buildings in addition to surrounding site work was awarded in April 2015 and work is proceeding at a rapid pace. Estimated project completion remains on target for 2017-18.
	Thousand Islands: Renewal of the CBSA facility ($60M)	2014-18	ONGOING Mass rock excavation and crushing contract was completed in October 2015. The utility and service building is under construction with completion targeted for spring 2016. A contract was awarded in October 2015 for temporary CBSA commercial facilities. Preparation of construction drawings for the construction of the new CBSA integrated traffic and commercial building is ongoing. The tender was completed on March 31, 2016.
	Cornwall: North Channel Bridge ($74.8M)	2014-17	ONGOING The demolition of the old bridge is progressing well with substantial completion planned for spring 2016. Monthly reports on the Mohawk labour participation and environmental undertakings are being provided for quality assurance and control of the work. Due to budget challenges, we continue to explore technical solutions for the removal of the bridge piers in the water. To ensure safety at all times during the demolition of the old bridge structure on the Canal Lands, a detour roadway incorporating a temporary tolling facility was constructed and allowed traffic and emergency vehicles to function normally under the circumstances. The fourth and final contract is the realignment of Brookdale Avenue and detours. This contract was tendered in March 2016. The project completion remains on target for March 31, 2017.
	Cornwall: CBSA interim port of entry (CBSA funded)	2013-16	MET CBSA interim port of entry was delivered and is fully operational as per CBSA's statement of requirements.
4. Ensure security programs are in place at all international crossings	Security plans and programs at all locations are reviewed and meet all IBTA requirements.	Annually	PARTIALLY MET Security plans have been completed for the Sault Ste. Marie, Lansdowne and Cornwall international bridges. The operational processes for the Point Edward bridge are in place however the full security plan remains in development.

ACTIVITY 1- REHABILITATE, CONSTRUCT, OPERATE			
Expected Results: Ensure the ongoing safety and security of clients while maintaining efficient operations and management of construction and rehabilitation projects at the international bridges and associated structures.			
2015-16 PERFORMANCE MEASURES	**PERFORMANCE INDICATORS**	**TIMELINE**	**STATUS**
5. Review revenue generation opportunities to assist in funding long-term capital requirements.	Toll rates are reviewed and optimized with U.S. partners and other revenue opportunities are identified and explored.	Annually	MET Toll adjustments based on Canadian exchange rates have been implemented at the Sault Ste. Marie, Lansdowne and Cornwall locations while a planned toll increase at the Blue Water Bridge came into effect on April 1, 2016. In order to remain sustainable, SIBC, operator of the Cornwall location has raised their toll rates from $3.25 to $3.50. In addition to the impact of Canadian exchange rates, there has been a significant decrease in economic activity within the region. Members of the Mohawk community are exempted from paying tolls so less than 35 percent of traffic currently pay tolls. At the Point Edward location, plans were communicated to withdraw bridge tokens sale with a view to eliminate them over time. This program will be replaced by a bridge commuter program in the year ahead. Leases have been renewed with one Duty Free operator and six customs brokers at market rates.

ACTIVITY 2- INTERNAL SERVICES			
Expected Results: Ensure that internal services at all divisions support the needs of operations, employees, the President and CEO and Board of Directors.			
2015-16 PERFORMANCE MEASURES	**PERFORMANCE INDICATORS**	**TIMELINE**	**STATUS**
1. Implement a common FBCL policy framework.	Inventory of internal services and policies, processes and systems (HR, Finance, IT, Legal) completed and integration plan established.	2015-16	ONGOING Significant work has been undertaken in the following areas: HR: Complete review underway of job descriptions, classification and remunerations for all salaried positions. Finance: Focus on compliance, integration of accounting policies, conversion to International Financial Reporting Standards (IFRS) and completion of multiple legacy financial audits. IT: Inventory of technology, documentation of systems and establishment of an IT strategic plan to guide the transition. Integration of network and email systems were prioritized. Key policies integrated and approved include: Policy Framework; Delegation of Signing Authorities; Banking; Investments; Procurement; Code of Values and Ethics; Travel, Hospitality, Conference and Event; Leasing and Licensing; Internal Audit; and, Enterprise Risk Management.

ACTIVITY 2- INTERNAL SERVICES			
Expected Results: Ensure that internal services at all divisions support the needs of operations, employees, the President and CEO and Board of Directors.			
2015-16 PERFORMANCE MEASURES	**PERFORMANCE INDICATORS**	**TIMELINE**	**STATUS**
2. Deliver amalgamation as announced in Bill C-4 Economic Action Plan 2013 Act, No. 2.	International agreement negotiated and amalgamation with SIBC completed.	2015 -16	PARTIALLY MET Amalgamation of FBCL, SMRBC and then BWBA was completed by February 2015. The realization of the amalgamation with the remaining subsidiary, is contingent upon an agreement being reached with the U.S. partner, SLSDC, at this location. TC has undertaken bi-lateral discussions with SLSDC in this matter.
3. Keep stakeholders and international bridge users well informed of corporate changes, on the status of works and resulting traffic disruptions using social media and other tools.	Stakeholder feedback through communications. Statistics on number of subscribers and visitors to social media sites, and other mechanisms used.	Annually	MET We have actively engaged stakeholders in all areas of activities. Overall, federal counterparts and municipal entities were kept up to date on progress on major projects at all bridge locations with multiple joint meetings and technical briefings. Bridge users were continuously aware of progress in the toll system implementation in Sault Ste. Marie. In Point Edward, stakeholders and commercial clients were briefed on contingency plans in place to deal with the Span 1 closure for repairs and continuous information was provided through the media. In Lansdowne, operational closures to allow for rock blasting at the new CBSA facilities site were well communicated. In Cornwall, the focus was on spreading the message to best manage multiple short-term lane closures and traffic re-routing to accommodate the demolition of the NCB. In addition to multiple press releases, interviews and stakeholder updates, FBCL communicated directly with 290 subscribers through social media sites and response to direct questions from individuals.
4. Develop foundation for a customer service improvement strategy.	Portfolio baseline data on commercial and passenger clients collected, analysed and gaps identified.	2016-17	COMMITTED TO TARGET
	Customer surveys conducted on a prioritized basis.	2016-18	COMMITTED TO TARGET
5. Continue to support government restraint and affordability directions.	Savings achieved through restraint.	Annually	MET We remain committed to existing levels of human resources and have implemented restraint in salary increases. New travel, hospitality, conference and event policy implemented to align with ministerial directive and TBS guidance.
	Status of pension implementation strategy.	2017	COMMITTED TO TARGET Comprehensive remuneration study to be completed in early 2016 with required changes to pension plan to follow by ministerial directive timeline.

ACTIVITY 2- INTERNAL SERVICES			
Expected Results: Ensure that internal services at all divisions support the needs of operations, employees, the President and CEO and Board of Directors.			
2015-16 PERFORMANCE MEASURES	**PERFORMANCE INDICATORS**	**TIMELINE**	**STATUS**
6. Financial self-sufficiency	Degree to which toll revenue covers expenses by crossing and portfolio-wide	Annually	MET In the current year, we retained $3.5M as a net of toll revenues less operating expenses and interest. Revenues other than tolls add a further $6.4M.
7. Modernize IT support infrastructure at all crossings	Status of replacement of outdated infrastructure at bridge crossings:		
	Blue Water Bridge: installation of utilities and data networking infrastructure for plaza	2013-18	PARTIALLY MET Full utilities and data networking infrastructure were upgraded as part of the reconstruction of toll lanes in advance of onboarding the new toll system. Additional upgrades of utilities, particularly electrical systems, are required across the plaza in the coming years.
	introduction of new technologies and integration and improvement of select information management systems	2015-17	PARTIALLY MET Priority of integration was placed on email, phone and network. Significant IT resources were invested in new automated toll system in Point Edward. Remainder of integration and improvement of information management systems deferred to optimize use of limited IT resources.
	Sault Ste. Marie: installation of toll automation project	2015-16	MET The technology supporting this joint project was fully implemented allowing for project completion in October 2015 as outlined above.
	Thousand Islands Bridge: (subject to funding approvals) complete design and installation	2014-16	ONGOING This project to replace the existing obsolete computerized toll system is now underway. Upon completion of a feasibility study and review of options, an E-ZPass system integrated with the New York Throughway was selected by the bridge operator. The full system implementation is expected over the next year in parallel with toll infrastructure rehabilitation.
8. Negotiate a new collective agreement for unionized employees.	Status of new collective agreement.	2016-17	ONGOING Non-monetary proposals by both parties have been exchanged. Initial negotiation dates were established.

