

The Seaway International Bridge Corporation, Ltd.

Financial Statements

March 31, 2018

STATEMENT OF MANAGEMENT RESPONSIBILITY

The accompanying financial statements of The Seaway International Bridge Corporation, Ltd. (the Corporation) and information related to the Corporation contained in the annual report of The Federal Bridge Corporation Limited (Parent Company) are the responsibility of management.

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards and necessarily include some estimates, which are based on management's best judgements.

To meet management's responsibility, management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the integrity and reliability of financial information, that assets are safeguarded and controlled, and that transactions and events are properly recorded. The system of internal control is supplemented by internal auditors, who conduct periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the *Canada Marine Act* and regulations and the articles and by-laws of the Corporation. The Board exercises these responsibilities with the assistance of the Audit Committee of the Board, which is composed of three directors who are not employees of the Corporation.

The Audit Committee meets with management and the Auditor General of Canada, the external auditor, and also reviews and recommends to the Board the approval of the auditor's report and the Corporation's annual financial statements. In addition, the external auditor has full and free access to the directors of the Corporation.

The Auditor General of Canada is responsible for auditing the financial statements and for issuing his report thereon.



Wade Dorland
Bridge Director



Micheline Dubé
Board Chair

Cornwall, Ontario
May 23, 2018



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Financial Statements

I have audited the accompanying financial statements of The Seaway International Bridge Corporation, Ltd., which comprise the statement of financial position as at 31 March 2018, and the statement of operations, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Seaway International Bridge Corporation, Ltd. as at 31 March 2018, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

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

Further, in my opinion, the transactions of The Seaway International Bridge Corporation, Ltd. that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the *Canada Marine Act* and regulations, and the articles and by-laws of The Seaway International Bridge Corporation, Ltd.



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

23 May 2018
Ottawa, Canada

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Financial Position

as at March 31

(in Canadian dollars)

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents	1,043,576	733,574
Investments	4,003,783	4,076,561
Accounts receivable		
Federal departments and agencies	-	78,785
Others	74,830	72,158
TOTAL FINANCIAL ASSETS	5,122,189	4,961,078
LIABILITIES		
Accounts payable and accrued liabilities		
Federal departments and agencies	165,749	41,688
Others	192,138	243,008
Client deposits	51,464	56,373
Due to partners (Note 4)	4,707,219	4,652,055
Employee future benefits (Note 5)	210,180	220,906
Deferred revenue	224,715	227,759
TOTAL LIABILITIES	5,551,465	5,441,789
NET DEBT	429,276	480,711
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	437,276	404,877
Prepaid expenses	-	83,834
TOTAL NON-FINANCIAL ASSETS	437,276	488,711
ACCUMULATED SURPLUS	8,000	8,000

Contractual obligations (Note 8), Contractual rights (Note 9) and Contingencies (Note 10)

APPROVED BY THE BOARD OF DIRECTORS



Director



Director

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

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Operations

for the year ended March 31

(in Canadian dollars)

	2018 Budget	2018 Actual	2017 Actual
REVENUE			
Tolls	2,946,230	3,115,209	3,013,135
Leases and permits	154,368	157,092	154,755
Interest	60,190	62,222	60,183
Foreign currency gain	4,563	-	12,622
Other	4,800	9,477	5,985
TOTAL REVENUE	3,170,151	3,344,000	3,246,680
EXPENSES (Note 12)			
Maintenance	944,793	854,919	765,292
Operations	1,184,302	1,166,338	1,163,594
Administration	838,816	952,627	809,888
TOTAL EXPENSES	2,967,911	2,973,884	2,738,774
Annual Operating Surplus	202,240	370,116	507,906
Accumulated Operating Surplus at beginning of year	8,000	8,000	8,000
Allocation of annual operating surplus as per the joint venture agreement (Note 4)			
Saint Lawrence Seaway Development Corporation	(101,120)	(185,058)	(253,953)
The Federal Bridge Corporation Limited	(101,120)	(185,058)	(253,953)
Accumulated Operating Surplus at end of year	8,000	8,000	8,000

