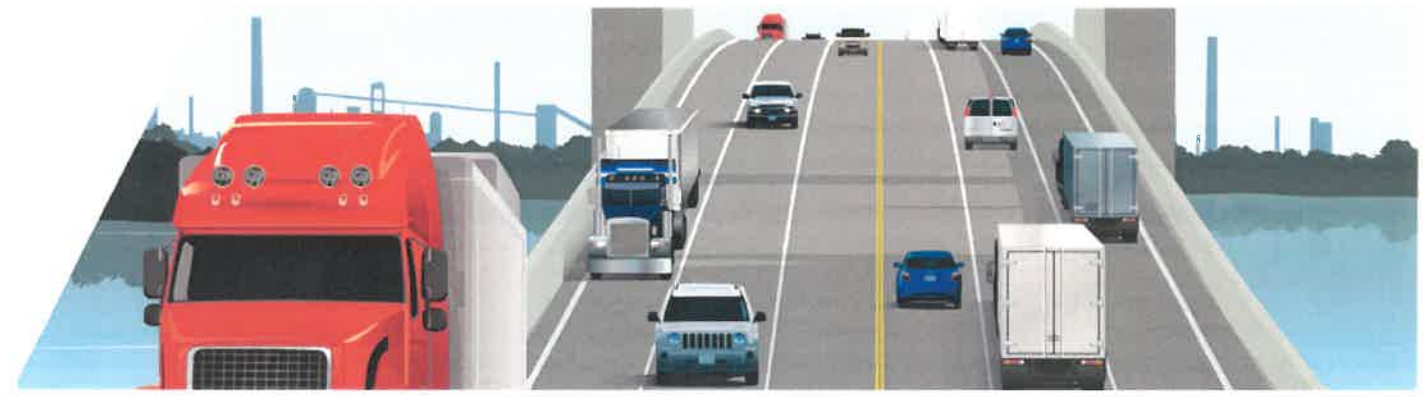


WINDSOR-DETROIT BRIDGE AUTHORITY

**Quarterly Financial Report for the Period Ended
December 31, 2015
Unaudited**





Note concerning the WDBA's third quarter financial statements

The financial statements presented and discussed herein are being presented in advance of audited financial statements being available for the prior year ended March 31, 2015. Year-end financial statements are not yet available due to continued work between the Windsor-Detroit Bridge Authority (WDBA) and its auditors. Therefore it is likely that revisions will be required to these statements pending final audited review of the WDBA's prior year financial statements.

Mandate

The Windsor-Detroit Bridge Authority (WDBA), established on October 9, 2012, by Letters Patent pursuant to the *International Bridges and Tunnels Act*, is a Schedule III, Part I non-agent parent Crown Corporation responsible for carrying out the obligations of the Crossing Authority as a party to the 2012 Canada-Michigan Crossing Agreement. Its mandate is to construct and/or operate the Gordie Howe International Bridge project (formerly known as the New International Trade Crossing and the Detroit River International Crossing), and to do so directly or under one or more public-private partnership (P3) agreements with one or more private sector concessionaires procured through a competitive procurement process as contemplated by the Crossing Agreement.

In June 2012, the Government of Canada and Michigan set out the governance framework for the WDBA and outlined the roles and responsibilities of the key parties involved in the Gordie Howe International Bridge project. The Crossing Agreement, signed between Canada, the WDBA and Michigan (the State of Michigan, the Michigan Department of Transportation and the Michigan Strategic Fund) assumes that Canada will fund the entire project.

The Crossing Agreement also established the International Authority (IA), a legal entity separate and distinct from the WDBA. The IA is empowered to approve land acquisitions in the State of Michigan, leases of land in Michigan, as well as the Request for Qualifications, Request for Proposal and the Public-Private Agreement with respect to the Gordie Howe International Bridge project. The IA also has certain oversight responsibilities. These are to maintain on-going monitoring of compliance by the WDBA with the Crossing Agreement and the Concessionaire with the Public-Private Agreement. The WDBA is required by the Crossing Agreement to fund the activities of the IA.