6.1 FINANCIAL COMPARISON TO PRIOR YEAR

In February 2015, FBCL completed the amalgamation of the legacy Corporations of FBCL, SMRBC and BWBA under a new Corporation also named FBCL. The legacy Corporations contributed assets, liabilities, and equity to the amalgamated entity. This amalgamation has a year-end of March 31, hence the first annual results for the amalgamated FBCL only contributed operations from the date of amalgamation (February 1, 2015) to the Corporation's first year-end (March 31, 2015). For this reason, comparison values in the consolidated financial statements of this year compare twelve months of operations for the period ended March 31, 2016, to the two months of operations for the period ended March 31, 2015.

6.2 FBCL REVENUE AND PORTFOLIO MODEL

FBCL's revenues are derived from four primary sources: tolls and services, leases and permits, currency exchange services, and interest income. FBCL also receives Government of Canada funding for three on-going major capital projects. 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 profitability improves with increases in economic activity of both Canada and the U.S., since its bridges are major international crossings between the two trading nations. Historically, when the U.S. economy is robust or expanding, exports of Canadian products tend to rise. A growing Canadian economy will also result in an increase in the flow of goods, services and people across the two countries' land borders.

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

6.3 CONSOLIDATED FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The sum of the legacy Crown Corporations that make up FBCL started the Corporation from a position of solid financial strength, which continued in FBCL's first full fiscal year of operations. At the fiscal period ended March 31, 2016, the Consolidated Statement of Financial Position for FBCL was reflected in the following manner:

Consolidated Statement of Financial Position ($000's)	Budget 2016	**March 31, 2016**	March 31, 2015
	$	**$**	$
Assets			
Financial assets	45 186	**47 511**	49 341
Non-financial assets	358 305	**340 548**	322 246
Other assets	679	**687**	378
Total assets	**404 170**	**388 746**	**371 965**
Current assets	*45 865*	***43 118***	*43 779*
Non-current assets	*358 305*	***345 628***	*328 186*
Liabilities			
Provisions	4 618	**3 988**	13 474
Deferred capital funding	107 495	**30 900**	7 128
Deferred revenue	4 674	**5 171**	5 006
Long-term employee benefits	7 792	**7 435**	7 531
Long-term debt	88 647	**88 312**	92 930
Other liabilities	9 374	**14 137**	12 849
Total liabilities	**222 600**	**149 943**	**138 918**
Current liabilities	*21 514*	***28 345***	*33 078*
Non-current liabilities	*201 086*	***121 598***	*105 840*
Total equity	**181 571**	**238 803**	**233 047**

ASSETS

At March 31, 2016, current assets are $43.1M while non-current assets are $345.6M. The primary component of the $388.7M of total assets is composed of capital assets (including property, plant & equipment, investment properties, and intangible assets) of $340.5M. Cash and cash equivalents and total investments compose $41.8M of the remaining $48.2M in assets. This is a reduction of $0.3M from the prior year.

Capital (non-financial) assets are $17.8M lower than budget. This is due to a combination of changes in management estimates as to useful lives of certain asset components, higher depreciation costs recognized as compared to budget, certain write-offs of asset components, and spending on significant projects either being deferred to future years or management's decision not to proceed with particular projects.

LIABILITIES

Current liabilities of $28.3M, are $4.7M lower at March 31, 2016, as compared to the prior year. This decrease is attributed to the work done throughout the fiscal year to decommission the old high-level North Channel Bridge in Cornwall. Offsetting a proportion of this reduction in current liabilities is the Corporation's decision to pay down its bank loans as they reach their respective renewal dates. This direction was taken given the strong state of FBCL's current assets, and has the effect that an additional $3.3M in loans is now recognized as current (as opposed to non-current at March 31, 2016) as its renewal period is within the upcoming twelve months.

Within FBCL's non-current liabilities, deferred capital funding varies greatly in respect to budget for the year, which is due to decisions and policies taken by FBCL at its amalgamation date in respect to IFRS. As compared to the prior year deferred capital funding has increased $23.8M. This portion of FBCL's financial statements will continue to grow significantly as projects in Sault Ste. Marie and Lansdowne continue to be constructed, and funded by federal parliamentary appropriations and a contribution agreement. This funding will be recognized in FBCL's Statement of Comprehensive Income in future years when these assets are in use (funding will be recognized in relation to depreciation expense recognized).

Long-term debt carried by the Corporation is in the form of loans and bonds as explained in the financial statements in Notes 17 and 18, respectively. At March 31, 2016, loans represented 20% of FBCL's long-term debt, and bonds represented 80%. This debt is being paid from surplus toll revenues.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The March 31, 2016, fiscal year represents the Corporation's first financial statements reporting on twelve months of operations. Information below compares to the budget of the amalgamated entity.

CONSOLIDATED REVENUE AND EXPENSES

FBCL's consolidated revenue for the operating period totaled $40.2M and the consolidated operating expenses totaled $39.1M.

Consolidated Statement of Income ($000's)	March 31, 2016	Budget	Variance
	$	$	$
Tolls	27 756	27 662	94
Thousand Islands International Bridge toll revenue	6 076	4 830	1 246
Leases and permits	4 085	4 088	(3)
Currency exchange	1 304	1 476	(172)
Interest	578	775	(197)
Other	366	426	(60)
Total revenue	40 165	39 257	908
Operations	7 151	9 890	(2 739)
Thousand Islands International Bridge expenses	5 964	4 111	1 853
Maintenance	14 706	7 577	7 129
CBSA & CFIA operations	3 857	2 682	1 175
Administration	7 443	7 539	(96)
Total expenses	39 121	31 799	7 322
Operating income before government funding and interest	1 044	7 458	(6 414)
Government funding	10 000	9 064	936
Interest expense	(5 529)	(5 358)	(171)
Net income	**5 515**	**11 164**	**(5 649)**

REVENUE

Revenue is made up of tolls and services (at FBCL's owned and joint operations crossings), Thousand Islands International Bridge toll revenue, leases and permits, currency exchange, interest, foreign exchange gain, and other, the total of which was $40.2M for the period, as compared to a $39.3M budget. Traffic across all bridges in the Corporation's portfolio was affected significantly by the decrease in the value of the Canadian dollar, as compared to the U.S. dollar. Exchange rates that hovered around C$1.40 to US$1.00 for much of the year caused many travelers to not cross the border. During the fiscal year 2016 (as compared to the prior twelve months), total traffic across all four international bridges dropped by 11.6% with significant variances between locations ranging from 3% to 20%. This decrease was most significantly felt as a result of drops in passenger traffic (15% across all bridges). Commercial traffic at two locations (Point Edward and Lansdowne bridge crossings) actually had increases of 3% and 4%, respectively. This has been as a result of the improvement in the U.S. economy and increasing exports due to the decrease in the value of the Canadian dollar. These decreases in total traffic volume, however, were entirely offset (as compared to the revenue budget) by commercial volumes, the receipt of U.S. dollar revenue and toll rate adjustments at varying locations.

EXPENSES

Expenses are made up of operations (including currency exchange in the above table), maintenance, Thousand Islands International Bridge expenses, CBSA and CFIA, and administration. Overall expenses were significantly above budget, by $7.3M. These total increases were the result of numerous contributing factors with the most significant due to changes in capital assets. Depreciation expense in the year, of $12.9M, exceeded the budget of $9.7M, a difference of $3.2M. This change was a result of management's review of the useful lives of individual asset components. Additionally, the Corporation incurred a loss related to the write-off of certain assets during the year of $3.1M, as a result of assets that were replaced and were not yet fully amortized. The remaining variance in total expenses relates to fluctuations between the budgeted foreign exchange rate and the actual rate incurred during the year. Other than these differences related to capital assets and foreign exchange, prudent management of expenses kept spending at or below budget, by department. Contrary to the effect seen in revenue, where decreased traffic was offset by U.S toll receipts and toll rate adjustments, expenses in the bridge business are largely consistent despite the movement of traffic. Two of the bridge operators are based in the U.S. and report their expenses to the Corporation in U.S dollars. This difference between incurred foreign exchange rates and budgeted resulted in $1.5M in additional expenses.

Adjustments to expenses by department were completed in order to further standardize the reporting of expenses from legacy Corporations. These adjustments did not impact the net income.

CONSOLIDATED STATEMENT OF CASH FLOW

During the fiscal year, the cash balance decreased by $9.0M which was an improvement over the budgeted $11.9M cash reduction.

