FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY FINANCIAL REPORT

2nd QUARTER (Q2) – UNAUDITED

For the six months ended September 30, 2017

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1.0 INTRODUCTION

This interim financial report outlines the significant activities and initiatives, risks and financial results of The Federal Bridge Corporation Limited (FBCL) for the six month period ended September 30, 2017. This interim financial report has been prepared in accordance with the requirements of the *Financial Administration Act* and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat and with International Financial Reporting Standards (IFRS) 34, Interim Financial Reporting. It should be read in conjunction with the interim unaudited condensed consolidated financial statements and related notes, included herein. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

1.1 Forward-looking statements

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

1.2 Materiality

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

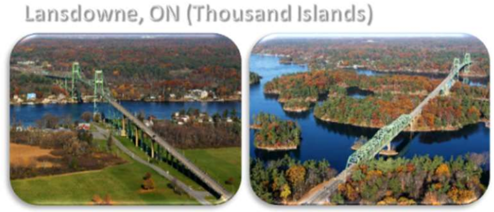
2.0 CORPORATE OVERVIEW

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

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

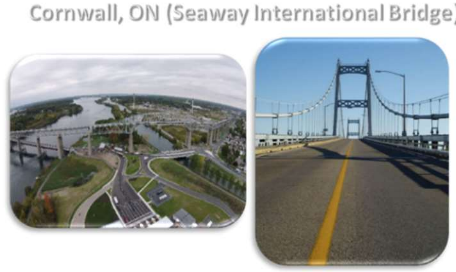
Sault Ste. Marie, ON

Lansdowne, ON (Thousand Islands)



Point Edward, ON (Blue Water Bridge)

Cornwall, ON (Seaway International Bridge)



2.1 Mandate

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

The business or undertaking of FBCL is:

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

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

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

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

2.2 Outlook

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

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

Significant construction projects in the quarter included:

a) With the completion the new Canada Border Service Agency (CBSA) integrated Traffic and Commercial Building in Lansdowne at the end of Q1, significant work has been performed on phase two during Q2. This includes the demolition of the existing traffic building, construction of six remaining traffic primary inspection lanes and construction of the exterior areas which are planned to be completed by December 2017, bringing this project to substantial completion. The project was announced in April 2013, and was financed through the Gateways and Border Crossings Fund.

b) Additionally at the Lansdowne location, the rehabilitation of three piers was completed. The concrete piers were last rehabilitated in 2000. Over the last few years of bridge inspections, Piers 10, 12 & 13 were found to be in fair condition but were observed to show some signs of surface failures. In 2014, a comprehensive condition survey of recommended rehabilitation of these piers was undertaken.

2.2 Outlook (Cont'd)

c) The Canadian Plaza Redevelopment in Sault Ste. Marie has continued its construction. Currently, three of the four buildings within the complex are completed and operational. Through exhaustive planning efforts, FBCL has ensured no interruptions to international bridge operations during construction. The substantial completion of the project is expected by December 2017 and includes the construction of the fourth building, the Commercial Building. The project was announced in September 2009, and was financed through a government contribution agreement.

d) Furthermore at the Sault Ste Marie location, substantially all of the arches on the Canadian side of the bridge were painted. This project was funded by both FBCL and the American partner. The painting of the arches of the American bridge will occur in a subsequent fiscal year and will also be funded by both FBCL and the American partner.

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

2.3 Significant Changes

On September 7, 2017, FBCL announced that, as part of its strategic review of business operations, the operations at its Currency Exchange located at the Blue Water Bridge in Point Edward will cease on February 28, 2018. The Currency Exchange, as a store front business, is an ancillary business to FBCL's core business mandate which is to build, maintain and operate bridges and associated infrastructure. FBCL is proceeding with a competitive process for the purposes of entering into a lease agreement with an independent third-party for future business ventures aimed at enhancing the customer experience at this location. Seven positions are impacted and all employees have been provided with options in accordance with their terms of employment and the collective agreement.

3.0 RISK MANAGEMENT

CORPORATE RISK

In line with good governance practices, FBCL updates and revises its Enterprise Risk Management on an ongoing basis, identifying and including any changes in FBCL's environment. In order to address the risks within FBCL's corporate risk profile, effective risk mitigation strategies and action plans are developed, under the oversight of assigned members of executive management, to reduce the risk exposure to an acceptable and manageable level. Management monitors progress on the implementation of the mitigation strategies developed as part of the Enterprise Risk Management and reports to the Board of Directors on a regular basis. There have been no new major risks identified during the six months ended September 30, 2017.