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

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Change in Net Debt

for the year ended March 31

(in Canadian dollars)

	2018 Budget	2018 Actual	2017 Actual
ANNUAL OPERATING SURPLUS	202,240	370,116	507,906
Acquisition of tangible capital assets (Note 6)	(60,000)	(101,087)	(10,536)
Amortization of tangible capital assets (Note 6)	75,840	68,688	76,074
	15,840	(32,399)	65,538
Acquisition of prepaid expenses	(81,000)	-	(140,284)
Use of prepaid expenses	81,000	83,834	88,870
	-	83,834	(51,414)
Allocation of annual surplus (Note 4)			
Saint Lawrence Seaway Development Corporation	(101,120)	(185,058)	(253,953)
The Federal Bridge Corporation Limited	(101,120)	(185,058)	(253,953)
	(202,240)	(370,116)	(507,906)
DECREASE IN NET DEBT	15,840	51,435	14,124
NET DEBT AT BEGINNING OF YEAR	544,072	480,711	494,835
NET DEBT AT END OF YEAR	528,232	429,276	480,711

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

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Cash Flow

for the year ended March 31

(in Canadian dollars)

	2018	2017
OPERATING TRANSACTIONS		
Annual operating surplus	370,116	507,906
Adjustment for non-cash items		
Amortization of tangible capital assets (Note 6)	68,688	76,074
Changes in non-cash working capital items		
(Increase) decrease in accrued interest receivable on investments	693	(510)
(Increase) decrease in accounts receivable from federal departments and agencies	78,785	(36,507)
(Increase) decrease in other accounts receivable	(3,365)	16,828
Increase (decrease) in accounts payable to federal departments and agencies	124,061	28,023
Increase (decrease) in other accounts payable	(50,870)	39,745
Increase (decrease) in client deposits	(4,909)	601
Increase (decrease) in deferred revenue	(3,044)	45,535
Increase (decrease) in interest due to partners	45,654	45,099
Increase (decrease) in employee future benefits	(10,726)	70,446
(Increase) decrease in prepaid expenses	83,834	(51,414)
Foreign exchange (gain) loss	(20,404)	(14,865)
NET CASH PROVIDED BY OPERATING ACTIVITIES	678,513	726,961
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(101,087)	(10,536)
NET CASH USED FOR CAPITAL ACTIVITIES	(101,087)	(10,536)
INVESTING TRANSACTIONS		
Disposal of investments	4,076,561	3,596,950
Acquisition of investments	(4,003,783)	(4,076,561)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	72,778	(479,611)
FINANCING TRANSACTIONS		
Amounts remitted to partners (Note 4)	-	(300,000)
Amounts paid for work done on behalf of the partners (Note 4)	(360,606)	(351,221)
NET CASH USED FOR FINANCING ACTIVITIES	(360,606)	(651,221)
Foreign exchange gain on cash and cash equivalents held in foreign currency	20,404	14,865
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	310,002	(399,542)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	733,574	1,133,116
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,043,576	733,574

Interest received during the year was \$62,591 (\$59,173 for the year ended March 31, 2017) and interest paid during the year was \$8,823 (\$7,888 for the year ended March 31, 2017).

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

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

1. AUTHORITY AND ACTIVITIES

The Seaway International Bridge Corporation, Ltd. (SIBC) is a wholly owned subsidiary of The Federal Bridge Corporation Limited (FBCL), a federal Crown corporation listed in Schedule III-Part I of the *Financial Administration Act*. SIBC is exempt from income tax under Part I of the Canadian *Income Tax Act*.

SIBC was incorporated under the *Canada Corporations Act* in 1962 and was continued under the *Canada Business Corporations Act* to operate and manage an international toll bridge between Cornwall, Ontario and Rooseveltown, New York.