Overview of the Gordie Howe International Bridge Project

The Windsor-Detroit trade corridor, in particular the Ambassador Bridge, is the busiest border crossing between the U.S. and Canada. The Gordie Howe International Bridge project will address current constraints with existing crossing capacity and will accommodate future trade and travel demand to provide needed capacity as well as system redundancy (i.e. overflow capacity and choice of crossings) in the Windsor-Detroit Region, and flexibility to stream traffic to improve border processing. The project has four major components:

- **Bridge** – a six-lane cable-stayed or suspension bridge with a span of 850 metres across the Detroit River.
- **Canadian Port of Entry (POE)** – a 53.4 hectare site that will house passenger, commercial and animal customs and border processing, tolling, and maintenance facilities.
- **U.S. POE** – a 60.3 hectare site and of similar scale to the Canadian Port of Entry, but without toll collection facilities.
- **Michigan Interchange with Interstate 75 (I-75)** – consists of the primary connecting overpasses and ramps to and from the U.S. Port of Entry and associated local road improvements.





2015-2016 Corporate Priorities

The WDBA's key objective is to launch the P3 procurement process in 2015 which is required if the agency is to meet the targeted 2020 opening date. To be able to achieve this objective, the WDBA's strategic priorities are:

- **U.S. Property Acquisition:** The WDBA is working with the Michigan Department of Transportation (MDOT) to acquire required properties in Michigan.
- **Acceleration of Early Works:**
 - **Canadian Port of Entry (POE):** Site preparation activities on a portion of the POE to be undertaken including the Perimeter Access Road design and construction, minor utility relocation and fill, grading and drainage.
- **Utility Relocation:**
 - **Canadian Utilities:** Establish timelines and confirm costs associated with the relocation of utilities on the Canadian POE; and
 - **U.S. Utilities:** Complete relocation designs and enter into contracts for the relocation of all utilities.

Financial Analysis

Summary

At the end of the third quarter of 2015-16, net results of operations at the WDBA reflect a surplus of \$117.7 million (compared to \$3.0 million in the prior year). The surplus is mostly due to the timing of appropriations and expenses on the acquisition of US properties and capital costs.

The Crossing Agreement signed in June 2012 mandated the creation of a "Crossing Authority" to finance, construct and manage the operations of the new international crossing. The WDBA was created in October 2012 to fulfill the mandate of the "Crossing Authority". The WDBA became operational in August 2014, with the creation of its Board of Directors and the hiring of its President and CEO. In order to begin the new international crossing project as soon as possible, Transport Canada began some activities on behalf of the WDBA when the Crossing Agreement was signed. All costs incurred by Transport Canada on behalf of the WDBA after the signature of the Crossing Agreement are reflected in the financial statements of the WDBA.

Statement of Operations

OVERVIEW

The WDBA received \$133.5 million in appropriations through the third quarter of 2015-16 and ended the quarter with a net surplus of \$117.7 million. The surplus is mostly due to the timing of appropriations and expenses on the acquisition of US properties and capital costs.

EXPENSES

The WDBA incurred \$12.4 million of direct expenses in support of the project. The WDBA is currently in the initial stages of the project, the expenses incurred were mainly for professional services to support the P3 procurement process, the acceleration of Early Works for the Canadian POE and the acquisition of the U.S. properties.





Internal services costs (\$4.1 million at December 31, 2015) reflect expenses not directly related to the Gordie Howe International Bridge project, such as legal and professional services in support of the P3 and Early Works procurement processes and the acquisition of U.S. properties, salaries and benefits of employees not directly involved in the project and setting up the WDBA office in Windsor. Included in internal service costs are transfer costs (\$102 thousand at December 31, 2015) related to the WDBA's funding of the International Authority.