FINANCIAL RISK

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

4.0 QUARTERLY RESULTS

4.1 Results of Operations

SEASONAL TRENDS

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, a greater number of transits occur at international bridge crossings in the second and third quarters of the fiscal year (July through December) and result in higher toll revenues. In the first (April to June) and fourth (January to March) quarters, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers and climate resulting in a preference for travel during the spring and summer months. However, economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country.

In regards to its expenses, FBCL incurs important annual maintenance and asset rehabilitation costs during the construction season spanning the first three quarters of the fiscal year (April through December). These planned expenses can be influenced by varying weather conditions particularly in the third and fourth quarters with the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position ($000's)

	Sept 30, 2017	March 31, 2017	Variance
Assets			
Current assets	42,526	42,881	(355)
Non-current assets	404,595	391,451	13,144
Total assets	**447,121**	**434,332**	**12,789**
Liabilities			
Current liabilities	26,567	30,608	(4,041)
Non-current liabilities	181,216	166,022	15,194
Total liabilities	**207,783**	**196,630**	**11,153**
Total equity	**239,338**	**237,702**	**1,636**

Current Assets: Cash and cash equivalents and investments have increased by $6.4 million. FBCL has invested a significant portion of its cash into investment vehicles which will be used for future debt repayments and capital projects. Receivables have decreased by $6.6 million, due to the nearing to completion of most of FBCL's major capital projects, and subsequently lower claims due from the Government of Canada for the funding of these projects.

Non-Current Assets: Capital assets accounted for $12.1 million of this increase, which resulted from $20.9 million in acquisitions offset by $8.8 million of associated depreciation. Non-current investments have increased by $1.0 million, which is meant to take advantage of the higher investment returns available with longer term investments. This investment of cash resulted from positive cash flow from operations, and will also be used to fund future capital projects and debt repayments.

Current Liabilities: Trade and other payables, holdbacks and provisions have decreased by a net of $5.4 million in which the most significant portion relates to work performed on the three major capital projects. The current portion of deferred capital funding has increased by $1.3 million.

4.1 Results of Operations (Cont'd)

Non-Current Liabilities: Deferred capital funding has increased by $17.5 million and is entirely driven by government funding of the three major capital projects (refer to section 4.3 for additional details). The non-current portion of bonds payable has decreased by $2.4 million as a payment occurred in Q2.

STATEMENT OF COMPREHENSIVE INCOME

Revenue and government funding ($000's)

	For the three months ending September 30			For the six months ending September 30		
	Sept 30, 2017	Sept 30, 2016	Variance	Sept 30, 2017	Sept 30, 2016	Variance
Tolls	8,322	8,319	3	16,156	16,444	(288)
Thousand Islands International Bridge	1,812	2,244	(432)	3,447	3,692	(245)
Leases and permits	1,458	1,335	123	2,447	2,325	122
Interest	153	163	(10)	290	319	(29)
Foreign exchange gain	(39)	274	(313)	138	555	(417)
Currency exchange	442	613	(171)	544	920	(376)
Other	(25)	220	(245)	46	322	(276)
Total revenue	**12,123**	**13,168**	**(1,045)**	**23,068**	**24,577**	**(1,509)**
Government funding	**1,781**	**1,794**	**(13)**	**2,279**	**2,825**	**(546)**

Tolls and Thousand Islands International Bridge: Year-to-date, there has been a decrease in total paid traffic across the four international bridges of 1.2% for the first two quarters, with variances between locations ranging from an increase of 3.2% to a decrease of 2.5%. This overall decrease of 1.2% is an improvement from the 1.9% decrease at Q1. Passenger traffic has increased at one bridge and decreased at the remaining three bridges with an overall negligible change overall. Commercial traffic crossings have increased at one bridge and decreased at three bridges with an overall decrease of 2.0%. Revenues, however, have decreased 2.6% due to the strengthening of the Canadian dollar. This is because revenues received in US dollars (i.e. individual toll transactions) or translated from US dollar financial statements (i.e. financial statements that form part of FBCL's consolidation from SSMBA and TIBA) this fiscal year are translated to Canadian dollars at a lower amount with the stronger Canadian dollar.

