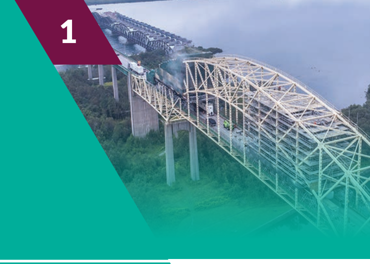
FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY FINANCIAL REPORT
1ST QUARTER (Q1) – UNAUDITED

For the three months ended June 30, 2019

Canada



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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 three month period ended June 30, 2019. 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.

1-2: Sault Ste. Marie International Bridge
3-5: Thousand Islands International Bridge
6: Blue Water Bridge
7-10: Seaway International Bridge

2.0 CORPORATE OVERVIEW

FBCL is responsible for Canadian federal interests at four 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, administers international agreements associated with the bridges, leads bridge engineering and inspection duties and manages bridge capital investment projects.

2.1 Mandate

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

The business or undertaking of the Corporation are limited to the following:

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

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

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

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

2.2 Outlook

FBCL manages Canada's interest in four of the bridges linking Ontario with the United States. Each crossing is endowed with unique characteristics. The bridges are dynamic reflections of their regional communities and are subject to distinct co-ownership and administrative models. As a collective, they enhance FBCL's aim of generating a shared portfolio-wide capital reserve for asset maintenance and contingency management while still commanding a need for individualized consideration.

This dichotomy is also reflected in FBCL's broader operating reality. With an eye on growth, service quality and operational excellence, FBCL possesses a strong ability to effectively manage internal minutiae of its environment. On the other hand, the Corporation's influence on the overall marketplace is very limited and it must be prepared to be resilient when acting on such external pressures as the ever-changing global economy, capricious internal trade pressures, fluctuating currency exchange rates and the effects of climate change.

FBCL will continue to focus on user improvements and on the establishment of a robust policy framework that will support its evolution, growth and operational excellence. An emphasis on goal achievement will be implemented through investments in technology and innovation. Growth in toll revenue will be supported by actions to influence greater consistency and efficiencies from key partners and by deepening existing positive relationships with bridge stakeholders.

Significant construction projects in the quarter included:

a) ***Cornwall:*** FBCL is in the midst of demolishing the remaining in-water piers of the old North Channel Bridge, and this is well underway and advancing on target and on budget. During the quarter, it was determined that modifications to the scope of South Channel Bridge Traveler project were required. The procurement for this project have been undertaken and the contract is expected to be awarded during Q2.

b) ***Lansdowne:*** The Corporation's share of construction works on a toll upgrade and electronic tolling projects continued. These projects will be put in use in Q2.

c) ***Point Edward:*** Additional improvements to the Plaza design continued in order to improve the flow of traffic. During the quarter, the demolition of certain older buildings were completed and work continued on the emergency road return, providing quicker access to the bridges and plaza for emergency vehicles.

d) ***Sault Ste. Marie:*** There are currently no large-scale projects in process in Sault Ste. Marie.

2.3 Significant Changes

The Minister of Transport announced certain appointments to FBCL's Board of Directors. Pascale Daigneault, who has been an FBCL Director since 2015, was named as the new Chairperson of FBCL for a two-year term, replacing Rick Talvitie, FBCL's Board Vice-Chair. In addition, John Lopinski and Rakesh Shreewastav were appointed to complete FBCL's Board of Directors. As a result of these changes and per decision of the Board of Directors, Andrew Travis Seymour has assumed the Vice-Chair position and Marie-Jacqueline St. Fleur and Rakesh Shreewastav were named as Chair of the Finance and Audit Committee and Governance, Policy and Human Resources Committee, respectively. FBCL will benefit from the stability, objectivity and innovation that will result from their knowledgeable guidance. FBCL has also hired a new Chief Operating Officer, Warren Askew, taking over the Operating responsibilities from Natalie Kinloch who, in February 2019, was appointed FBCL's Chief Executive Officer. There have been no other significant and material changes occurring during the three months ended June 30, 2019, related to operations, personnel and programs of FBCL.

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 risks identified during the three months ended June 30, 2019.

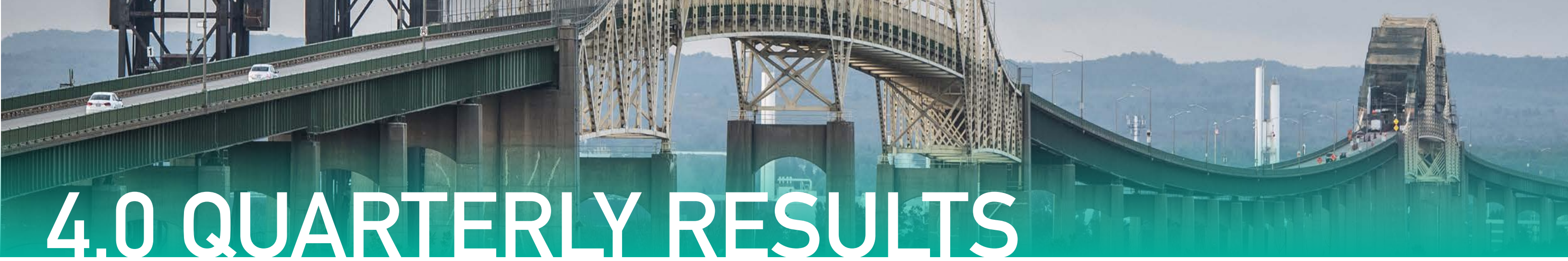
FINANCIAL RISK

FBCL's financial risks are assessed regularly by Standard & Poor's Financial Services LLC (S&P). In August of 2019, S&P Global Ratings issued its long-term issuer credit and senior unsecured debt ratings on FBCL as 'A+' based on its assessment of FBCL's stand-alone credit profile, with a stable outlook. The stable outlook primarily reflects S&P's expectation that FBCL's modest capital plan and lack of additional external financing needs will result in increasing debt service coverage and declining debt to Earnings Before Interest and Amortization in the next two years.