The table below provides a breakdown of the expenses by expense type:

(thousands of dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Legal Services	2,637	404	5,219	867
Professional Services	2,154	1,560	4,178	1,699
Payroll and Benefits	1,596	161	3,877	160
Michigan Land	518	21	1,756	21
Rent	157	45	473	45
Other	23	9	251	8
Office and Maintenance	57	50	243	50
Insurance	61	-	181	-
Depreciation	57	-	162	-
Transfer Costs	1	-	102	-
Meals and Travel	35	11	82	12
	7,294	2,262	16,522	2,863

Statement of Financial Position

OVERVIEW

At December 31, 2015, the WDBA's net financial assets were \$81.5 million (\$612 thousand at March 31, 2015). Financial assets of \$109.4 million (\$3.0 million at March 31, 2015) were mostly made up of \$104.2 million in cash and \$5.3 million in accounts receivable (\$162 thousand and \$2.8 million at March 31, 2015), offset by \$28.0 million in liabilities (\$2.4 million at March 31, 2015).

Other receivables at December 31, 2015 and March 31, 2015 consisted mainly of recoverable HST. The WDBA has finalized its HST status and is in the process of filing to recover its cost. The WDBA expects to recover 100% of the HST on expenditures directly related to construction (including design, engineering, plaza fill, utility relocation, etc.), and approximately 70% of the HST for expenditures related to the WDBA's operating expenses.

The liabilities at December 31, 2015 included payables and accruals for engineering consulting services, legal fees, Michigan activities and holdbacks related to the Early Works.





RESTRICTED CASH

At December 31, 2015, the WDBA had a restricted cash balance of \$35.6 million in an escrow account. These funds are held in a US dollar escrow account to fund U.S. property acquisitions and other Michigan activities. The WDBA is required to fund Michigan activities at the beginning of each quarter in the escrow account.

TANGIBLE CAPITAL ASSETS

The WDBA held \$41.7 million of capital assets at the end of the third quarter of 2015-16, compared to \$5.9 million at the end of the prior year. These include costs to set up the offices and operations of the WDBA and costs incurred related to the Gordie Howe International Bridge project (Construction in Progress).

Construction in Progress (\$40.8 million at December 31, 2015 - \$5.0 million at March 31, 2015), includes costs related to the building of the bridge, and the Canadian and U.S. POE's. Given that the project is still in its early stages, the majority of the capitalized costs related to professional services such as the general engineering consultant.

The table below provides a breakdown of the Construction in Progress:

(thousands of dollars)

	Dec 31, 2015	March 31, 2015
Bridge	12,102	1,182
Canadian Port of Entry	22,341	2,121
US Port of Entry	6,319	1,711
Other	-	23
	40,762	5,037

Prepaid expenses of \$6.3 million (\$2.6 million at March 31, 2015) primarily consisted of costs related to the acquisition of land in Michigan (\$6.2 million at December 31, 2015 - \$2.3 million at March 31, 2015).

Outlook

In line with its priorities, the WDBA expects that its major expenses for the rest of the year will be around:

- U.S. property acquisitions
- P3 procurement process
- Finalizing the P3 Request for Proposal
- Acceleration of the Early Works; the contract has been awarded, and work is progressing as planned.
- Utilities relocation in Canada and the U.S.





WDBA QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER 2015-2016

Note: These statements have been prepared in advance of audited statements being produced for the year-end period that closed March 31, 2015. Therefore it is likely that revisions will be required to these statements pending final audited review of the WDBA's prior year financial statements.

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information in the quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly 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 quarterly financial statements.