Consolidated Statement of Cash Flow ($000's)	March 31, 2016	Budget	Variance
	$	$	$
Net cash generated by operating activites	12 149	14 405	(2 256)
Net cash used by investing activities	(16 751)	(21 643)	4 892
Net cash used by financing activities	(4 618)	(4 654)	36
Foreign exchange gain on cash and cash equivalents held in foreign currency	250	-	250
Net decrease in cash	**(8 970)**	**(11 892)**	2 922

During the fiscal year, $12.1M in cash was generated by the bridge operations and foreign exchange gains, as compared to a budget of $14.4M. Differences in working capital during the year were primarily related to the timing of payables as the Corporation continues to deliver on major capital projects. Cash used by investing activities was $4.9M better than budget, as a result of the timing of payments for self-funded capital projects (as opposed to those projects that are funded through federal parliamentary appropriations and a contribution agreement). Surplus cash and cash equivalents balances are reduced as the Corporation continues to invest its funds in GIC's and high grade bonds. Financing activities used cash of $4.6M as a result of loan and bond payments.

ACCOUNTING POLICIES AND ESTIMATES

FBCL's accounting framework is International Financial Reporting Standards (IFRS), and its financial statements are reported as such. The use of IFRS necessitated management to make certain policy choices and estimates at the time of amalgamation of February 1, 2015, which were outlined in the prior year financial statements.

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

The accounting estimates described below require particular complex or subjective judgments about matters that are inherently uncertain or where it is likely that materially different amounts could be reported under different conditions or using different assumptions.

PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES

Property and equipment, intangible assets and investment properties are depreciated over their useful lives. Useful lives are based on management's estimates of the periods of service provided by the assets as outlined in Note 2 of the consolidated financial statements. The appropriateness of useful lives of these assets is assessed annually.

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

LONG-LIVED ASSETS VALUATION

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

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

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

EMPLOYEE BENEFIT PLANS

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

LEASES

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

JOINT ARRANGEMENTS

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

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. Further details are explained in Note 3 of the financial statements.

CONTINGENCIES AND PROVISIONS

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

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

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

c) In determining a reliable estimate of the obligation, management makes assumptions about the amount, likelihood, and timing of outflows, as well as the appropriate discount rate. Factors affecting these assumptions include the nature of the provision, the existence of a claim amount, opinions or views of legal counsel and other advisers, experience in similar circumstances, and any decision of management as to how the Corporation intends to handle the obligation.

The actual amount and timing of outflows may deviate from assumptions, and the difference might materially affect future consolidated financial statements, with a potentially adverse impact on the consolidated results of operations, financial position and liquidity. The Corporation's management has assessed estimates and judgments in relation to a contaminated land liability at one location, and has determined that removing the contaminated soil and treating contaminated ground water has met the stated criteria above and it is the Corporation's obligation to remediate the soil and ground water per environmental legislation.

6.4 REPORT ON ANNUAL EXPENDITURES FOR TRAVEL, HOSPITALITY, AND CONFERENCES FOR 2015–16

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, 2016. Comparative information to budget and the prior year will be compiled for future years.

This information is the first presentation and will be updated annually, and does not contain information withheld under the *Access to Information Act* or the *Privacy Act.*

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)**	2016
	$
Travel	220
Hospitality	-
Conferences	40
Events	3
Total	**263**

6.5 OUTLOOK

The volatility in exchange rates was not as significant as in the preceding year. However, the exchange rate was in the US$1.00 = $1.40 range for much of the year, which continued to have a strong effect on the traffic volumes at all international bridges. With adjustment to toll rates, the Corporation forecasts continued strong cashflow positive results for the coming years. It 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.

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 international bridges between Canada and the U.S. Proactive management decisions to reduce costs, where possible, and the adjustment of toll rates during the fiscal year have provided for stability. The Corporation's revenue and portfolio model allows it to monitor bridges both individually and in total, whereby reductions at one bridge in passenger volume may be offset by increase in commercial trucking revenue at other locations.

In Sault Ste. Marie, plaza improvements on both sides of the border continue to improve the functionality and appearance of the crossing. On the U.S. side of the border, new toll collection and operational management buildings have modernized the crossing. On the Canadian side of the border, the rehabilitation of the Canadian Plaza continues. The work, which is valued at $33.9M, is funded through the Gateway and Border Crossings Fund and is anticipated to be completed by March 2018. Traffic flow impacts and impairment of bridge operations continues to be held to a minimum during the construction process.

In Point Edward, a roll-out of on-line self-managed accounts occurred in March 2016, in conjunction with improved service offerings at the toll booths, including automated toll machines which accept a range of payment options. During the past year, resurfacing and waterproofing on the westbound span was completed.

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

In Cornwall, the demolition of the old North Channel Bridge is complete and attention is now shifting towards the realignment of traffic flow along Brookdale Avenue, the major route leading to the international crossing. A $7.4M contract was awarded in May 2016 for this construction with joint works being completed with the City of Cornwall. The effect of the exchange rate combined with the increasing amount of free passage provided to the Mohawk community is expected to contribute to a lean fiscal year at this location and perhaps beyond. These operations are being monitored closely during this time to mitigate this risk.

Each year for the past 30 years, IBA and the Chamber of Commerce of both Sault Ste. Marie , Ontario and Michigan sponsor the Annual Bridge Walk.

For the occasion, traffic on the International Bridge is reduced to one lane to provide a traditional occasion for the general public to cross the bridge and border into Canada. The annual event attracts hundreds of people year after year.

Above are representatives of the SSMBA, IBA, the City of Sault Ste. Marie Michigan and family members.

FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

Consolidated financial statements
As at March 31, 2016

Management's Responsibility for Financial Statements

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

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

In support of its responsibility, FBCL management completed the consolidation of the financial statements. FBCL management and the management of its wholly-owned subsidiary have developed and maintain books of account, records, financial and management controls, information systems and management practices for their respective financial statements. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with Part X of the *Financial Administration Act*, the *Economic Action Plan 2013* Act, No. 2 as amended by the *Economic Action Plan 2014* Act, No. 2, the *Canada Marine Act* the *Canada Business Corporations Act*, and the regulations, articles, and by-laws of FBCL and its wholly-owned subsidiary, as well as the directives issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the consolidated financial statements.

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

Micheline Dubé
President and Chief Executive Officer

Natalie Kinloch
Chief Financial and Operating Officer

June 29, 2016

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of The Federal Bridge Corporation Limited, which comprise the consolidated statement of financial position as at 31 March 2016, 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.

.../2

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Federal Bridge Corporation Limited as at 31 March 2016, 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 period.

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* described in Note 1 to the consolidated financial statements.

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

29 June 2016
Ottawa, Canada

The Federal Bridge Corporation Limited

Consolidated Statement of Financial Position
as at March 31

(in thousands of Canadian dollars)

	Notes	2016	2015
		$	$
Assets			
Current Assets			
Cash and cash equivalents	7	13 240	22 210
Investments	8	23 787	14 003
Trade and other receivables	9	5 684	7 188
Prepaids		407	378
Total Current Assets		43 118	43 779
Non-Current Assets			
Property and equipment	10	320 732	301 735
Investment properties	11	19 791	20 468
Intangible assets	12	25	43
Lessor inducement		280	-
Investments	8	4 800	5 940
Total Non-Current Assets		345 628	328 186
Total Assets		388 746	371 965
Liabilities			
Current Liabilities			
Trade and other payables	13	11 350	11 120
Employee benefits		565	654
Provisions	14	2 526	12 183
Holdbacks	15	2 157	1 075
Deferred revenue	16	3 200	2 864
Current portion of loans payable	17	4 006	619
Current portion of bonds payable	18	4 269	3 999
Current portion of deferred capital funding	19	272	564
Total Current Liabilities		28 345	33 078
Non-Current Liabilities			
Loans payable	17	13 566	17 572
Bonds payable	18	66 471	70 740
Employee benefits	20	7 435	7 531
Deferred revenue	16	1 971	2 142
Deferred capital funding	19	30 628	6 564
Provisions	14	1 462	1 291
Leasee inducement		65	-
Total Non-Current Liabilities		121 598	105 840
Equity			
Share capital - 2 shares @ no par value	21	-	-
Retained earnings		238 723	232 741
Accumulated other comprehensive income		80	306
Total Equity		238 803	233 047
Total Equity and Liabilities		388 746	371 965
Contingent liabilities	25		
Commitments	26		

Approved by the Board of Directors

Director

Director

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

The Federal Bridge Corporation Limited

Consolidated Statement of Comprehensive Income
for the periods ended March 31

(in thousands of Canadian dollars)