While FBCL has some control over toll rates, it must be noted that most international bridges are managed jointly under international agreements with U.S. partners. From a revenue perspective, the ability to unilaterally change toll rates for additional revenue is subject to variances in governance policies between Canada and the United States. Toll rates were updated at the Corwnall and Sault Ste. Marie locations effective April 1, 2019, while there were no other changes to toll rates or operations at other locations during the three months ended June 30, 2019.

On the expenditure front, whereas Canadian bridge owners must comply with the *Customs Act* (Section 6) and the *Health of Animals Act* to provide the Canada Border Services Agency and the Canadian Food Inspection Agency with facilities, similar expenses for the U.S. Customs and Border Protection organization are not the responsibility of the American bridge owners/operators. In addition, given the Crown agreements providing toll-free passage for members of the indigenous community, this section of the *Customs Act* is not applied at the bridge in Cornwall as the operational burden financed through non-competitive tolling would effectively threaten the facility's financial sustainability.

Finally, the overall level of FBCL's debt is forecasted to decline as loan balances are reduced. Although FBCL's strategy is to repay its loans as they become due, FBCL also wishes to maintain a strong debt service coverage ratio, at the same time. This strong debt management strategy will allow for debt payments over the life of the loans, and will minimize the need for additional indebtedness. There have been no accelerated debt repayments in the three months ended June 30, 2019, as the next accelerated repayment is scheduled for the second quarter of 2019-20.



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, the period of May to October has a greater number of transits. In the November to April timeframe, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers, favourable weather and a preference for travel between the late spring and early fall 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 depending on the timing of the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

STATEMENT OF COMPREHENSIVE INCOME

Revenue and government funding ($000's)

	June 30, 2019 (unaudited)	June 30, 2018 (unaudited)	Variance
Tolls	8,177	7,830	347
Thousand Islands International Bridge	1,739	1,792	(53)
Leases and permits	1,107	1,076	31
Interest	149	147	2
Other	68	66	2
Total revenue	**11,240**	**10,911**	**329**
Government funding	**885**	**841**	**44**

Tolls and Thousand Islands International Bridge: When comparing Q1 2019-20 to Q1 2018-19, FBCL has seen a decrease in overall paid traffic of 2.0% which consists of decreases of 1.7% in passenger vehicle volumes and 2.9% in commercial volumes. Decreases in passenger vehicles by location vary between a decrease of 4.6% to an increase of 1.5% with only one bridge, Thousand Islands, showing an increase in passenger vehicles. Decreases in commercial volumes by location vary between 0.7% to 4.3%. Although overall paid volumes are down, toll revenues are up due to toll increases at bridge locations in Cornwall, Point Edward and Sault Ste. Marie, when compared to the same period in the prior year. In addition, the Canadian dollar in Q1 2019-20 compared to Q1 2018-19 resulted in higher translation of US toll revenues (Q1 2019-20: US$1.00 = C$1.33 vs. Q1 2018-19: US$1.00 = C$1.29).

Leases and permits, interest and other: Q1 2019-20 is comparable to Q1 2018-19.

Government funding: The government funding recognized in revenues consists of amortization of deferred capital funding.

Operating and interest expense ($000's)

	June 30, 2019 (unaudited)	June 30, 2018 (unaudited)	Variance
Operations	1,971	1,813	158
Thousand Islands International Bridge	1,513	1,440	73
Maintenance	3,446	3,791	(345)
CBSA & CFIA operations	1,904	1,693	211
Administration	1,874	1,883	(9)
Total expenses	**10,708**	**10,620**	**88**
Interest expense	**1,042**	**1,159**	**(117)**

Operations: the Security Operations Center (SOC) in Point Edward began operations in late March 2019 resulting in an increase in costs of $0.1 million for Q1 2019-20 when compared to Q1 2018-19.

Maintenance: Depreciation in the current quarter is $0.3 million lower when compared to Q1 of the prior year.

CBSA/CFIA: Depreciation in Q1 2019-20 is $0.1 million higher than Q1 2018-19 as all of the newly constructed facilities were operational for the full first quarter of this year, as opposed to last year where final works were not yet complete. Consequently, the costs of operating all the facilities is $0.1 million higher for Q1 2019-20 when compared to Q1 2018-19.

Thousand Islands International Bridge and Administration: Q1 2019-20 is comparable to Q1 2018-19.

Interest expense: As FBCL makes regular payments on its bank loans and bonds payable, the interest expense decreases. Additional savings on interest expense are also experienced as bank loans are repaid as they mature.

STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position ($000's)

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)	Variance
Assets			
Financial assets	35,569	33,300	2,269
Non-financial assets	394,439	396,489	(2,050)
Total assets	**430,008**	**429,789**	**219**
Liabilities			
Current liabilities	24,844	25,556	(712)
Non-current liabilities	168,365	168,187	178
Total liabilities	**193,209**	**193,743**	**(534)**
Total equity	**236,799**	**236,046**	**753**

Financial Assets: Financial assets consist of cash and cash equivalents, investments, and receivables. FBCL monitors its cash balance to ensure that funds are available to repay its debt obligation while at the same time ensuring that cash surpluses are invested as these funds will be used to pay for future capital projects. During this quarter, cash and cash equivalents have increased by $3.2 million. The increase in cash will be used at the beginning of Q2 to make a scheduled semi-annual payment to its bondholders and to pay down one bank loan in its entirety. In addition, during Q1 2019-20, $0.7 million of investments were converted to cash in order to pay for a significant portion of the capital projects.

Non-financial Assets: Non-financial assets consist primarily of property and equipment and investment properties and also include prepaid expenses, intangible assets and lessor inducement. During the first quarter, acquisitions of property and equipment was $1.2 million with spending mainly incurred for the construction of the emergency access ramp and the demolition of existing buildings in Point Edward. With the implementation of IFRS 16, right of use assets of $1.5 million have been recognised (see note 3 of the interim unaudited condensed consolidated financial statements for further details on the adoption of IFRS 16). These increases are offset by $4.5 million of depreciation. Prepaids have decreased by $0.3 million as prepaid insurance and service agreements are expensed on a straight-line basis over their associated contract periods. There are no significant variances in intangible assets and lessor inducement.

Current Liabilities: Provisions have decreased by $0.6 million as work is underway on the demolition of the piers of the former high-level North Channel Bridge in Cornwall. Other variances include an increase of $0.2 million for the recognition of a lease liability (see note 3 of the interim unaudited condensed consolidated financial statements for further details on the adoption of IFRS 16) and a decrease of $0.2 million in trade and other payables and holdbacks due to the completion of a construction project shortly before March 31, 2019. There have been no significant changes to the current portion of employee benefits, deferred revenue, loans payable, bonds payable and deferred capital funding.

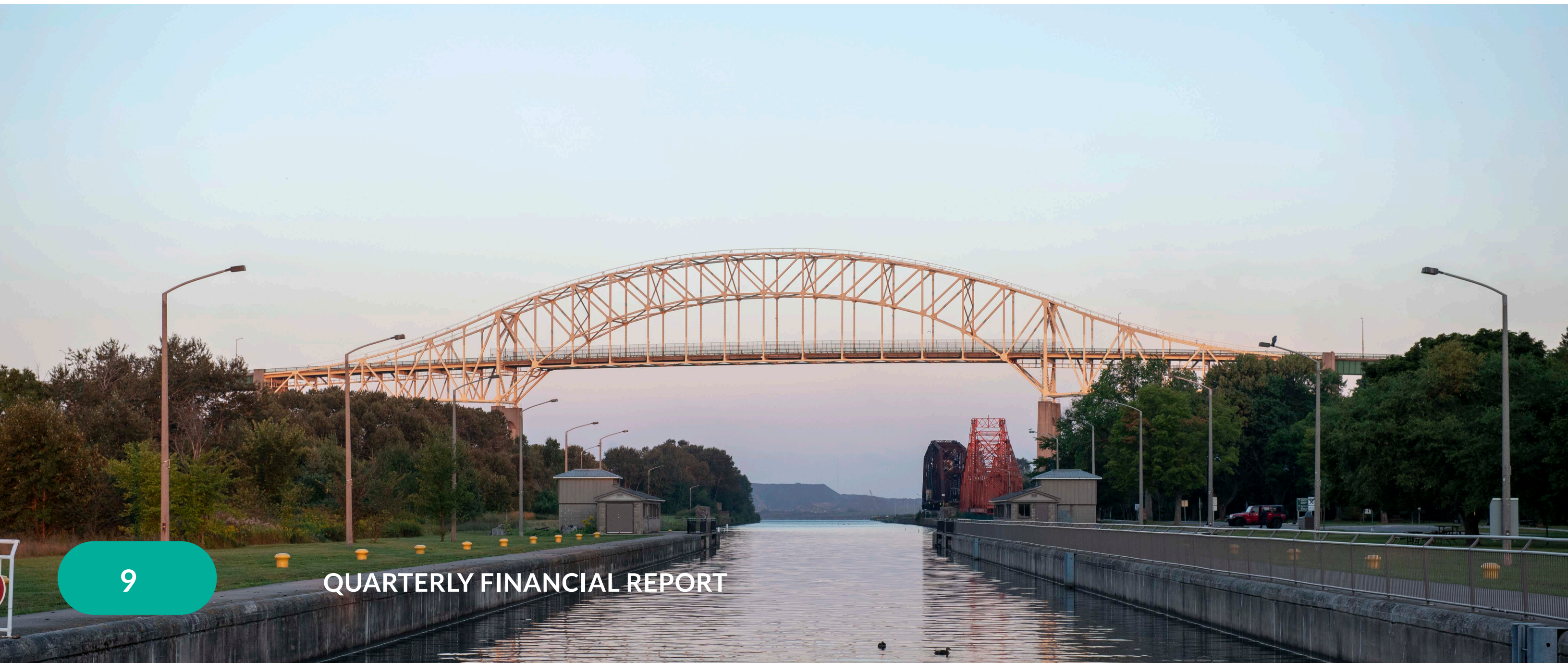
Non-Current Liabilities: As a result of adopting IFRS 16, a lease liability of $1.3 million was recognized and the leasee inducement of $0.3 million was derecognized (see note 3 of the interim unaudited condensed consolidated financial statements for further details on the adoption of IFRS 16). In addition, deferred capital funding has decreased by $0.9 million of amortization. There are no significant changes to loans payable and bonds payable as repayments are only scheduled for Q2 2019-20 as well as no significant changes in employee benefits and deferred revenue.

STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flow ($000's)

	June 30, 2019 (unaudited)	June 30, 2018 (unaudited)	Variance
Net cash generated by operating activities	3,578	4,035	(457)
Net cash generated (used) by investing activities	(322)	4,153	(4,475)
Net cash used by financing activities	(103)	(85)	(18)
Net increase in cash	**3,153**	**8,103**	**(4,950)**

Cash flow from operations continue to be positive for the quarter. The cash flow will be used in Q2 2019-20 to pay a regular semi-annual payment of its bonds payable of $4.4 million as well as to repay one of the bank loans in the amount of $2.2 million.



4.2 FINANCIAL PERFORMANCE AGAINST CORPORATE PLAN

The following is a summary of actual revenues and expenses as compared to the full 12-month 2019-20 Corporate Plan.

Revenue and government funding ($000's)

	June 30, 2019 (3 months)	Corporate Plan (12 months)	Percentage
Tolls	8,177	32,024	26%
Thousand Islands International Bridge	1,739	6,955	25%
Leases and permits	1,107	4,909	23%
Interest	149	651	23%
Other	68	244	28%
Total revenue	**11,240**	**44,783**	**25%**
Government funding	**885**	**3,506**	**25%**

Based on seasonal trends, Q2 generally has the highest toll revenue. Given that toll revenues for Q1 2019-20 are slightly above one quarter of the full 12-month budget, it is anticipated that toll revenues for the year will be slightly above budget depending the toll volumes in Q2. Leases and permits are also impacted from seasonal variances, and are expected to match budget for the year.

Operating and interest expense ($000's)

	June 30, 2019 (3 months)	Corporate Plan (12 months)	Percentage
Operations	1,303	5,961	22%
Thousand Islands International Bridge	1,147	4,587	25%
Maintenance	1,351	6,070	22%
CBSA & CFIA	795	3,295	24%
Administration	1,660	7,732	21%
Depreciation	4,452	18,408	24%
Total expense	**10,708**	**46,053**	**23%**
Interest expense	**1,042**	**3,889**	**27%**

FBCL closely monitors its operating expenses against budget in order to ensure that spending is appropriately funded by revenues. All expenses represent one quarter or less of the total budget. Interest expense is in line with budget as interest expense will decline from Q2 to Q4.