During the second quarter, overall traffic has been relatively steady in comparison to last year, with a decrease of 0.6%. Revenue is 4.1% lower, again due to the stronger Canadian dollar.

Leases and permits: Rental income from commercial tenants is greater at the end of the second quarter of 2017-18 as compared to 2016-17 due to favourable lease renewals and stronger revenues from FBCL's Duty Free Store tenants.

Foreign exchange: The biggest component of the decrease in foreign exchange relates to the translation of cash held in US dollars and SSMBA's assets and liabilities being translated into Canadian dollars. The foreign exchange rate increased from C$0.7513 on April 1, 2017 to C$0.8013 on September 30, 2017 (the dollar also increased in Q2 - C$0.7796 at June 30, 2017 to C$0.8013 at September 30, 2017).

4.1 Results of Operations (Cont'd)

Currency exchange: The strengthening of the Canadian dollar resulted in a loss on cash held at the Currency Exchange. This resulted in an exchange loss as compared to Q2 2016-17, when the exchange rate was flat.

Government funding: Government funding includes amortization of deferred capital funding of $1.8 million ($0.1 million – Q2 2016-17) and funding with respect to provisions of $0.5 million ($2.7 million – Q2 2016-17). The amortization increase relates to the Lansdowne CBSA and Cornwall Brookdale projects which are now completed and in use. For the provisions, refer to section 4.3 for additional details on government funding.

Operating and interest expense ($000's)

	For the three months ending September 30			**For the six months ending September 30**		
	Sept 30, 2017	Sept 30, 2016	Variance	Sept 30, 2017	Sept 30, 2016	Variance
Operations	1,816	1,714	102	3,715	3,269	446
Thousand Islands International Bridge	1,821	1,878	(57)	3,371	3,229	142
Currency exchange	182	163	19	372	368	4
Maintenance	3,566	2,909	657	5,719	5,889	(170)
CBSA & CFIA operations	1,722	952	770	3,892	1,972	1,920
Administration	2,026	2,252	(226)	3,913	4,142	(229)
Total expenses	**11,133**	**9,868**	**1,265**	**20,982**	**18,869**	**2,113**
Interest expense	**1,241**	**1,285**	**(44)**	**2,443**	**2,575**	**(132)**

Operations: Salaries are $0.2 million higher in the first two quarters of 2017-18 as compared to the two first quarters of 2016-17 and additional expenses were incurred in the management of the toll system.

Thousand Islands International Bridge: Amortization of capital assets is $0.2 million higher in the first two quarters of 2017-18 compared to first two quarters of 2016-17.

Maintenance: There are several factors affecting the variance with the most significant being a $0.3 million decrease due to the timing of maintenance expenses at the Sault Ste. Marie location and a $0.2 million increase in amortization.

CBSA & CFIA operations: Amortization of capital assets is $1.8 million higher which consists of fully depreciating the old CBSA building in Lansdowne and amortization on the new CBSA building in Lansdowne which was opened at the end of Q1 2017-18 and the CBSA building in Sault Ste. Marie which opened in Q2 2016-17.

Administration: A multitude of factors result in the lower expense for administration, including but not limited to depreciation, travel, and consultant spending.

Interest expense: The decrease is due to the repayment of bank loans as they reach their respective renewal dates as well as regularly scheduled payments regarding the bonds payable. The latest bank loan repayment was in Q2 2016-17 for $3.5 million.

4.1 Results of Operations (Cont'd)

STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flow ($000's)

	For the three months ending September 30			For the six months ending September 30		
	Sept 30, 2017	Sept 30, 2016	Variance	Sept 30, 2017	Sept 30, 2016	Variance
Net cash generated by operating activities	3,055	8,804	(5,749)	10,415	12,245	(1,830)
Net cash used by investing activities	(2,623)	2,552	(5,175)	(10,789)	(185)	(10,604)
Net cash used by financing activities	(2,374)	(5,684)	3,310	(2,505)	(5,842)	3,337
Net (decrease) increase in cash	**(1,942)**	**5,672**	**(7,614)**	**(2,879)**	**6,218**	**(9,097)**

Operating activities: Cash flow from operations reached $9.1 million in Q2 ($12.5 million – Q2 2016-17) in addition to changes in the working capital of $1.3 million (use of $0.3 million – Q2 2016-17).