Michael Cautillo
President and Chief Executive Officer

Linda Hurdle, CPA, CA
Chief Financial Administrative Officer

Windsor, Canada

March 7, 2016





Windsor-Detroit Bridge Authority
Quarterly Statement of Financial Position
as at December 31, 2015
(thousands of dollars)

(Unaudited)

	Dec 31, 2015	March 31, 2015
FINANCIAL ASSETS		
Cash	68,563	162
Restricted cash (Note 3)	35,602	-
Accounts receivable		
Due from Government of Canada	-	2,403
Other receivables	5,268	408
TOTAL FINANCIAL ASSETS	109,433	2,973
LIABILITIES		
Accounts payable and accrued liabilities	25,982	2,361
Holdback	1,978	-
TOTAL LIABILITIES	27,960	2,361
NET FINANCIAL ASSETS	81,473	612
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	41,658	5,941
Prepaid expenses	6,349	2,581
TOTAL NON-FINANCIAL ASSETS	48,007	8,522
ACCUMULATED SURPLUS	129,480	9,134
Accumulated surplus is comprised of:		
Accumulated operating surplus	126,862	9,134
Accumulated remeasurement gains (losses)	2,618	-
	129,480	9,134

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





Windsor-Detroit Bridge Authority
Quarterly Statement of Operations
for the nine months ended December 31, 2015
(thousands of dollars)

(Unaudited)

	Twelve months ended March 31, 2016 Budget	Three months ended Dec. 31		Nine months ended Dec. 31	
		2015 Actual	2014 Actual	2015 Actual	2014 Actual
REVENUE					
Interest	-	63	-	106	-
TOTAL REVENUE	-	63		106	-
EXPENSES (Note 6)					
Detroit River International Crossing*	282,943	5,802	1,971	12,447	2,570
Internal services	7,895	1,492	291	4,075	293
TOTAL EXPENSES	290,838	7,294	2,262	16,522	2,863
DEFICIT BEFORE GOVERNMENT FUNDING	(290,838)	(7,231)	(2,262)	(16,416)	(2,863)
Government transfers - Appropriations	290,838	102,500	1,000	133,500	3,176
Government transfers - Other		343	2,032	644	2,709
	290,838	102,843	3,032	134,144	5,885
OPERATING SURPLUS (DEFICIT)	-	95,612	770	117,728	3,022
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	-	31,250	3,069	9,134	817
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	-	126,862	3,839	126,862	3,839

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

*On May 14, 2015, the bridge was officially named the Gordie Howe International Bridge.





Windsor-Detroit Bridge Authority
Quarterly Statement of Remeasurement Gains and Losses
for the nine months ended December 31, 2015
(thousands of dollars)

(Unaudited)

	Three months ended		Nine months ended	
	Dec 31, 2015	Dec. 31, 2014	Dec 31, 2015	Dec. 31, 2014
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	1,007	-	-	-
Unrealized gains (losses) attributable to:				
Foreign exchange	1,646	-	2,662	-
Amounts reclassified to the Statement of Operations:				
Foreign exchange	(35)	-	(44)	-
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	1,611	-	2,618	-
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	2,618	-	2,618	-

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





Windsor-Detroit Bridge Authority
Quarterly Statement of Change in Net Financial Assets
for the nine months ended December 31, 2015
(thousands of dollars)

(Unaudited)

	Twelve months ended	Three months ended		Nine months ended	
	March 31, 2016 Budget	Dec. 31, 2015 Actual	Dec. 31, 2014 Actual	Dec. 31, 2015 Actual	Dec. 31, 2014 Actual
OPERATING SURPLUS (DEFICIT)	-	95,612	770	117,728	3,022
Acquisition of tangible capital assets	71,658	(26,055)	(639)	(35,877)	(765)
Amortization of tangible capital assets		56	-	160	-
	71,658	69,613	131	82,011	2,257
Change in Prepaid Expenses	-	(2,253)	(136)	(3,768)	(136)
Net remeasurement gains and (losses) for the year	-	1,611	-	2,618	-
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	71,658	68,971	(5)	80,861	2,121
NET FINANCIAL ASSETS, BEGINNING OF PERIOD		12,502	2,126	612	-
NET FINANCIAL ASSETS, END OF PERIOD	71,658	81,473	2,121	81,473	2,121

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





Windsor-Detroit Bridge Authority
Quarterly Statement of Cash Flow
for the nine months ended December 31, 2015
(thousands of dollars)

(Unaudited)