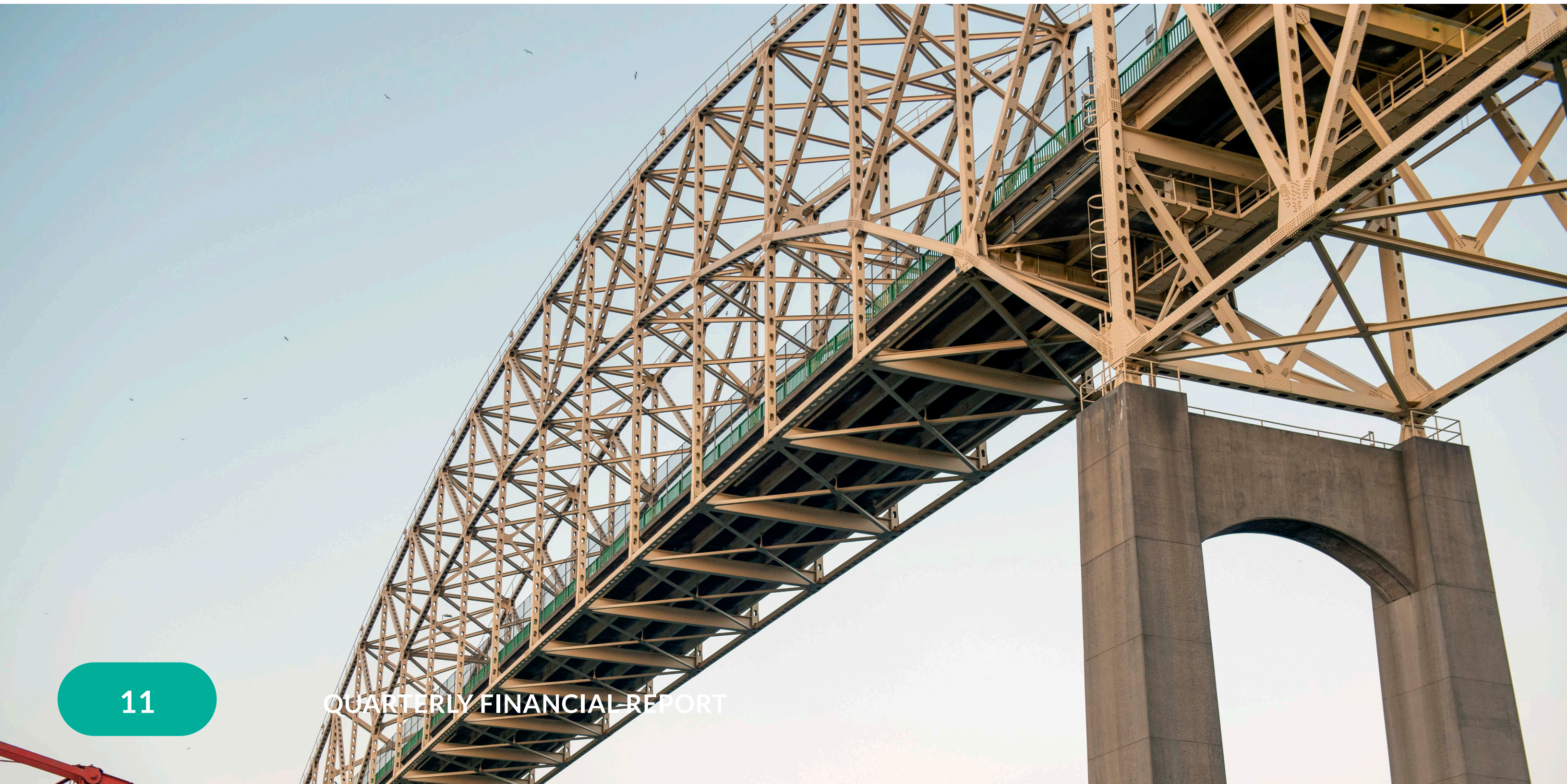
4.3 REPORTING ON USE OF APPROPRIATIONS

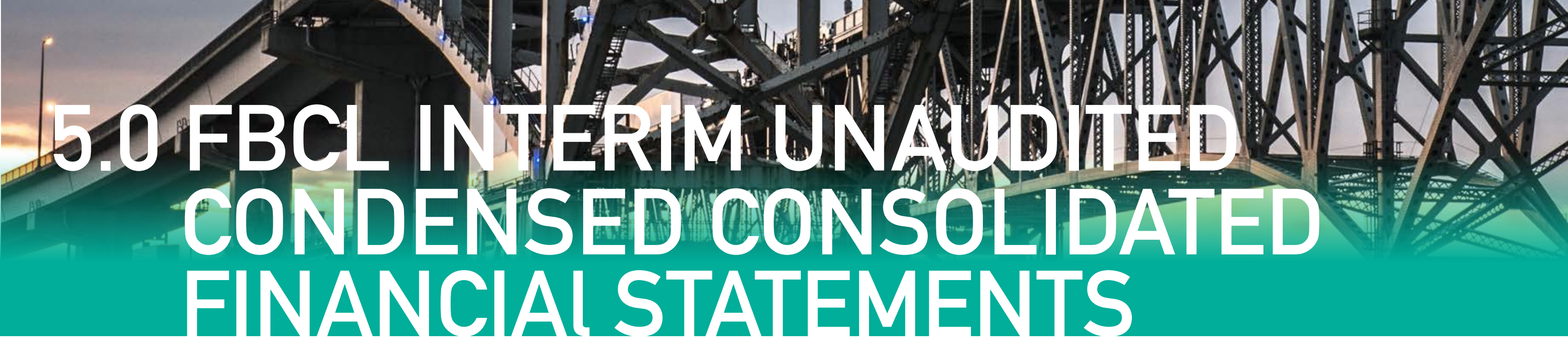
There are no projects currently scheduled in fiscal 2019-20 for which FBCL will receive parliamentary appropriations (2019 – Cornwall Island Roadway Project was funded by parliamentary appropriations). There are also no existing contribution agreements with the Government of Canada (2019 - Sault Ste. Marie CBSA Plaza was funded via a contribution agreement).

Parliamentary appropriations ($000's)

	June 30, 2019 (unaudited)	June 30, 2018 (unaudited)
Main estimates	-	**3,473**
Reprofiling request		
from prior years	-	-
to future years [1]	-	-
Funding available	-	**3,473**
Drawdown [2]		
actual	-	-
plan	-	3,473
Total Drawdown	-	**3,473**
Remaining appropriations	-	-

[1] approvals to be sought in future budgetary exercises
[2] FBCL is generally allocated funding only once expenses are incurred





5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2019

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.

Natalie Kinloch

Natalie Kinloch
Chief Executive Officer

Richard Iglinski
Director of Finance

Ottawa, Canada
August 29, 2019

5.2 Interim Unaudited Condensed Consolidated Statement of Financial Position

The Federal Bridge Corporation Limited

Interim Unaudited Condensed Consolidated Statement of Financial Position as at June 30, 2019

(in thousands of Canadian dollars)

	Notes	**June 30, 2019**	March 31, 2019
		unaudited	
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents		**12,207**	9,054
Investments		**19,285**	19,988
Trade and other receivables		**1,077**	1,258
Prepaids		**591**	847
Total Current Assets		**33,160**	31,147
Non-Current Assets			
Property and equipment	7	**374,321**	375,931
Investment properties		**19,224**	19,399
Intangible assets		**72**	77
Lessor inducement		**231**	235
Investments		**3,000**	3,000
Total Non-Current Assets		**396,848**	398,642
Total assets		**430,008**	429,789
LIABILITIES			
Current Liabilities			
Trade and other payables		**3,624**	3,706
Employee benefits		**1,372**	1,357
Provisions		**5,401**	6,047
Holdbacks		**688**	811
Deferred revenue		**2,463**	2,490
Current portion of loans payable		**2,395**	2,419
Current portion of bonds payable		**5,191**	5,191
Current portion of deferred capital funding		**3,535**	3,535
Current portion of lease liability		**175**	-
Total Current Liabilities		**24,844**	25,556
Non-Current Liabilities			
Loans payable		**3,043**	3,075
Bonds payable		**51,861**	51,861
Employee benefits		**7,343**	7,247
Deferred revenue		**1,479**	1,517
Deferred capital funding		**103,350**	104,235
Lease liability		**1,289**	-
Leasee inducement		-	252
Total Non-Current Liabilities		**168,365**	168,187
EQUITY			
Share capital - 2 shares @ no par value		-	-
Retained earnings		**236,372**	235,789
Accumulated other comprehensive income		**427**	257
Total Equity		**236,799**	236,046
TOTAL EQUITY AND LIABILITIES		**430,008**	429,789