Investing activities: By the end of Q2, FBCL has invested an additional $10.5 million (generation of $2.4 million – Q2 2016-17). Net cash has also been used relating to capital projects of $0.3 million (use of cash of $2.6 million – Q2 2016-17), when taking into account cash received for government funding of capital projects.

Financing activities: Financing activities relate solely to the principal repayment of loans and bonds payable.

4.2 Financial Performance Against Corporate Plan

The following is a summary of actual revenues and expenses as compared to the full 12-month 2017-18 Corporate Plan.

Revenue and government funding ($000's)

	Sept 30, 2017 (6 months)	Corporate Plan (12 months)	Percentage
Tolls	16,156	31,048	52%
Thousand Islands International Bridge	3,447	6,541	53%
Leases and permits	2,447	4,200	58%
Interest	290	641	45%
Foreign exchange gain	138	-	
Currency exchange	544	1,313	41%
Other	46	33	139%
Total revenue	**23,068**	**43,776**	**53%**
Government funding	**2,279**	**2,237**	**102%**

While revenues are more than 50% achieved for the year as compared to budget, due to seasonality, decreases in overall traffic volumes, and a stronger Canadian dollar, it is anticipated that overall revenues will be marginally below budget at the end of the fiscal year.

Operating and interest expenses ($000's)

	Sept 30, 2017 (6 months)	Corporate Plan (12 months)	Percentage
Operations	3,715	9,165	41%
Thousand Islands International Bridge	3,371	6,343	53%
Currency exchange	372	919	40%
Maintenance	5,719	11,836	48%
CBSA & CFIA operations	3,892	4,184	93%
Administration	3,913	7,368	53%
Total expenses	**20,982**	**39,815**	**53%**
Interest expense	**2,443**	**5,094**	**48%**

Overall expenses are approximately 50% of budget with the exception of CBSA and CFIA operations which is 93% of budget. This variance is due to actual amortization of the new and old CBSA buildings being greater than budget, as they have become operational sooner than originally anticipated.

4.3 Reporting on Use of Appropriations

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

($000's)

	Six month period ending Sept 30	
	Sept 30, 2017	Sept 30, 2016
Main estimates	22,885	31,414
Additional Funding Requests	-	450
Reprofiling request		
from prior years	-	2,638
to future years	(3,172)	4,508
Funding available	**19,713**	**39,010**
Drawdown [1]		
actual	14,658	17,912
plan	**5,055**	**21,098**
Total drawdown	**19,713**	**39,010**
Remaining appropriations	**-**	**-**

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

Of the $19.7 million in spending forecast for the year, $17.0 million is forecast to be spent on projects at Lansdowne ($13.6 million had been drawn in the first two quarters), and $2.3 million is to be spent on Cornwall projects ($1.0 million has been drawn down in the first two quarters).

The project in Sault Ste. Marie is a $51.6 million project that was initiated in 2009 and is funded by the Gateways and Border Crossing Fund. As part of this project, FBCL is also delivering $1.5 million of CBSA identified leasehold and furniture fit-up requirements (through appropriations) to meet the needs of their workforce. Of the $1.5 million of additional funding, $0.5 million is anticipated to be incurred this year. The spending forecast for the year is $10.9 million of which $7.2 million has been drawn down in the first two quarters which includes $0.1 million relating to CBSA identified leashold and furniture fit-up requirements.

Of the $21.8 million total funding received in the first two quarters, $0.1 million relates to decommissioning liability at Sault Ste. Marie and $0.5 million relates to the decommissioning liability at Lansdowne while the remaining $21.2 million relates to property and equipment acquisitions ($19.1 million) and payment of holdbacks ($2.1 million).

5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2017

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

5.1 Statement of Management Responsibility

Management of The Federal Bridge Corporation Limited is responsible for the preparation and fair presentation of these interim unaudited condensed consolidated financial statements in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* and International Financial Reporting Standard 34 Interim Financial Reporting, and for such internal controls as management determine are necessary to enable the preparation of the interim unaudited condensed consolidated financial statements. Management is also responsible for ensuring all other information in this interim financial report is consistent, where appropriate, with the restated interim unaudited condensed consolidated financial statements.