Based on a September 1957 agreement, SIBC manages and operates a joint venture on behalf of FBCL and the Saint Lawrence Seaway Development Corporation (SLSDC). The joint venture has been classified as a government partnership. The accumulated surplus includes 8 issued, fully paid common shares of SIBC at a value of \$1,000 each. FBCL owns all of the shares, which makes SIBC a wholly owned subsidiary of FBCL for the purposes of the *Financial Administration Act*. FBCL's share ownership in SIBC accounts for its 50% investment in the government partnership.

The mandate of SIBC is to operate and manage the international toll bridge corridor linking Cornwall, Ontario, Akwesasne and Rooseveltown, New York. The corridor comprises a low level bridge connecting the City of Cornwall, Ontario to Cornwall Island (North Channel Bridge); a toll plaza and roadway extending across Cornwall Island; and a high level suspension bridge connecting Cornwall Island to Rooseveltown in the state of New York (South Channel Bridge).

The assets and liabilities and the operations presented in the financial statements are those of the partners.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and highly liquid investments maturing within 90 days. At year end, no cash equivalents were held (2017 – nil).

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

In the course of its normal activities, SIBC invests its excess funds in guaranteed investment certificates of Canadian Financial Institutions. The investments are all due within a one year period.

Prepaid expenses

Prepaid expenses consist of payments made in advance for insurance services to be received in the future. Prepaid expenses are recognized in expense as the related services are rendered.

Tangible capital assets

Tangible capital assets are recorded at cost. SIBC's tangible capital assets include assets acquired to operate the international toll bridge corridor. Since the North and South Channel Bridges and certain buildings are owned by the partners, capital projects relating to these assets are recorded as work done on behalf of the partners (Note 4) rather than as tangible capital assets of SIBC.

Replacements and major improvements which extend the useful service lives of existing assets, increase their capacity, safety or effectiveness, or are committed to reduce or prevent environmental contamination are capitalized. Repairs and maintenance are charged to operations as incurred.

Tangible capital assets are amortized over their estimated useful lives using the straight-line method, at the following rates:

Vehicles and equipment	5 to 10 years
Buildings	10 to 25 years

Tangible capital assets classified as work in progress are transferred to the appropriate capital asset classification when they start being used, and are then amortized.

When conditions indicate that a tangible capital asset no longer contributes to SIBC's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Client deposits

Security deposits from charge account customers are retained by SIBC. The amount secured is an estimate of two months of transit costs. Deposits are returned to the customer without interest when the accounts are closed.

Employee future benefits

a) Compensated absences

Employees of SIBC are entitled to accumulating but non-vesting sick leave benefits provided for under conditions of employment. SIBC recognizes the cost of future sick leave benefits over the periods in which the employees render services to the entity and the liability for these benefits is recognized based on the probability of usage by employees established per historical data. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

b) Severance benefits

Prior to January 1, 2012, eligible employees of SIBC were entitled to specified benefits as provided for under conditions of employment, through a severance benefit plan. SIBC has eliminated this benefit as of January 1, 2012 and any outstanding payments due as at year end have been accrued and are remeasured on a yearly basis to take into consideration salary increases.

c) Pension plan

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

Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is recognized and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Tolls revenue is recognized when tolls are collected as vehicles pass through toll booths. Leases and permit revenue is recognized in accordance with the rental contracts. Interest income is recognized when earned.

Revenue from toll debit cards, toll tickets, leases and permits that have not been rendered is deferred and recognized in income as the services are provided. Proceeds received relating to unused toll debit card balances greater than 10 years old that are still unredeemed at year end are recognized as toll revenue. Proceeds received relating to toll tickets that are still unredeemed at year end are recorded as toll revenue based on the average redemption rate of prior year balances.

Lease

The operating lease payments are recognized on a straight-line basis over the term of the lease.

Annual operating surplus

The annual operating surplus is distributed equally between FBCL and SLSDC, as described in Note 4.