	Notes	**2016**	2015
		(12 months)	(2 months)
		$	$
Revenue			
Tolls and services		**27 756**	4 186
Leases and permits		**4 085**	480
Currency exchange		**1 304**	135
Thousand Islands International Bridge revenue		**6 076**	772
Interest		**578**	107
Foreign exchange gain		**-**	166
Other		**366**	27
Total Revenue		**40 165**	5 873
Expenses			
Operations		**6 387**	1 592
Thousand Islands International Bridge expenses		**5 964**	910
Currency exchange		**764**	127
Maintenance		**14 706**	909
Canada Border Security Agency & Canadian Food Inspection Agency operations		**3 857**	644
Administration		**7 443**	1 004
Total Expenses	**22**	**39 121**	5 186
Operating Income Before Government Funding		**1 044**	687
Government Funding			
Amortisation of deferred capital funding	**19**	**230**	87
Funding with respect to decommissioning liability		**9 770**	4 363
Total Government Funding		**10 000**	4 450
Non-Operating Items			
Interest expense		**(5 529)**	(972)
Total Non-Operating Income		**(5 529)**	(972)
Net Income		**5 515**	4 165
Other Comprehensive Income			
Items that will not be reclassified subsequently to net income			
Actuarial gains (losses)	**20**	**467**	(237)
Items to be reclassified to net income when specific conditions are met			
Investments revaluation loss on available-for-sale investments		**(132)**	(54)
Cumulative gain reclassified to income on sale of available-for-sale		**(94)**	(7)
Total Other Comprehensive Income		**241**	(298)
Total Comprehensive Income for the Period		**5 756**	3 867

The Federal Bridge Corporation Limited

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

(in thousands of Canadian dollars)

	Notes	Retained Earnings	Accumulated Other Comprehensive Income	Total
		$	$	$
Net assets received from legacy corporations at February 1, 2015		228 813	367	229 180
Total Comprehensive Income:				
Net income		4 165	-	4 165
Other Comprehensive Income:				
Actuarial losses	**20**	(237)	-	(237)
investments		-	(54)	(54)
Cumulative gain reclassified to income on sale of available-for-sale investments		-	(7)	(7)
Total Other Comprehensive Income		(237)	(61)	(298)
Total Comprehensive Income		3 928	(61)	3 867
Balance at March 31, 2015		232 741	306	233 047
Total Comprehensive Income:				
Net income		5 515	-	5 515
Other Comprehensive Income:				
Actuarial gain	**20**	467	-	467
Investments revaluation loss on available-for-sale investments		-	(132)	(132)
Cumulative gain reclassified to income on sale of available-for-sale Investments		-	(94)	(94)
Total Other Comprehensive Income		467	(226)	241
Total Comprehensive Income		5 982	(226)	5 756
Balance at March 31, 2016		**238 723**	**80**	**238 803**

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

The Federal Bridge Corporation Limited

Consolidated Statement of Cash Flows
for the periods ended March 31

(in thousands of Canadian dollars)

	Notes	2016	2015
		(12 months)	(2 months)
		$	$
Cash Flows from Operating Activities			
Net income		**5 515**	4 165
Adjustments for:			
Amortisation of deferred capital funding	**19**	**(230)**	(87)
Depreciation of property and equipment	**10**	**12 239**	1 844
Depreciation of intangible assets	**12**	**18**	3
Depreciation of investment properties	**11**	**612**	121
Loss on disposal of assets	**10**	**3 059**	7
Change in employee benefits		**282**	575
Foreign exchange gain		**(250)**	(69)
		21 245	6 559
Changes in Working Capital:			
Trade and other receivables		**2 798**	(2 152)
Lessor inducement		**(202)**	-
Prepaids		**(29)**	102
Trade and other payables		**(2 998)**	2 568
Holdbacks		**433**	-
Leasee inducement		**65**	-
Provisions	**14**	**(9 328)**	(4 895)
Deferred revenue	**16**	**165**	(182)
		(9 096)	(4 559)
Net Cash Generated by Operating Activities		**12 149**	2 000
Cash Flows from Investing Activities			
Payments for property and equipment		**(30 563)**	(903)
Payments for investment properties		**(26)**	-
Government funding related to acquisitions of property and equipment received		**22 708**	621
Proceeds on sale of investments		**12 343**	2 214
Purchase of investments		**(21 213)**	(302)
Net Cash (Used) Generated by Investing Activities		**(16 751)**	1 630
Cash Flows from Financing Activities			
Cash and cash equivalents received from legacy corporations		**-**	18 615
Repayment of loans payable		**(619)**	(104)
Repayment of bonds payable		**(3 999)**	-
Net Cash (Used) Generated by Financing activities		**(4 618)**	18 511
Foreign exchange gain on cash and cash equivalents held in foreign currency		**250**	69
Net (decrease) increase in cash and cash equivalents		**(8 970)**	22 210
Cash and cash equivalents at the beginning of the period		**22 210**	-
Cash and Cash Equivalents at the End of the Period	7	**13 240**	22 210
Supplemental disclosure on cash flow information			
Interest received included in operating activities		**506**	92
Interest paid included in operating activities		**5 345**	89

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*, as amended, by *the Economic Action Plan 2014 Act, No. 2.* The remaining planned amalgamation in this Act, with the Corporation's wholly owned subsidiary, The Seaway International Bridge Corporation Limited (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 5) per agreement between the Corporation as Canadian owner and The St. Lawrence Seaway Development Corporation (SLSDC) as U.S. owner. As a Crown Corporation, SIBC, is also subject to the same authorities as the Corporation. The Corporation is also a party to two other agreements for the operation of the international bridges. In regards to the Sault Ste. Marie International Bridge, this agreement is with the U.S. owner, the Michigan Department of Transportation (MDOT). The bridge oversight is through a joint international entity, Sault Ste. Marie Bridge Administration (SSMBA), and its operation is done by the International Bridge Authority (IBA), an entity of MDOT. The agreement applicable to the operations of the Thousand Islands International Bridge, is also with the U.S. owner, the Thousand Islands Bridge Authority (TIBA), an entity of Jefferson County, State of New York. At the crossing between Point Edward, Ontario, and Port Huron, Michigan, the Corporation owns and operates the Canadian portion of the crossing. The U.S. side of the crossing is owned and operated by MDOT.

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

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

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

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

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

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

The Corporation is in the process of phasing in the cost-sharing ratio by the required date, 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.

1. Authority and Activities (continued)

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

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

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

The Corporation has implemented this directive in this fiscal year, effective December 1, 2015.

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

The consolidated financial statements were approved and authorised to issue by the Board of Directors on June 29, 2016.

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).

Reporting period and comparative figures

The consolidated financial statements, for the current year, include twelve months of operations and cash flows. The comparative information included in the consolidated financial statements represents the operations and cash flows for the two-month period from February 1, 2015, the date the Corporation was created, to March 31, 2015. Thus the amounts presented in these consolidated financial statements are not entirely comparable.

The amounts disclosed within the comparative information in the notes to these consolidated financial statements as “Assets/liabilities received from the legacy corporations at February 1, 2015” represent the carrying values of the assets and liabilities received from the legacy corporations at the date of amalgamation, after alignment with the accounting policies, methods and assumptions adopted by the Corporation.

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.

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

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

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

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

The significant accounting policies are set out below.

Interests in Joint Operations

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

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

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

The Corporation accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the 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 5. 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.

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

Government Funding

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

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

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

Revenue Recognition

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

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

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

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

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

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

Functional presentation of expenses

The Corporation's management reviews its expenses by function, therefore its consolidated financial statements are presented as such. Detail surrounding the nature of expenses is detailed in Note 22. Functional departments are defined as such:

- Maintenance: expenses related to the maintenance, upkeep, and repair of the Corporation's assets;
- Operations: expenses related to the collection of toll revenue, security, and traffic management;
- Thousand Islands International Bridge: represents the Corporation's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands (see Note 3);

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

- Currency exchange: expenses pertaining to the operation of the currency exchange facility operated at the Point Edward crossing;
- CBSA & CFIA operations: The Corporation is required to provide facilities and certain maintenance of these facilities at its crossings to the CBSA and the CFIA, for which there is no related revenue; and,
- Administration: the expenses related to the management and oversight of the operations of the Corporation.

Foreign Currencies

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

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

Cash and Cash Equivalents

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

Property and Equipment, Intangible Assets and Investment Properties

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

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

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

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

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

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

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

Borrowing Costs

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

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

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

Leases

All leases are classified as operating leases.

Impairment

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

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

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

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

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. These costs are then amortised on a straight line basis over the period to the end of the useful life of the identified asset.

Subsequent to the initial measurement of the provision, the obligation may be adjusted at the end of each period to reflect the passage of time, changes in estimated future cash flows underlying the obligation and updated assumptions such as discount rates. Actual costs incurred to dispose of the asset will reduce the provision. A gain or loss may be incurred upon settlement of the liability.

Employee Benefits

Retirement and Other Post-Employment Benefits

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

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

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

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

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

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

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

The employee benefits recognised in the consolidated statement of financial position represents the actual deficit in the Corporation's defined benefit plan.

Short-Term and Other Long-Term Employee Benefits

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

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

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

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

Financial Instruments

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

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

(i) Classification of Financial Instruments

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

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

(ii) Effective Interest Method

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

(iii) Financial Assets

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

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

Loans and Receivables

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

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.