5.3 Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

The Federal Bridge Corporation Limited

Interim Unaudited Condensed Consolidated Statement of Comprehensive Income for the three-month period ended June 30, 2019

(in thousands of Canadian dollars)

	June 30, 2019 **unaudited**	June 30, 2018 unaudited
	$	$
Revenue		
Tolls and services	**8,177**	7,830
Thousand Islands International Bridge revenue	**1,739**	1,792
Leases and permits	**1,107**	1,076
Interest	**149**	147
Other	**68**	66
Total Revenue	**11,240**	**10,911**
Expenses		
Operations	**1,971**	1,813
Thousand Islands International Bridge expenses	**1,513**	1,440
Maintenance	**3,446**	3,791
Canada Border Security Agency & Canadian Food Inspection Agency operations	**1,904**	1,693
Administration	**1,874**	1,883
Total Expenses	**10,708**	10,620
Operating Income Before Government Funding	**532**	291
Government Funding		
Amortisation of deferred capital funding	**885**	841
Total Government Funding	**885**	841
Non-Operating Items		
Interest expense	**(1,042)**	(1,159)
Total Non-Operating Income	**(1,042)**	(1,159)
Net Income	**375**	(27)
Other Comprehensive Income		
Items that may be reclassified subsequently to net income		
Revaluation gain (loss) on fair value through other comprehensive income investments	**172**	27
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	**(2)**	-
Total Other Comprehensive Income	**170**	27
Total Comprehensive Income for the Period	**545**	-

5.4 Interim Unaudited Condensed Consolidated Statement of Changes in Equity

The Federal Bridge Corporation Limited

Interim Unaudited Condensed Consolidated Statement of Changes in Equity for the three-month period ended June 30, 2019

(in thousands of Canadian dollars)

	Retained Earnings *(unaudited)*	Accumulated Other Comprehensive Income *(unaudited)*	Total *(unaudited)*
	$	$	$
Balance, April 1, 2018	237,647	(223)	237,424
Total Comprehesive Income:			
Net income	(27)	-	(27)
Other Comprehesive Income:			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	27	27
Other Comprehesive Income total	-	27	27
Total Comprehesive Income	(27)	27	-
Balance at June 30, 2018	237,620	(196)	237,424
Balance, March 31, 2019	235,789	257	236,046
Impact of change in accounting policy	208	-	208
Adjusted balance at April 1, 2019	**235,997**	257	236,254
Total Comprehesive Income:			
Net income	375	-	375
Other Comprehesive Income:			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	172	172
Cumulative gain reclassified to income on sale of available-for-sale investments	-	(2)	(2)
Other Comprehesive Income total	-	170	170
Total Comprehesive Income	375	170	545
Balance at June 30, 2019	**236,372**	**427**	**236,799**

5.5 Interim Unaudited Condensed Consolidated Statement of Cash Flows

The Federal Bridge Corporation Limited

Interim Unaudited Condensed Consolidated Statement of Cash Flows for the three-month period ended June 30, 2019

(in thousands of Canadian dollars)

	June 30, 2019 unaudited	June 30. 2018 unaudited
	$	$
Cash Flows from Operating Activities		
Net income	**375**	(27)
Adjustments for:		
Amortiation of deferred capital funding	**(885)**	(841)
Depreciation of property and equipment	**4,272**	4,434
Depreciation of intangible assets	**5**	3
Depreciation of investment properties	**175**	172
Loss on disposal of property and equipment	**-**	37
Change in employee benefits	**111**	391
	4,053	4,169
Changes in Non-cash Working Capital:		
Trade and other receivable	**181**	1,431
Lessor inducement	**4**	4
Prepaids	**256**	23
Trade and other payables	**(82)**	(1,346)
Provisions	**(646)**	-
Holdbacks	**(123)**	(138)
Leasee inducement	**-**	(12)
Deferred revenue	**(65)**	(96)
	(475)	(134)
Net cash generated by Operating Activities	**3,578**	4,035
Cash Flows from Investing Activities		
Payments for property and equipment	**(1,195)**	(742)
Proceeds on sale of investments	**1,485**	5,234
Purchase of investments	**(612)**	(339)
Net cash (used for) generated by Investing Activities	**(322)**	4,153
Cash Flows from Financing Activities		
Repayment of loans payable	**(56)**	(85)
Payment of lease liability	**(47)**	-
Net cash used for Financing Activities	**(103)**	(85)
Net increase in cash and cash equivalents	**3,153**	8,103
Cash and cash equivalents, beginning of period	**9,054**	5,024
Cash and cash equivalents, end of period	**12,207**	13,127

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). A similar provision in the *Plant Protection Act* mandates similar support for the Canadian Food Inspection Agency (CFIA) based at the land crossings. The subsidiary, SIBC, is also subject to the *Canada Marine Act* for the purposes of the management of the international bridge that crosses the St. Lawrence River.