Financial instruments

SIBC identifies, assesses and manages financial risks in order to minimize their impact on its results and financial position. Financial risks are managed by SIBC in accordance with the criteria disclosed below and presented in Note 13, and SIBC does not engage in speculative transactions or use of derivatives.

The measurement of financial instruments depends on their classification as follows:

- SIBC has elected to measure investments at fair value to correspond with how they are evaluated and managed.
- All other financial assets and financial liabilities are measured at cost or amortized cost.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

All financial instruments that are carried at fair value are classified within a fair value measurement hierarchy. The nature of the inputs used to arrive at fair value measurement determine the classification. The classifications are described below:

- Level 1 - Quoted prices in active markets for identical assets
- Level 2 - Quoted prices for similar assets, quoted prices in markets that are not active, or models using inputs that are observable
- Level 3 – One or more significant inputs used in a valuation technique are unobservable in determining the fair value of the instruments

Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rates at the end of the fiscal year.

Realized gains and losses resulting from foreign currency translation are reported on the Statement of Operations.

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. The estimated useful lives of tangible capital assets, the amount of accrued liabilities, the assessment of employee future benefits obligations, and contingencies are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

Services provided and received without charge

SIBC provides free usage of the bridge system to certain North American First Nations persons and to some government agencies. These services are not recorded in the financial statements.

SIBC also receives audit services free of charge from the Office of the Auditor General of Canada. These services have not been recorded in the financial statements.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

3. ADOPTION OF NEW PUBLIC SECTOR ACCOUNTING STANDARDS

There are four new public sector accounting standards that have been applied prospectively as of April 1, 2017. None of the standards have an impact on the financial statements but two of the standards (PS 2200 and PS 3380) resulted in additional disclosure in the notes to the financial statements.

PS 2200, Related Party Disclosures: This standard defines related parties and establishes disclosures required for related party transactions. Disclosure is generally required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated. Consequently only the transactions that are not considered to be recorded at fair value are disclosed in Note 11.

PS 3380, Contractual Rights: This standard states that information about contractual rights should be disclosed as part of the note disclosure and should include descriptions about their nature and extent and the timing. Contractual rights are defined as rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. SIBC's contractual rights are disclosed in Note 9.

PS 3210, Assets: This standard provides guidance for applying the definition of assets and establishes general disclosure for assets but does not include standards for recognition and disclosure of specific types of assets, which are dealt with in other standards. The standard had no impact on SIBC's assets.

PS 3320, Contingent Assets: This standard defines and establishes disclosure standards on contingent assets. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. SIBC does not have any significant contingent assets and consequently there is no additional disclosure required.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

4. DUE TO PARTNERS

As per the Joint Venture agreement, the annual surplus is to be distributed equally between FBCL and SLSDC. In addition, interest earned on investments is credited to FBCL and SLSDC based on their proportionate share of the balance due to partners. Finally, major repairs and/or betterments incurred to assure the reliability of the South Channel Bridge are to be borne by FBCL and SLSDC in the ratio of 32% and 68% respectively.

Capital improvements to the North Channel Bridge are borne by FBCL.

The amount owed to the partners, bears interest at a rate which varies between 1.14% and 1.20% (1.10% and 1.36% for the year ended March 31, 2017) and is payable on demand. The carrying amount approximates its fair value. As of March 31, 2018, the partners have requested that \$3,755,000 be reinvested in capital improvements (included as work done on behalf of the partners) to be undertaken during the next fiscal year (\$485,000 as at March 31, 2017). FBCL's share of this work is \$1,342,600 (\$205,000 as at March 31, 2017), and SLSDC's share is \$2,412,400 (\$280,000 as at March 31, 2017). FBCL will provide additional funds in order to cover the difference between the capital improvements and the Due to partner balance owing to FBCL.