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 27. Changes in the carrying amount of available-for-sale financial assets relating to changes in foreign currency rates (see below), and interest income calculated using the effective interest method are recognised in net income. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluations gain (loss) on available-for-sale financial assets reserve within equity. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluations gain (loss) on available-for-sale financial assets reserve is reclassified to net income.

Impairment of Financial Assets

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

For financial assets, objective evidence of impairment could include:

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

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

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

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

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

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

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

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 an available-for-sale financial assets, the cumulative gain or loss previously accumulated in the investments revaluations gain (loss) on available-for-sale financial assets reserve is also reclassified to net income.

(iv) Other Financial Liabilities

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

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

3. Key Sources of Estimation Uncertainty and Critical Judgments

Key Sources of Estimation Uncertainty

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

Use of Estimates and Judgments

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

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

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

Property and Equipment, Intangible Assets and Investment Properties

Property and equipment, intangible assets and investment properties are depreciated over their useful lives. Useful lives are based on management's estimates of the periods of service provided by the assets as outlined in Note 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, intangible assets and investments properties. A component is accounted for separately, if it is significant in comparison to the value of the entire asset and if its useful life differs from the other components.

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

Long-Lived Assets Valuation

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

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

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

Employee Benefit Plans

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

Leases

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

Joint Arrangements

Management applies judgment in assessing the Corporation's status when it is party to joint arrangements. In assessing if the Corporation has joint control of an arrangement, the parties involved must determine if the activities that significantly affect the returns of the arrangement are collectively considered. Once joint control is determined, the Corporation applies judgment in determining whether the arrangement is a joint operation or a joint venture. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. In Management's judgment, the Corporation has two arrangements that are determined to be joint operations, at the Cornwall (SIBC) and Sault Ste. Marie (SSMBA) crossings. Despite the SIBC operation being a 100% wholly owned subsidiary, due to the international agreement governing its operations, it is considered a joint operation by management. This joint operation in Sault Ste. Marie is considered a foreign operation, however due to the high interdependency between SSMBA and FBCL, the functional currency judged by management is the Canadian dollar. 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 5.

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

Thousand Islands International Bridge

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

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

Contingencies and Provisions

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

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

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

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

4. Future Changes in Accounting Policies

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

IAS 1, Presentation of Financial Statements

IAS 1, Presentation of financial statements ("IAS 1") was amended by the IASB on December 18, 2014. The amendments relate to (i) materiality, (ii) order of the notes, (iii) subtotals, (iv) accounting policies, and (v) disaggregation and are resigned to further encourage companies to apply professional judgement in determining what type of information to disclose in their financial statements. The effective date for this amendment is for annual financial periods beginning on or after January 1, 2016.

IFRS 15, Revenue from Contracts with Customers

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

IFRS 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 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.

5. 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 $2,854 (2015 - $2,704). The amounts owed to the U.S. partner of SIBC bear interest at a rate which varies between 1.20% and 1.59% (2015 – 1.43% and 1.79%) 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.

(in thousands of dollars)

6. Change in Presentation

The Corporation has reviewed its presentation of certain assets and liabilities related to its share of joint operations. As a result, the Corporation has reclassified the due to U.S. partner of the joint operations, offset by related amounts included in trade and other receivables arising from the Corporation's interest in SIBC, to cash and cash equivalents to conform with the presentation used for SSMBA, as described in Note 5.

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

	2015 reclassified $	2015 original $
Cash	**22 210**	23 562
Trade and other receivables	**7 188**	7 685
Due to U.S. partner of the joint operations	**-**	1 849

The following changes to the Consolidated Statement of Cash Flows as at March 31, 2016 were required:

	2015 reclassified $	2015 original $
Changes in Working Capital - Trade and other receivables	**(2 152)**	(2 125)
Cash and cash equivalents received from legacy corporations	**18 615**	19 939
Increase in due to U.S. partners of the joint operations	**-**	1
Cash and cash equivalents at the end of the period	**22 210**	23 562

7. Cash and cash equivalents

As at March 31	2016 $	2015 $
Cash	**10 327**	14 098
Cash equivalents	**2 913**	8 112
Total cash and cash equivalents	**13 240**	22 210

(in thousands of dollars)

8. Investments

As at March 31	2016	2015
	$	$
Held-to-maturity investments carried at amortized cost		
Deposit certificates	**23 839**	14 174
Total held-to-maturity investments	**23 839**	14 174
Available for sale investments carried at fair value		
Government of Canada bonds	**753**	1 208
Provincial bonds	**1 786**	2 149
Corporate bonds	**2 209**	2 412
Total available for sale investments	**4 748**	5 769
Total investments	**28 587**	19 943
Less: Current portion	**23 787**	14 003
Long term portion	**4 800**	5 940

The average term to maturity for the Corporation's deposit certificates is 336 days (2015 -398 days), and earns interest at an average annual rate of 1.38% (2015 – 1.76%). The average term to maturity for the Corporation's bonds is 9.7 years (2015-9.6 years), and they earn an average effective interest rate of 2.69% (2015 – 2.65%).

9. Trade and Other Receivables

As at March 31	2016	2015
	$	$
Federal departments and agencies	**4 921**	6 268
Trade receivables	**763**	920
	5 684	**7 188**

Age of receivables that are past due but not impaired.

As at March 31	2016	2015
	$	$
60-90 days	**33**	1
91-120 days	**14**	34
121+ days	**102**	107
Total	**149**	142

(in thousands of dollars)

10. Property and Equipment

Cost	Land	Bridges and roads	Vehicles and equipment	Buildings	Property Improvements	Projects in progress	Total
	$	$	$	$		$	$
Assets received from the legacy corporations at February 1, 2015	13 585	236 276	17 301	80 336	17 454	24 418	389 370
Additions	17	-	91	-		1 740	1 848
Disposals	-	-	(32)	-		-	(32)
Balance, March 31, 2015	13 602	236 276	17 360	80 336	17 454	26 158	391 186
Additions	100	1 712	2 110	1 734	63	28 734	34 453
Disposals	-	(3 212)	(1 950)	(599)	-	(242)	(6 003)
Transfers	424	643	3 498	6 950	2 842	(14 357)	-
Balance, March 31, 2016	**14 126**	**235 419**	**21 018**	**88 421**	**20 359**	**40 293**	**419 636**

Accumulated depreciation	Land	Bridges and Roads	Vehicles and Equipment	Buildings	Property Improvements	Projects in Progress	Total
	$	$	$	$		$	$
Assets received from the legacy corporations at February 1, 2015	-	47 115	10 713	16 940	12 864	-	87 632
Eliminated on disposal of assets	-	-	(25)	-	-	-	(25)
Depreciation	-	999	274	465	106	-	1 844
Balance, March 31, 2015	-	48 114	10 962	17 405	12 970	-	89 451
Eliminated on disposal of assets	-	(522)	(1 895)	(369)	-	-	(2 786)
Depreciation	-	7 159	1 361	3 150	569	-	12 239
Balance, March 31, 2016	**-**	**54 751**	**10 428**	**20 186**	**13 539**	**-**	**98 904**
Net book value, March 31, 2016	**14 126**	**180 668**	**10 590**	**68 235**	**6 820**	**40 293**	**320 732**
Net book value, March 31, 2015	13 602	188 162	6 398	62 931	4 484	26 158	301 735

There is $3,361 of land which is under development as part of the new Canadian Plaza in Sault Ste. Marie. During the year $100 (2015 – $17) of interest expense was capitalised to these lands. The weighted average capitalisation rate on funds borrowed generally is 3.28% (2015 -3.28%). The bridges and roads include decommissioning costs of $17,642 (2015 – $17,608) which have been fully depreciated and the buildings include decommissioning costs of $1,523 (2015-$1,681) in which $886 (2015-$505) has been depreciated to date. Projects in Progress include $1,420 of work to be done to remediate contaminated lands.

(in thousands of dollars)

10. Property and Equipment (continued)

During the fiscal year, the estimated useful lives of certain assets of the Corporation were adjusted to reflect their expected replacement dates. This change in accounting estimates was determined through an in-depth analysis of the components of the Corporation's assets and was accounted for on a prospective basis and increased depreciation expense by $1,195 in the year. From 2016-17 to 2080-81, the depreciation expense is expected to increase by as much as $1,195 or decrease by as much as $1,195 each year, totalling $1,195 by 2080-81.

During the year the Corporation adjusted the value of land and buildings in the amount of $424, whereby the value of land was increased and buildings were decreased, through transfers. This was recorded so as to distinguish the values of land separate from buildings for certain residential properties that are owned by the Corporation.