The 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, 2019. 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, 2019, with the exception for the adoption of new standard as set out below.

The Corporation has implemented one new standards: IFRS 16, *Leases*. Consequently, the Corporation had to change its accounting policies and had to make modified retrospective adjustments, with the cumulative effect of initially applying IFRS 16 recognized in retained earnings at the date of initial application, being April 1, 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17, *Leases.*

a) Change in accounting policy

Leases: At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either:
    - the Corporation has the right to operate the asset; or
    - the Corporation designed the asset in a way that predetermines how and fro what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after April 1, 2019.

At the inception or on reassessment of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone prices.

i. As a lessee

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, if any.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. The lease liability is measured at amortized cost using the effective interest method.

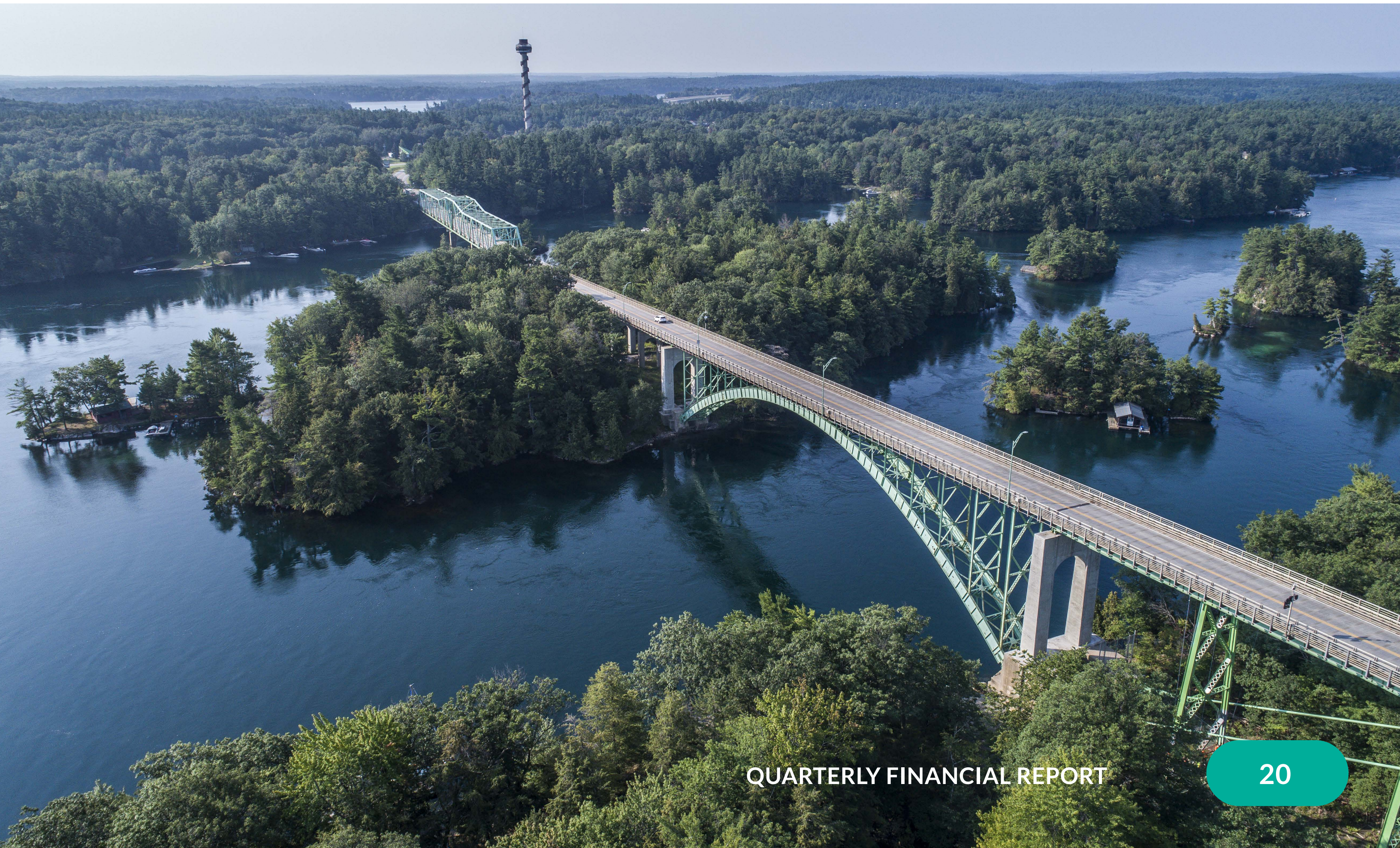
It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Corporation changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in net income if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use asset in property and equipment and lease liabilities as lease liabilities in the consolidated statement of financial position.

In the comparative period, leases were classified as operating leases and were not recognized in the consolidated statement of financial position. Payments made under operating leases were recognized in net income on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

There were no modification to the significant accounting policies for leases in which the Corporation acted as a lessor.



3. IMPACT OF ADOPTING IFRS 16

This note explains the impact of the adoption of IFRS 16, Leases, on the consolidated financial statements.