The amounts due to FBCL and SLSDC are calculated as follows:

	FBCL		SLSDC		TOTAL	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Balance due at beginning of year	\$ 789,497	\$ 948,136	\$ 3,862,558	\$ 3,802,135	\$ 4,652,055	\$ 4,750,271
Interest credited	9,235	7,687	45,089	45,300	54,324	52,987
Allocation of annual surplus	185,058	253,953	185,058	253,953	370,116	507,906
	983,790	1,209,776	4,092,705	4,101,388	5,076,495	5,311,164
Remittance of a portion of prior year's surplus	-	300,000	-	-	-	300,000
Interest paid	8,670	7,888	-	-	8,670	7,888
Work done on behalf of the partners	115,394	112,391	245,212	238,830	360,606	351,221
	124,064	420,279	245,212	238,830	369,276	659,109
Balance due at end of year	\$ 859,726	\$ 789,497	\$ 3,847,493	\$ 3,862,558	\$ 4,707,219	\$ 4,652,055

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

5. EMPLOYEE FUTURE BENEFITS

a) Compensated absences and severance benefits

Prior to January 1, 2012, SIBC provided severance benefits to its employees based on years of service, final salary and accumulated sick leave days. This benefit was eliminated as of January 1, 2012 however there are amounts which remain to be paid upon termination.

Accumulating non-vesting sick leave benefits are also provided to the employees of SIBC at a rate of 15 days per year. SIBC recognizes the cost of future sick leave benefits based on the probability of usage by groups of employees which ranges from 0 % to 100 %. The probability of usage is determined based on historical usage by group of employees as well as taking into accounting the health of individual employees.

The employee future benefits liability includes the following components:

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation, beginning of year	\$ 220,906	\$ 150,460
Current service cost	12,413	84,712
Benefits paid	<u>(23,139)</u>	<u>(14,266)</u>
Accrued benefit obligation, end of year	<u>\$ 210,180</u>	<u>\$ 220,906</u>

b) Pension benefits

Under the public service pension plan, the President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. For employees hired before January 1, 2013, the Corporation's contribution rate effective at year-end was 1.00 (1.01 as at March 31, 2017) and for employees hired after December 31, 2012, the Corporation's contribution rate effective at year-end was 1.00 (1.00 as at March 31, 2017). Total employer contributions of \$99,333 (\$103,566 for the year ended March 31, 2017) were recognized as expense in the current year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

6. TANGIBLE CAPITAL ASSETS

<i>Cost</i>	Vehicles & Equipment	Buildings	Total
Opening balance, at April 1, 2016	1,131,766	976,369	2,108,135
Acquisitions	10,536	-	10,536
Write-offs	(87,524)	-	(87,524)
Ending balance, at March 31, 2017	\$ 1,054,778	\$ 976,369	\$ 2,031,147
Acquisitions	101,087	-	101,087
Write-offs	(67,335)	-	(67,335)
Ending balance, at March 31, 2018	\$ 1,088,530	\$ 976,369	\$ 2,064,899
<i>Amortization</i>			
Opening balance, at April 1, 2016	895,092	742,628	1,637,720
Amortization	62,975	13,099	76,074
Write-offs	(87,524)	-	(87,524)
Ending balance, at March 31, 2017	\$ 870,543	\$ 755,727	\$ 1,626,270
Amortization	55,590	13,098	68,688
Write-offs	(67,335)	-	(67,335)
Ending balance, at March 31, 2018	\$ 858,798	\$ 768,825	\$ 1,627,623
Net Book Value at March 31, 2018	229,732	207,544	437,276
Net Book Value at March 31, 2017	184,235	220,642	404,877

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

7. BRIDGE USAGE

SIBC provides free usage of the bridge system to certain North American First Nations persons and to some government agencies. This represents approximately 70% of the bridge traffic for the year ended March 31, 2018 (approximately 70% for the year ended March 31, 2017).