11. Investment Properties

	Investment Properties
	$
Cost	
Assets received from the legacy corporations at February 1, 2015	23 869
Additions	13
Balance, March 31, 2015	23 882
Additions	13
Disposals	(78)
Balance, March 31, 2016	**23 817**
Accumulated depreciation	
Assets received from the legacy corporations at February 1, 2015	3 293
Depreciation expense	121
Balance, March 31, 2015	3 414
Depreciation expense	612
Balance, March 31, 2016	**4 026**
Net book value, March 31, 2016	**19 791**
Net book value, March 31, 2015	20 468

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

Rental income for March 31, 2016 amounts to $3,763 (2015 – $437) included within 'leases and permits'. Direct operating expenses of $177 (2015 – $9) was reported within maintenance expenses. Contingent rent of $2,338 (2015- $245) is included in rental income. No investment properties were vacant at March 31, 2016.

Fair value of the investment property at Point Edward has been determined based on a valuation performed by an independent valuator who is a current member of the Appraisal Institute of Canada. The fair value of $20,890 (2015 – 20,561) was determined as at September 1, 2010, and extrapolated to March 31, 2016, using the Consumer Price Index and has been adjusted for obsolescence. The fair value of the property has not been determined on transactions observable in the market because of the nature of the property and the lack of comparable data. The 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.

Fair value of the investment property at Sault Ste. Marie was determined based on actual expenditures incurred for property acquisitions and actual construction costs incurred for the completion of the building and its mechanical systems which came into use in November 2014. The fair value of the investment property has been extrapolated to March 31, 2016, using the Consumer Price Index and obsolescence has been deducted. The total fair value of this investment property has been determined to be $3,801 (2015 – $3,741).

(in thousands of dollars)

11. Investment Properties (continued)

Fair value of the investment property at the Thousand Islands International Bridge is only composed of the land where the property is located. In 2014 the legacy FBCL purchased a property in the immediate vicinity of this location and has used the market valuation technique to assess the value of the investment property and has been extrapolated to March 31, 2016, using the Consumer Price Index. The total fair value of this investment property has been determined to be $4,635 at March 31, 2016 (2015 – $821).

12. Intangible Assets

	Intangible Assets
	$
Cost	
Assets received from the legacy corporations at February 1, 2015	1 028
Additions	—
Balance, March 31, 2015	1 028
Additions	**—**
Balance, March 31, 2016	**1 028**
Accumulated depreciation	
Assets received from the legacy corporations at February 1, 2015	982
Depreciation expense	3
Balance, March 31, 2015	985
Depreciation expense	**18**
Balance, March 31, 2016	**1 003**
Net book value, March 31, 2016	**25**
Net book value, March 31, 2015	43

13. Trade and Other Payables

As at March 31	**2016**	2015
	$	$
Federal departments and agencies	**248**	222
Trade payables	**11 102**	10 898
	11 350	11 120

(in thousands of dollars)

14. Provisions

	Cornwall[i]	Sault Ste. Marie[ii]	Lansdowne[iii]	Total
	$	$	$	$
Liability received from the legacy corporations at				
February 1, 2015	16 644	1 044	681	18 369
Interest accretion	81	7	4	92
Reductions arising from payments	(4 792)	(195)	-	(4 987)
Balance, March 31, 2015	11 933	856	685	13 474
Interest accretion	34	29	(4)	59
Additional (reduced) provisions recognized	135	(25)	1 287	1 397
Reductions arising from payments	(10 737)	(185)	(20)	(10 942)
Balance, March 31, 2016	**1 365**	**675**	**1 948**	**3 988**
Less: Current portion	1 365	358	803	2 526
Long-term portion	-	317	1 145	1 462

i. The Corporation has constructed a new low-level North Channel Bridge in Cornwall. This new bridge is open for circulation and the Corporation is nearing completion of the demolition of the existing high-level bridge. The estimation of this decommissioning liability costs depends on engineering estimates of timing, inflation, site conditions, availability of specialised workforce, and commodity prices for the recycling of material. The estimated cash flows of $19,620 (2015 – $19,585) required to settle the decommissioning liability were discounted in prior years using a rate that reflected current market assessments of the time value of money and the risks specific to the liability (2015 – 2.92% to 3.04%). Per the current project schedule, the remaining cash payments for the disposal of the existing North Channel Bridge are expected to occur in the 2016 calendar year and therefore no discounting is required at March 31, 2016. These cash flows will be funded from government funding to be received at the time of demolition.

ii. The Corporation has initiated construction of a new Canadian Plaza in Sault Ste. Marie. During the construction of this new plaza the existing assets will be demolished. The estimates related to this decommissioning liability depend on engineering variables such as timing, inflation, site conditions, and contractor scheduling. The estimated cash flows of $1,074 (2015 – 1,100) required to settle the decommissioning liability have been discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the liability of 2.08% to 2.10% (2015- 2.68% to 2.86%).

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

iii. The Corporation has initiated a project for the construction of a new Customs Plaza in Lansdowne, at the Thousand Islands International Bridge. During construction of the new plaza the existing assets will be demolished. The estimates related to this decommissioning liability depend on engineering variables such as timing, inflation, site conditions, and contractor scheduling. The estimated cash flows of $563 (2015 – $700) required to settle the decommissioning liability have been discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the liability of 2.08% to 2.10% (2015-2.70%).

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

(in thousands of dollars)

14. Provisions (continued)

Additionally, at the Lansdowne location, a provision for contaminated land has been recorded based on management's best estimate of the probably cash outflows related to the remediation of the site under redevelopment. For the estimate of non-current liability, management has considered a range of scenarios where no one outcome currently has a more likely probability than another. The estimated cash flows of $1,420 (2015 – nil) required to settle the contaminated land liability have been discounted using a rate that reflects current market assessment of the time value of money and the risks specific to the liability of 0% and 2.1% (2015 – nil).

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

The total provision for Lansdowne of $1,948 is made of up decommissioning liability of $528, of which $143 is current, and contaminated land liability of $1,420, of which $660 is current.

15. Holdbacks

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

16. Deferred Revenue

As at March 31	2016	2015
	$	$
Debit cards	68	72
Passenger vehicles tokens/tickets	1 294	1 004
Prepaid commercial/commuter vehicles	1 451	1 402
Current prepaid facility rentals	387	384
Non-current prepaid facility rentals	1 971	2 142
Prepaid professional fees	-	2
Total deferred revenue	**5 171**	5 006
Less: Current portion	3 200	2 864
Long-term portion	1 971	2 142

(in thousands of dollars)

17. Loans Payable

As at March 31	2016	2015
	Carrying cost	Carrying cost
	$	$
(a) $15,000 term facility		
$4,000 @ 3.37% locked until July 27, 2016	**3 485**	3 602
$4,000 @ 3.81% locked until July 27, 2018	**3 511**	3 623
$3,000 @ 2.85% locked until July 27, 2019	**2 588**	2 681
$4,000 @ 4.42% locked until July 27, 2021	**3 546**	3 651
payable monthly		
(b) Credit facility		
$5,000 @ 3.28% locked until March 15, 2018	**4 442**	4 634
Total loans payable	**17 572**	18 191
Less: Current portion	**4 006**	619
Long-term portion	**13 566**	17 572

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

As at March 31			2016
	Principal	Interest	Total
	$	$	$
2017	4 006	540	4 546
2018	4 578	483	5 061
2019	3 494	253	3 747
2020	2 419	161	2 580
2021	134	133	267
Thereafter	2 941	43	2 984
	17 572	**1 613**	**19 185**

The Corporation maintains three separate credit facilities with a Canadian chartered bank in the total amount of $25,000 (2015 - $35,000). These facilities have been approved by the Minister of Finance as part of the Corporation's borrowing plan.

1. The first facility is a $5,000 (2015 - $15,000) line of credit to be used in the event of temporary cash deficiencies resulting from the timing of capital expenditure payments. This line of credit is prohibited to be used to cover cash shortages resulting from operating losses. This facility carries the same security as the full bond issuance (Note 18). Nothing has been drawn on this facility at March 31, 2016 (2015-nil). This line was reduced to $nil in April 2016, as it was determined that it was no longer required by the Corporation. In January 2016, the Corporation has put in place a debt repayment plan that specifies its intent to close this line, pending Government authorities.
2. The second credit facility is a reducing term facility, which originally was drawn for $15,000 on a fixed rate, non-current basis with periodic payments of interest and principal not to exceed a maturity of 25 years. This facility carries the same security as the full bond issuance (Note 18). At March 31, 2016, $13,130 remained drawn on this facility in four tranches (2015 - $ 13,557). In January 2016, the Corporation has put in place a debt repayment plan that specifies its intent to pay down these four tranches as they come due, pending Government authorities. These repayments have been identified as principal payments in the table above.