The Federal Bridge Corporation Limited completed the consolidation of the interim unaudited financial statements and establishes and maintains appropriate internal controls for that purpose. To prepare its interim unaudited condensed consolidated financial statements, the management of The Federal Bridge Corporation Limited relies on unaudited financial information provided by its wholly-owned subsidiary, The Seaway International Bridge Corporation Ltd., as well as unaudited financial information provided by its international partners. The financial information provided by the subsidiary and the international partners, as well as the internal controls established and maintained to collect such information, are the responsibility of each of these entities' management.

Based on our knowledge, these unaudited condensed consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the interim unaudited condensed consolidated financial statements.

Micheline Dubé	Natalie Kinloch
President and Chief Executive Officer	Chief Financial and Operating Officer

Ottawa, Canada
November 30, 2017

The Federal Bridge Corporation Limited

Consolidated Statement of Financial Position
as at September 30, 2017
(in thousands of Canadian dollars)

	Notes	September 30, 2017	March 31, 2017
		unaudited	
		$	$
Assets			
Current Assets			
Cash and cash equivalents		**5,852**	8,731
Investments		**30,044**	20,805
Trade and other receivables		**6,084**	12,696
Prepaids		**546**	649
Total Current Assets		**42,526**	42,881
Non-Current Assets			
Property and equipment	**6**	**377,212**	364,752
Investment properties		**19,313**	19,618
Intangible assets		**12**	16
Lessor inducement		**258**	265
Investments		**7,800**	6,800
Total Non-Current Assets		**404,595**	391,451
Total assets		**447,121**	434,332
Liabilities			
Current Liabilities			
Trade and other payables		**7,899**	12,026
Employee benefits		**791**	820
Provisions	**7**	**783**	1,372
Holdbacks		**1,979**	2,663
Deferred revenue		**2,705**	2,698
Current portion of loans payable		**4,483**	4,578
Current portion of bonds payable		**4,707**	4,556
Current portion of deferred capital funding		**3,220**	1,895
Total Current Liabilities		**26,567**	30,608
Non-Current Liabilities			
Loans payable		**8,819**	8,988
Bonds payable		**59,523**	61,915
Employee benefits		**7,845**	7,573
Deferred revenue		**1,744**	1,820
Deferred capital funding		**98,794**	81,261
Provisions	**7**	**4,244**	4,194
Leasee inducement		**247**	271
Total Non-Current Liabilities		**181,216**	166,022
Equity			
Share capital - 2 shares @ no par value		**-**	-
Retained earnings		**239,657**	237,735
Accumulated other comprehensive income		**(319)**	(33)
Total Equity		**239,338**	237,702
Total Equity and Liabilities		**447,121**	434,332

The Federal Bridge Corporation Limited

Consolidated Statement of Comprehensive income
for the three and six month periods ended September 30, 2017

(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	$	$	$	$
Revenue				
Tolls and services	**8,322**	8,319	**16,156**	16,444
Leases and permits	**1,458**	1,335	**2,447**	2,325
Currency exchange	**442**	613	**544**	920
Thousand Islands International Bridge revenue	**1,812**	2,244	**3,447**	3,692
Interest	**153**	163	**290**	319
Foreign exchange gain	**(39)**	274	**138**	555
Other	**(25)**	220	**46**	322
Total Revenue	**12,123**	13,168	**23,068**	24,577
Expenses				
Operations	**1,816**	1,714	**3,715**	3,269
Thousand Islands International Bridge expenses	**1,821**	1,878	**3,371**	3,229
Currency exchange	**182**	163	**372**	368
Maintenance	**3,004**	2,909	**5,719**	5,889
Canada Border Security Agency & Canadian Food Inspection Agency operations	**2,284**	952	**3,892**	1,972
Administration	**2,026**	2,252	**3,913**	4,142
Total Expenses	**11,133**	9,868	**20,982**	18,869
Operating Income Before Government Funding	**990**	3,300	**2,086**	5,708
Government Funding				
Amortization of deferred capital funding	**1,664**	68	**1,811**	136
Funding with respect to decommissioning liability	**117**	963	**468**	2,689
Total Government Funding	**1,781**	1,031	**2,279**	2,825
Non-Operating Items				
Interest expense	**(1,241)**	(1,285)	**(2,443)**	(2,575)
Total Non-Operating Income	**(1,241)**	(1,285)	**(2,443)**	(2,575)
Net Income	**1,530**	3,046	**1,922**	5,958
Other Comprehensive Income				
Items that may be reclassified subsequently to statement of income (loss)				
Investments revaluation loss on available-for-sale investments	**25**	45	**(28)**	130
Cumulative gain reclassified to income on sale of available-for- sale investments	**(258)**	55	**(258)**	(11)
Total Other Comprehensive Income	**(233)**	100	**(286)**	119
Total Comprehensive Income for the Period	**1,297**	3,146	**1,636**	6,077