8. CONTRACTUAL OBLIGATIONS

SIBC has commitments on an outstanding maintenance contract and operating lease for a total of \$1,810,943 (\$1,968,590 as at March 31, 2017). The contractual amounts outstanding for the next five years and beyond are as follows:

<i>Fiscal Year</i>	<i>Contractual amounts outstanding</i>
2018-19	\$ 210,943
2019-20	\$ 100,000
2020-21	\$ 100,000
2021-22	\$ 100,000
2022-23	\$ 100,000
Beyond 2022-23	\$ 1,200,000

9. CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

SIBC has lease agreements with utility companies. The lease relating to the Canadian land commenced in December 2011 and is for a 20 year term ending November 2031. The base rent established in 2011 is subject to CPI indexation on an annual basis and the payment is due up front. The current annual lease is \$75,424 for the period starting December 2017 and ending November 2018. Under the agreement, the utility company or SIBC may terminate the agreement by providing not less than 18 months' prior notice in writing. As at March 31, 2018, no written notices were provided.

A similar lease relating to the American land was renewed on July 2013 and is for a five year term ending June 2018. The base rent is also subject to CPI indexation on an annual basis and the payment is due up front. The current annual lease is US\$64,075 for the period starting July 2017 and ending June 2018. Under the agreement, the utility company or SIBC may terminate the agreement by providing not less than 12 months' prior notice in writing.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

10. CONTINGENCIES

FBCL is named as a defendant jointly and severally with its subsidiary corporation SIBC and Her Majesty in regards to its mandate at the Seaway International Crossing. The amount of the claim is \$50 million, subject to accounting for bridge tolls and revenues. Transport Canada has assumed responsibility to defend against the claim. FBCL and its subsidiary corporation SIBC are agent Crown corporations in their own rights and, with respect to this claim, they are being sued for taking actions that they are mandated to take as agents of Her Majesty. The outcome, timing and amount of any settlement of this claim cannot be determined at this time due to uncertainties primarily related to the resolution of a separate land claim by the same party against Her Majesty that must first be considered and decided. The parties involved in the claim are actively proceeding with negotiations that if accepted, may reduce the remaining useful lives of certain Tangible capital assets.

In the normal course of its activities, SIBC may become a claimant or defendant or may be involved in certain pending claims or lawsuits. At March 31, 2018, there was one claim made by a former employee against SIBC. It is the opinion of management that the settlement of such claims or lawsuits will not result in any material liability to SIBC.

11. RELATED PARTY TRANSACTIONS

SIBC is related to FBCL and SLSDC as these two entities have shared control of SIBC. Consequently SIBC is related to the federal governments of both Canada and the United States as these governments ultimately control FBCL and SLSDC. SIBC enters into transactions with these entities in the normal course of business. All related party transactions, with the exception of the transactions listed below, are measured at fair value in the financial statements.

SIBC provides free usage of the bridge system to some government agencies. SIBC also receives audit services free of charge from the Office of the Auditor General of Canada. These services are provided without charge are not recorded in the financial statements.

Key management personnel consists of the Bridge Director, Board of Director members and immediate family. There are no significant related party transactions with these individuals.

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12. CLASSIFICATION OF EXPENSES BY TYPE

	<u>2018</u>	<u>2017</u>
Salaries and Benefits	\$ 1,723,540	\$ 1,667,442
Materials and Other Services	566,715	386,186
Professional Services	307,659	323,831
Insurance	125,242	135,112
Lease of tolling facilities	100,000	100,000
Amortization	68,688	76,074
Interest Expense	54,324	52,960
Foreign currency loss	40,577	-
Recovered Expenses	(12,861)	(2,831)
	<hr/>	<hr/>
Total Expenses	\$ 2,973,884	\$ 2,738,774

13. FINANCIAL INSTRUMENTS

SIBC's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, client deposits, and due to partners. Unless otherwise disclosed, the fair value of the financial instruments approximates their respective carrying values due to their impending maturity. Investments have been classified at fair market value and have been classified at level 1.