IFRS 16 *Leases* – impact of adoption

IFRS 16, *Leases*, was issued by the IASB on January 13, 2016, and replaces IAS 17, *Leases*, and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. IFRS 16 specifies how a reporting entity recognizes, measures, presents, and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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 Corporation applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at April 1, 2019. Thus, the comparative figures have not been modified and continue to be accounted for under IAS 17.

i. Definition of a lease

Previously, the Corporation determined at contract inception whether an arrangement is or contains a lease under IAS 17 and IFRIC 4. Under IFRS 16, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease as outlined in IFRS 16 and as explained in note 2 above.
On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases under IAS 17. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine if they contain a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changes on or after April 1, 2019. Consequently the definition of a lease did not result in an adjustment to April 1, 2019 balances.

ii. As a lessee

As a lessee, the Corporation previously classified leases as operating leases based on its assessment that the leases did not transfer significantly all of the risk and rewards incidental to ownership of the underlying asset to the Corporation. Consequently, the leases were not recognized on the consolidated statement of financial position. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for its leases.
At transition, being April 1, 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at April 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application being April 1, 2019.
Consequently, the leases previously classified as operating leases, and therefore not recognized on the consolidated statement of financial position, are now recognized. On transition to IFRS 16, the Corporation recognized an additional $1,467 of right-of-use assets, recognized $1,511 of lease liabilities, and derecognized the previous lease inducement of $252. The net impact of adopting IFRS 16 resulted in an increase of $208 to the retained earnings balance as at April 1, 2019.

4. SEASONALITY

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, the period of May to October has a greater number of transits. In the November to April timeframe, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers, favourable weather and with a preference for travel between the late spring and early fall 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 depending on the timing of the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

5. 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 June 30, 2019 were consistent with those disclosed in Note 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2019 other than those included below.

Leases – as a lessee

In determining whether a contract meets the definition of a lease, management makes significant judgements regarding whether an identified asset is present, the Corporation has the right to obtain substantially all of the economic benefits, and the Corporation has the right to direct the use of the asset. In addition, management uses judgment to allocate the value of the lease between lease and non-lease components by allocating the total value of the lease to each component based on their stand-alone costs. Management also uses judgement in determining the minimum lease payments, which takes into consideration whether renewal options will be reasonably exercised or not at the inception of the lease.

Leases – as a lessor

The judgement and estimate as described in Note 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2019 remains the same with the exception that it is entitled "Leases – as a lessor".

6. 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 three month period that would affect the Corporation in the future other than those disclosed in Note 5 of the Corporation's audited consolidated financial statements for the year ended March 31, 2019.

7. PROPERTY AND EQUIPMENT

Cost	Land $	Bridges and roads $	Vehicles and equipment $	Buildings $	Property Improvements $	Right-of-use Assets $	Projects in progress $	Total $
Balance, April 1, 2018	14,648	260,802	30,096	144,590	27,418	-	5,160	482,714
Additions	143	62	655	82	6	-	12,517	13,465
Adjustment	-	-	(346)	-	-	-	-	(346)
Disposals	-	-	(301)	(2,291)	(606)	-	(8)	(3,206)
Transfers	-	5,970	685	1,251	544	-	(8,450)	-
Balance, March 31, 2019	14,791	266,834	30,789	143,632	27,362	-	9,219	492,627
Adjustment (IFRS 16)	-	-	-	-	-	1,877	-	1,877
Additions	-	2	38	-	17	-	1,138	1,195
Disposals	-	-	-	-	(25)	-	-	(25)
Transfers	-	-	17	-	3,995	-	(4,012)	-
Balance, June 30, 2019	**14,791**	**266,836**	**30,844**	**143,632**	**31,349**	**1,877**	**6,345**	**495,674**

Accumulated depreciation	Land $	Bridges and Roads $	Vehicles and Equipment $	Buildings $	Property Improvements $	Right-of-use Assets $	Projects in Progress $	Total $
Balance, April 1, 2018	-	52,755	13,540	21,885	14,988	-	-	103,168
Eliminated on disposal of assets	-	-	(292)	(2,291)	(606)	-	-	(3,189)
Depreciation	-	9,995	1,629	4,213	880	-	-	16,717
Balance, March 31, 2019	-	62,750	14,877	23,807	15,262	-	-	116,696
Adjustment (IFRS 16)	-	-	-	-	-	410	-	410
Eliminated on disposal of assets	-	-	-	-	(25)	-	-	(25)
Transfers	-	-	-	-	-	-	-	-
Depreciation	-	2,455	445	1,012	312	48	-	4,272
Balance, June 30, 2019	**-**	**65,205**	**15,322**	**24,819**	**15,549**	**458**	**-**	**121,353**
Net book value, June 30, 2019	**14,791**	**201,631**	**15,522**	**118,813**	**15,800**	**1,419**	**6,345**	**374,321**
Net book value, March 31, 2019	14,791	204,084	15,912	119,825	12,100	-	9,219	375,931

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.

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

As at June 30			**2019**
	Value $	**Cost $**	Level
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	**16,321**	**16,321**	Level 2
Financial instruments measured at amortised costs			
Investments (amortised cost)	**5,964**	**5,964**	Level 1
Loans payable	**5,359**	**5,438**	Level 2
Bonds payable	**67,261**	**57,052**	Level 2

As at March 31			**2019**
	Value $	Cost $	Level
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	16,024	16,024	Level 2
Financial instruments measured at amortised costs			
Investments (amortised cost)	6,964	6,964	Level 1
Loans payable	5,401	5,494	Level 2
Bonds payable	66,495	57,052	Level 2