5.4 Interim Unaudited Condensed Consolidated Statement of Changes in Equity

The Federal Bridge Corporation Limited

Consolidated Statement of Changes in Equity
for the six month period ended September 30, 2017

(in thousands of Canadian dollars)

	Retained Earnings	Accumulated Other Comprehensive Income	Total
	$	$	$
Balance, April 1, 2016	238,723	80	238,803
Total Comprehesive Income:			
Net income	5,958	-	5,958
Other Comprehesive Income:			
Cumulative gain reclassified to income on sale of available-for-sale investments	-	(11)	(11)
Investments revaluation loss on available-for-sale investments	-	130	130
Other Comprehesive Income total	-	119	119
Total Comprehesive Income	5,958	119	6,077
Balance at September 30, 2016	**244,681**	**199**	**244,880**
Balance, April 1, 2017	237,735	(33)	237,702
Total Comprehesive Income:			
Net income	1,922	-	1,922
Other Comprehesive Income:			
Cumulative gain reclassified to income on sale of available-for-sale investments	-	(28)	(28)
Investments revaluation loss on available-for-sale investments	-	(258)	(258)
Other Comprehesive Income total	-	(286)	(286)
Total Comprehesive Income	1,922	(286)	1,636
Balance at September 30, 2017	**239,657**	**(319)**	**239,338**

The Federal Bridge Corporation Limited

Consolidated Statement of Cash Flows

for the three and six month periods ended September 30, 2017

(in thousands of Canadian dollars)

	For the three months ended		*For the six months ended*	
	September 30, 2017	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			$	
Cash Flows from Operating Activities				
Net income	**1,530**	3,046	**1,922**	5,958
Adjustments for:				
Amoritsation of deferred capital funding	**(1,664)**	(68)	**(1,811)**	(136)
Depreciation of property and equipment	**4,580**	3,129	**8,473**	6,149
Depreciation of intangible assets	**2**	2	**4**	5
Depreciation of investment properties	**153**	154	**305**	308
Loss on disposal of property and equipment	**-**	93	**-**	93
Change in employee benefits	**116**	75	**243**	157
	4,717	6,431	**9,136**	12,534
Changes in Non-cash Working Capital:				
Trade and other receivable	**6,175**	(1,034)	**6,612**	(3,957)
Lessor inducement	**3**	4	**7**	8
Prepaids	**(38)**	(499)	**103**	(401)
Trade and other payables	**(8,234)**	4,273	**(4,127)**	5,657
Provisions	**(206)**	(948)	**(539)**	(1,765)
Holdbacks	**660**	995	**(684)**	532
Leassee inducement	**(12)**	64	**(24)**	128
Deferred revenue	**(10)**	(482)	**(69)**	(491)
	(1,662)	2,373	**1,279**	(289)
Net Cash Generated by Operating Activities	**3,055**	8,804	**10,415**	12,245
Cash Flows from Investing Activities				
Payments for property and equipment	**(7,954)**	(15,865)	**(20,933)**	(25,432)
Government funding related to acquisitions of property and equipment	**6,985**	14,221	**20,669**	22,860
Proceeds on sale of investments	**5,649**	9,402	**8,484**	12,109
Purchase of investments	**(7,303)**	(5,206)	**(19,009)**	(9,722)
Net Cash Used for Investing Activities	**(2,623)**	2,552	**(10,789)**	(185)
Cash Flows from Financing Activities				
Repayment of loans payable	**(133)**	(3,584)	**(264)**	(3,742)
Repayment of bonds payable	**(2,241)**	(2,100)	**(2,241)**	(2,100)
Net Cash Used for Financing activities	**(2,374)**	(5,684)	**(2,505)**	(5,842)
Net increase/(decrease) in cash and cash equivalents	**(1,942)**	5,672	**(2,879)**	6,218
Cash and cash equivalents, beginning of period	**7,794**	13,786	**8,731**	13,240
Cash and Cash Equivalents, end of period	**5,852**	19,458	**5,852**	19,458

5.6 Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements

1. AUTHORITY AND ACTIVITIES

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

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

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

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

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

3. SEASONALITY

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, a greater number of transits occur at international bridge crossings in the second and third quarters of the fiscal year and result in higher toll revenues. In the first and fourth quarters, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers and climate resulting in a preference for travel during the spring and summer months. However, economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country.