It is management's opinion that SIBC is not exposed to significant credit, interest rate, currency or liquidity risks arising from these financial instruments.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

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13. FINANCIAL INSTRUMENTS (Continued)

Credit risk - Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

SIBC is subject to credit risk on cash and cash equivalents and investments. The carrying value reported on the Corporation's Statement of Financial Position represents the maximum amount exposed to credit risk. In order to reduce this risk, SIBC deals only with members of the Canadian Payments Association (CPA) and invests in highly liquid investments.

SIBC is also subject to credit risk on the accounts receivable from non-related parties. SIBC's maximum exposure to credit risk as at March 31, 2018 was \$74,830 (\$72,158 as at March 31, 2017). In total, \$4,704 (\$72,790 as at March 31, 2017) of accounts receivable are past due but not impaired. Accounts that have exceeded 30 days are considered past due.

Based on a specific analysis of accounts receivable, and considering the Corporation's knowledge of the financial condition of its customers, no allowance for doubtful accounts was recorded at year-end (nil at March 31, 2017). In order to further reduce this risk, SIBC's credit policy requires customers to provide a non-interest bearing security deposit equivalent to two months of transits, or a minimum of \$300. As at March 31, 2018, the security deposit balance was \$51,464 (\$56,373 as at March 31, 2017).

Interest rate risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

SIBC is exposed to interest rate risk from its investments and its obligation to pay interest on outstanding balances due to partners. SIBC manages this risk by basing the interest paid to the partners on actual interest earned on investments. The investments that the Corporation holds as of March 31, 2018, yield an average of 1.33% (1.40% for the year ended March 31, 2017).

Currency risk - Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

SIBC operates internationally and is exposed to foreign exchange risks mainly arising as a result of tolls collected in US dollars. SIBC manages this risk by periodically adjusting the US toll rates with the Canadian rates and by converting US bank account balances to Canadian dollars on a regular basis.

During the fiscal year, SIBC recorded US\$459,895 in total revenue (US\$483,542 for the year ended March 31, 2017) and paid out US\$22,722 in expenses (US\$5,190 for the year ended March 31, 2017). A 5% change in the average exchange rate during the year would not be material.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

13. FINANCIAL INSTRUMENTS (Continued)

At the end of the fiscal year, SIBC held \$299,753 in US funds (US\$200,656 as at March 31, 2017). A 5% change in the exchange rate in effect on March 31, 2018 would not be material.

Liquidity risk - Liquidity risk is the risk that SIBC will not be able to meet its obligations as they fall due.

The liquidity risk for SIBC relates to the fact that the due to partners is payable on demand. SIBC manages this risk by requesting a letter of intention from the partners, on the amounts they expect to withdraw or re-invest in the short-term.

As summarized in Note 4, FBCL has requested that \$1,342,600 (\$205,000 as at March 31, 2017) be reinvested in capital improvements in the upcoming year. SLSDC has requested that \$2,412,400 be re-invested in capital improvements for the upcoming year (\$280,000 was requested as at March 31, 2017).

The maturities of SIBC's financial liabilities as at March 31, 2018 are estimated by management to be as follows:

	Less than 3 months	3 months to 1 year	Over 1 year	Total
Accounts payable and accrued liabilities ¹	\$ 332,726	\$ -	\$ 25,161	\$ 357,887
Client deposits	51,464	-	-	51,464
Due to partners	-	3,022,126	1,685,093	4,707,219

¹ Included in accounts payable and accrued liabilities is an amount of \$49,566 owing to FBCL for the February and March 2018 management fee and operating lease.

14. REORGANIZATION

In December 2013 the Government of Canada passed legislation, *Economic Action Plan Act, No.2* authorizing the re-organization of certain Crown corporations involved in the management of international bridges crossing waterways between the Province of Ontario and the States of New York and Michigan. The effects of the re-organization on SIBC would be an amalgamation of SIBC with FBCL. There is no current date for SIBC's amalgamation with FBCL as the amalgamation is pending as discussions continue between Transport Canada and the American counterpart, SLSDC. Therefore, SIBC at this time continues its operations as a subsidiary of FBCL.

15. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current year's presentation.