(in thousands of dollars)

17. Loans Payable (continued)

3. The third facility is a $5,000 unsecured non-revolving term credit facility totaling $5,000 that was used to finance property acquisitions relating to the Canadian Plaza Rehabilitation Project at the Sault Ste. Marie international bridge. The terms for the repayment include monthly payments of $28 over a twenty-year period, at an interest rate of 3.28% with a five year term. At March 31, 2016, $4,442 in principal payments remained outstanding (2015 - $4,634). In January 2016, the Corporation has put in place a debt repayment plan that specifies its intent to fully pay this loan at renewal, pending government authorities. This repayment has been identified as a principal payment in the table above.

18. Bonds Payable

As at March 31	**2016**	2015
	Carrying cost	Carrying cost
	$	$
Series 2002-1 bonds maturing July 9, 2027 payable semi-annually on January 9 and July 9	**70 740**	74 739
Total bonds payable	**70 740**	74 739
Less: current portion	**4 269**	3 999
Total Long-Term Bonds Payable	**66 471**	70 740

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

As at March 31			**2016**
	Principal	**Interest**	**Total**
	$	**$**	**$**
2017	4 269	4 617	8 886
2018	4 556	4 330	8 886
2019	4 863	4 023	8 886
2020	5 191	3 695	8 886
2021	5 539	3 347	8 886
Thereafter	46 322	11 439	57 761
	70 740	**31 451**	**102 191**

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.

(in thousands of dollars)

18. Bonds Payable (continued)

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, 2016 the Corporation has no active swap agreement (2015-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.

19. Deferred Capital Funding

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

As at March 31	**2016**	2015
	$	$
Balance, start of period	**7 128**	-
Liability received from the legacy corporations at February 1, 2015	-	6 119
Government funding for capital expenditures received	**24 002**	1 096
Amortisation of deferred capital funding	**(230)**	(87)
Balance, end of period	**30 900**	7 128
Less: Current portion	**272**	564
Non-current portion	**30 628**	6 564

20. Employee Benefits

Pension Benefits

The Corporation has contracted two outside firms to operate and administer an employee pension plan. Employees of the Corporation may voluntarily join the pension plan, subject to eligibility requirements. The pension plan, which is a defined-contribution pension plan, is funded on a money-purchase basis with members contributing up to 11.5% of their annual earnings. In accordance with the plan, the Corporation is required to fund matching contributions (up to 6.5%), with some eligible employees receiving double matching contributions. As discussed in Note 1, the Corporation will be revising the employer and employee contributions as required by the noted directive (Note 1). During the year, the Corporation's pension contributions amounted to $362 (2015 – $53).

Additionally, employees of SIBC are enrolled in the *Public Service Pension Plan* (the Plan). Under the Plan, the President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was a multiple of 1.15 (2015 - 1.28), for employees hired before January 1, 2013. For employees hired after December 31, 2012, the general contribution rate effective at year end was a multitude of 1.11 (2015 – 1.28). The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. The Corporation's portion of pension contributions amounted $54 (2015 – $8) during the period.

(in thousands of dollars)

20. Employee Benefits (continued)

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 $637 (2015 –$91).

Other Benefits

Other than the pension plan, the Corporation provides post-employment benefits to its eligible employees through health, dental, life insurance and an employee assistance program as well as other long-term benefits which consist of service awards. Benefit costs related to current service are charged to income as services are rendered. The risks associated with these benefits include changes in discount rates, mortality rates, per capita claim costs and general inflation that can cause volatility in the Corporation's financial results. The actuarial valuation was performed as at March 31, 2016.

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

Defined benefit obligation	**Post-employment $**	**Other long-term $**
Liability received from the legacy Corporations at February 1, 2015	7 147	88
Current service cost	41	1
Interest cost	44	1
Actuarial gain - Other	(178)	(12)
Actuarial loss - demographic assumptions	415	-
Benefits paid	(15)	(1)
Balance, March 31, 2015	7 454	77
Current service cost	251	5
Past service credit	(72)	0
Interest cost	285	3
Actuarial gain - Other	(8)	1
Actuarial gain - Financial assumptions	(459)	(1)
Benefits paid	(94)	(7)
Balance, March 31, 2016	**7 357**	78

Changes in other comprehensive income during the period:

As at March 31	**2016**	2015
	$	$
Actuarial gains (losses) arising during the year	467	(237)
Other comprehensive income	**467**	(237)

(in thousands of dollars)

20. Employee Benefits (continued)

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

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

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

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	**2016**	2015
Weighted average assumptions as at:		
Discount Rate, accrued benefit obligation	**4,00%**	3,70%
Discount Rate, benefit cost	**4,00%**	3,70%
Estimated per capita claims costs escalation rates:		
General inflation	**2,50%**	2,00%
Dental and vision care	**4,50%**	4,50%
Employee assistance program	**2,50%**	2,50%
Mortality rates	**CPM Public Table generational improvements using CPM Scale B**	

The assumed health care inflation rate as of March 31, 2016 is 7.0% (2015 – 7.3%) per annum decreasing linearly to 4.5% (2015 – 4.5%) per annum in the 2022-23 fiscal year.

Expected benefits to be paid regarding the post-employment benefit plans for the year end March 31, 2017 are $107 (2015, for the March 31, 2016 year-end – $110).

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

(in thousands of dollars)

20. 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	2016	2015
	$	$
Discount rate - increase of 1 %	**(1 344)**	(1 382)
Discount rate - decrease of 1 %	**1 766**	1 836
Future mortality - increase of 1 year age	**(330)**	(334)
Future mortality - decrease of 1 year age	**337**	342
Trend rates - increase of 1 %	**1 671**	1 655
Trend rates - decrease of 1 %	**(1 288)**	(1 276)

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

21. 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.

22. Supplementary Expense Information

The following tables show the breakdown of expenses by nature for each function on the Consolidated Statement of Comprehensive Income for the period ended March 31, 2016, and 2015.

Period ended March 31	2016	2015
	(12 months)	(2 months)
	$	$
Depreciation of property and equipment	**12 239**	1 844
Salaries and employee benefits	**12 157**	1 595
Repairs and maintenance	**5 461**	316
Goods and services	**4 035**	1 191
Loss on disposal of assets	**3 059**	7
Professional services	**1 069**	109
Depreciation of investment property	**612**	121
Foreign currency translation	**471**	-
Depreciation of intangible assets	**18**	3
Total Expenses	**39 121**	5 186

(in thousands of dollars)

23. 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 20, 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, agencies and Crown Corporations. The Corporation enters into transactions with these entities in the normal course of business. These operations are measured at fair value.

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

During the period, the parent Corporation incurred expenses totaling $4 (2015 - $2), and recorded revenue, deferred revenue, and government funding of $33,943 (2015 – 5,210). At March 31, 2016, the parent Corporation recorded $4,900 (2015 – 6,004) in accounts receivable with related parties, and accounts payable $243 (2015- $186).

During the period, the joint operations incurred expenses totaling $nil (2015-$nil) and recorded revenue, deferred revenue, and government funding of $2 (2015-$nil). At March 31, 2016, the joint operations recorded $nil (2015-$nil) in accounts receivable with related parties, and accounts payable $nil (2015-$nil).

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

Compensation of Key Management Personnel

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

Compensation of key management personnel was as follows:

Period ended March 31	**2016**	2015
	(12 months)	(2 months)
	$	$
Short-term employee benefits	**940**	125
Retirement and other post-employment benefits	**75**	13
Total	**1 015**	138

24. Facility Rentals

The Corporation has entered into contracts with companies who rent space in its buildings at various crossings. Contingent rent, based on sales at Duty Free Shops, is the largest component of the rent received by the Corporation from these lessees. One of these stores also has a smaller fixed component of its rent. Contingent revenue recognised during the current period for these stores was $2,514 (2015 – $234). 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.

(in thousands of dollars)

24. Facility Rentals (continued)

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

As at March 31	2016	2015
	$	$
Within one year	**824**	1 120
After one year but not more than five	**2 359**	2 392
More than five years	**993**	1 467
Total	**4 176**	4 979

25. 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, 2016, there were four 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.

26. Commitments for Expenditure

a) The Corporation has commitments principally for maintenance and construction contracts, and rental agreements for amounts totaling $28,413 (2015 – $17,008).

Capital project contracts have been awarded as at March 31, 2016 for the purchase of property and equipment with an outstanding commitment of $24,802 (2015 – $15,919).

Maintenance and other awarded contracts have an outstanding commitment of $470 (2015 – $609) at March 31, 2016.

The Corporation has administrative contracts outstanding which total $284 (2015 –$142) at March 31, 2016.

An existing lease for office space was amended to utilize new space within the same building and extend the length of the lease for a further 11 years. Payments due on this lease total $2,857. At the end of the prior year, the existing lease at the time had 13 months remaining with $338 in payments left.