In regards to its expenses, FBCL incurs important annual maintenance and asset rehabilitation costs during the construction season spanning the first three quarters of the fiscal year. These planned expenses can be influenced by varying weather conditions particularly in the third and fourth quarters with the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

4. USE OF JUDGMENTS AND ESTIMATES

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

5. FUTURE CHANGES IN ACCOUNTING POLICIES

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

6. PROPERTY AND EQUIPMENT

Cost	Land	Bridges and roads	Vehicles and equipment	Buildings	Property Improvements	Projects in progress	Total
	$	$	$	$		$	$
Balance, April 1, 2016	14,126	235,419	21,018	88,421	20,359	40,293	419,636
Additions	52	364	393	575	69	56,645	58,098
Disposals	-	(17,687)	(119)	(1,909)	-	-	(19,715)
Transfers	-	8,544	2,762	18,266	2,096	(31,354)	314
Balance, March 31, 2017	14,178	226,640	24,054	105,353	22,524	65,584	458,333
Additions	-	38	68	8	24	20,795	20,933
Disposals	-	-	-	(4,807)	-	-	(4,807)
Transfers	-	22,820	3,170	36,227	3,419	(65,636)	-
Balance, September 30, 2017	**14,178**	**249,498**	**27,292**	**136,781**	**25,967**	**20,743**	**474,459**

Accumulated depreciation	Land	Bridges and Roads	Vehicles and Equipment	Buildings	Property Improvements	Projects in Progress	Total
	$	$	$	$		$	$
Balance, April 1, 2016	-	54,751	10,428	20,186	13,539	-	98,904
Eliminated on disposal of assets	-	(17,687)	(119)	(1,841)	-	-	(19,647)
Transfers	-	-	-	767	-		767
Depreciation	-	7,457	1,678	3,741	681	-	13,557
Balance, March 31, 2017	-	44,521	11,987	22,853	14,220	-	93,581
Eliminated on disposal of assets	-	-	-	(4,807)	-	-	(4,807)
Transfers	-	-	-	-	-	-	-
Depreciation	-	3,959	834	3,289	391	-	8,473
Balance, September 30, 2017	**-**	**48,480**	**12,821**	**21,335**	**14,611**	**-**	**97,247**
Net book value, September 30, 2017	**14,178**	**201,018**	**14,471**	**115,446**	**11,356**	**20,743**	**377,212**
Net book value, March 31, 2017	14,178	182,119	12,067	82,500	8,304	65,584	364,752

During the quarter, the Corporation did not enter into contractual commitments to further the delivery of major capital projects.

7. PROVISIONS

	Cornwall[i]	Sault Ste. Marie[ii]	Lansdowne[iii]	Total
	$	$	$	$
Balance at April 1, 2017	4,194	161	1,211	5,566
Interest accretion	50	-	8	58
Reductions arising from payments	-	(114)	(483)	(597)
Balance at September 30, 2017	**4,244**	**47**	**736**	**5,027**
Less: Current portion	-	47	736	783
Long-term portion	4,244	-	-	4,244

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

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

iii. The Corporation has initiated a project for the construction of a new customs plaza in Lansdowne, at the Thousand Islands International Bridge which in turn will result in the demolition of the existing assets. With the completion of the first phase of the new customs plaza in Q1, the Corporation continues with the demolition of the existing assets in Q2.

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

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

8. FINANCIAL INSTRUMENTS

Fair Value

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

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

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

8. FINANCIAL INSTRUMENTS (continued)

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

As at September 30			**2017**
	Value $	**Cost** $	Level
Financial instruments measured at fair value on a recurring basis			
Available-for-sale investments	**16,947**	**16,947**	Level 2
Financial instruments measured at amortised costs			
Held-to-maturity investments	**20,897**	**20,897**	Level 1
Loans payable	**13,050**	**13,302**	Level 2
Bonds payable	**78,882**	**64,230**	Level 2

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