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.

(in thousands of dollars)

26. Commitments for Expenditure (continued)

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

As at March 31	2016	2015
	$	$
Within one	16 733	13 304
After one year but not more than five	8 823	3 366
More than five	—	—
Total	**25 556**	16 670

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

As at March 31	2016	2015
	$	$
Within one	77	312
After one year but not more than five	1 119	26
More than five	1 661	—
Total	**2 857**	**338**

27. Financial Instruments

Fair Value

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

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

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

(in thousands of dollars)

27. Financial Instruments (continued)

As at March 31			2015
	Value $	Cost $	Level
Financial instruments measured at fair value on a recurring basis			
Available-for-sale investments	5 769	5 769	Level 2
Financial instruments measured at amortised costs			
Held-to-maturity investments	14 383	14 174	Level 1
Loans payable	18 220	18 191	Level 2
Bonds payable	95 076	74 739	Level 2

Available-for sale investments previously disclosed as Level 1 are now disclosed as Level 2 in the fair value hierarchy. As a result, the associated comparative figures as at March 31, 2015, have also been reclassified to Level 2 to conform with current year presentation as follows: $5,769 of available-for-sale investments disclosed as Level 1 in the prior year have been classified to Level 2 for the current year. The credit rating of these securities remains in compliance with the Corporation's investment policy, which requires all investments be no lower than a grade A, based on external credit ratings.

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

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

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

Credit Risk

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

The Corporation manages this risk by dealing only with members of the Canadian Payment Association or the Government and by closely monitoring the issuance and collection of credit to commercial clients. The carrying amount reported on the Corporation's Consolidated Statement of Financial Position for its financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk. The credit risk is not significant for the Corporation.

The credit risk associated with cash, cash equivalents, and available-for-sale investments is reduced substantially by ensuring that cash surpluses are invested in highly liquid investments. The Corporation's policy is to invest cash surpluses in low-risk instruments at an investment grade “A” or equivalent. Management believes the risk of loss is not significant. The credit risk associated with accounts receivable is minimised since a large portion of the amount is owed from federal government departments generally within 90 days. As at March 31, 2016, accounts receivable from federal governmental departments comprised 86% of the total amount due (2015-87%).

(in thousands of dollars)

27. Financial Instruments (continued)

Liquidity Risk

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

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

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

As at March 31				2015
	Carrying amount	**Less than 3 months**	**3 months to 1 year**	**Over 1 year**
	$	**$**	**$**	**$**
Trade and other payables	11 120	9 488	1 269	363
Holdback	1 075	35	1 040	-
Long-term debt payable	136 799	315	9 830	126 654
Total	148 994	9 838	12 139	127 017

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, 2016, would not be material.

Certain available-for-sale investments bear interest at a fixed rate. Available-for-sale investments also include bonds of the Government of Canada, provincial governments, and corporate banks with fixed rates of interest and an average term to maturity of 9.7 years (2015 – 9.6 years). The fair market value of these instruments is indirectly affected by fluctuations of the market interest rate. The impact of a hypothetical 1% variation in interest rates at March 31, 2016 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.

27. Financial Instruments (continued)

A variation in exchange rates during the year would significantly affect toll revenue income. The weakening Canadian dollar over the duration of the 2016 fiscal year produced an increase in toll revenue, which is recorded in Canadian dollars. A hypothetical 1% weakening of the Canadian dollar during the course of the fiscal year would have had a $149 (2015 - $20) 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, 2016, the Corporation's U.S. dollar bank balance was $1,911 (2015 - $1,870). A hypothetical 1% variance in the exchange rate at March 31, 2016, would produce a $25 (2015 - $24) 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 U.S. bank account balances to Canadian dollars 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 (2015 – $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.

28. Subsequent Events

Subsequent to March 31, 2016, the Corporation has entered into contractual commitments in order to further the delivery of major capital projects.

In April 2016 a contract was awarded for the construction of new facilities as part of the Lansdowne CBSA Port of Entry Rehabilitation for a value of $44,037 and is planned for completion by January 2018. The Corporation has government funding in place to fund these works.

In May 2016, a contract was awarded for the reconstruction of Brookdale Avenue after the demolition of the old North Channel Bridge in Cornwall for a value of $7,400 and is planned for completion by March 2017. As part of that contract, the City of Cornwall has entered into a cost sharing agreement for $2,565 in costs to complete underground municipal infrastructure works in parallel. The Corporation has government funding in place to fund its portion of the works.

BOARD OF DIRECTORS

(as of March 31, 2016)

Connie Graham [1]
Chairperson

Pascale Daigneault[3]
Vice-Chairperson

Gary Atkinson[2]
Director

Diana Dodge[4]
Director

Micheline Dubé, FCPA, FCMA[5]
Director

Rick Talvitie[6]
Director

Debbie Tropea[7]
Director

COMMITTEES OF THE BOARD OF DIRECTORS

FINANCE AND AUDIT COMMITTEE

Debbie Tropea
Chair

Diana Dodge
Member

Rick Talvitie
Member

GOVERNANCE, POLICY AND HUMAN RESOURCES COMMITTEE

Gary Atkinson
Chair

Pascale Daigneault
Member

OFFICERS AND SENIOR MANAGERS

Micheline Dubé, FCPA, FCMA
President and CEO

Natalie Kinloch, CPA, CA
Treasurer

Jacques E. Pigeon Q.C.
Corporate Secretary

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

BOARD OF DIRECTORS

(as of March 31, 2016)

Micheline Dubé
President and Director

Glenn Hewus
Director

Natalie Kinloch
Director

Carrie-Mann Lavigne
Vice-President

Thomas Lavigne
Director

Jacques E. Pigeon, Q.C.
Director

Kevin O'Malley
Director

Marsha Sienkiewicz
Director

OFFICERS AND SENIOR MANAGEMENT

Micheline Dubé
President & Chief Executive Officer

Wade Dorland
Bridge Director

Natalie Kinloch
Treasurer

Carrie Mann-Lavigne
Deputy General Counsel

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

Marsha Sienkiewicz
Assistant-Treasurer

COMMITTEES OF THE BOARD OF DIRECTORS

MANAGEMENT COMMITTEE

Micheline Dubé
Chairperson

Carrie Mann-Lavigne
Member

AUDIT COMMITTEE

Marsha Sienkiewicz
Chairperson

Natalie Kinloch
Member

Jacques E. Pigeon, Q.C.
Member

View taken from Point Edward of the two arches at the Blue Water Bridge

ATIP	ACCESS TO INFORMATION AND PRIVACY
BWBA	BLUE WATER BRIDGE AUTHORITY
CBCA	CANADA BUSINESS CORPORATIONS ACT
CBSA	CANADA BORDER SERVICES AGENCY
ERM	ENTERPRISE RISK MANAGEMENT
FAA	FINANCIAL ADMINISTRATION ACT
FBCL	THE FEDERAL BRIDGE CORPORATION LIMITED
IBA	INTERNATIONAL BRIDGE ADMINISTRATION
IBTA	INTERNATIONAL BRIDGES AND TUNNELS ACT
IFRS	INTERNATIONAL FINANCIAL REPORTING STANDARDS
MDOT	MICHIGAN DEPARTMENT OF TRANSPORTATION
OAG	OFFICE OF THE AUDITOR GENERAL OF CANADA
PSPC	PUBLIC SERVICES AND PROCUREMENT CANADA
SIBC	THE SEAWAY INTERNATIONAL BRIDGE CORPORATION LIMITED
SLSDC	ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION
SMRBC	ST. MARY'S RIVER BRIDGE COMPANY
SSMBA	SAULT STE. MARIE BRIDGE AUTHORITY
TC	TRANSPORT CANADA
TIBA	THOUSAND ISLANDS BRIDGE AUTHORITY

CORPORATE OFFICES

THE FEDERAL BRIDGE CORPORATION LIMITED

200-55 Metcalfe Street
Ottawa, Ontario K1P 6L5

Telephone: (613) 366-5074
Fax: (613) 366-5174

Blue Water Bridge Location
1555 Venetian Blvd,
Point Edward, Ontario, N7T 0A9

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

www.federalbridge.ca / info@federalbridge.ca

SUBSIDIARY

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

P.O. Box 836
Cornwall, Ontario K6H 5T7

Telephone: (613) 932-6601
Fax: (613) 932-9086
www.sibc.ca

PARTNERS

SAULT STE. MARIE BRIDGE AUTHORITY

934 Bridge Plaza
Sault Ste. Marie MI 49783

www.saultbridge.com/

THE THOUSAND ISLANDS BRIDGE AUTHORITY

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

Telephone: (315) 482-2501
Fax: (315) 482-5925
www.tibridge.com