	Three months ended		Nine months ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
CASH FLOW PROVIDED BY OPERATING ACTIVITIES				
Operating surplus (deficit)	95,612	770	117,728	3,022
Adjustments for non-cash items				
Amortization of tangible capital assets	56	-	160	-
Contributions used to acquire capital assets	(7)	(569)	(171)	(701)
Remeasurement gains (losses)	1,611	-	2,618	-
Changes in non-cash working capital items				
Accounts receivable	(3,355)	(60)	(2,457)	(63)
Accounts payable and accrued liabilities (Note 4)	(8,002)	884	4,316	936
Holdback	1,959	-	1,978	-
Prepaid expenses	(2,253)	(136)	(3,768)	(136)
NET CASH PROVIDED BY OPERATING ACTIVITIES	85,621	889	120,404	3,058
CASH FLOW FROM CAPITAL ACTIVITIES				
Acquisition of tangible capital assets (Note 4)	(6,743)	(71)	(16,401)	(64)
NET CASH APPLIED TO CAPITAL ACTIVITIES	(6,743)	(71)	(16,401)	(64)
NET INCREASE (DECREASE) IN CASH	78,878	818	104,003	2,994
CASH, BEGINNING OF PERIOD	25,287	2,176	162	-
CASH, END OF PERIOD	104,165	2,994	104,165	2,994
Cash and cash equivalents composed of:				
Cash	68,563	2,994	68,563	2,994
Restricted cash	35,602	-	35,602	-
	104,165	2,994	104,165	2,994

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





Selected Notes to the Quarterly Unaudited Financial Statements

1. AUTHORITY AND ACTIVITIES

The Windsor-Detroit Bridge Authority (WDBA), incorporated on October 9, 2012, under Order in Council P.C. 2012-1350, is a Crown Corporation listed under Schedule III Part I of the *Financial Administration Act* (FAA) and is not subject to income tax under the provisions of the *Income Tax Act*.

The WDBA was established in accordance with the Crossing Agreement signed by Canada and the State of Michigan on June 15, 2012. The mandate of the WDBA is to design, construct, finance, operate and maintain a new international crossing – the Gordie Howe International Bridge – between Canada and Michigan.

All of the costs associated with the project, including the construction, operation and maintenance of the bridge, and the operating costs of the WDBA, will be recouped through toll revenue once the bridge is in operation.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and in accordance with the requirements of the FAA and the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board Secretariat.

b) Government transfers

Government transfers are recognized as revenue when the transfer is authorized and eligibility criteria are met, except to the extent that the stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when stipulations give rise to a liability.

Revenue is recognized in the statement of operations as the stipulations are met. Any portion of government transfers to which the WDBA is entitled to but has not received is recognized under Accounts Receivable from the Federal Government.

c) Support costs

Costs incurred by the Government of Canada to support the WDBA that would otherwise have been incurred by the WDBA are recognized in the financial statements of the WDBA. These costs are reported as revenue, and expense or capital as appropriate.

d) Cash

Cash consists of cash held in the WDBA's bank accounts.





e) Accounts receivable

Accounts receivable are recorded and carried at cost. The amounts due from the federal government are not considered to be at risk of non-collection. Other accounts receivable are periodically reviewed by the WDBA for impairment.

f) Prepaid expenses

Payments made prior to the related services being rendered are recorded as prepaid expenses. Prepaid expenses are recognized in expense as the related services are rendered.

Payments made to the State of Michigan to fund the purchase of land for the Gordie Howe International Bridge project are recorded as prepaid expenses for the land that will be leased for use by the project. Payments made to purchase land that will not be leased, but will be turned over to the State of Michigan (Interstate 75), are expensed in the period. Once a lease agreement has been signed with the State of Michigan the amounts recorded as prepaid expenses will be reclassified to tangible capital assets.

g) Tangible capital assets

Tangible capital assets are recorded at cost. Replacements, major improvements and costs 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 the Statement of Operations as incurred.

Amounts included in construction in progress are transferred to the appropriate capital assets classification upon completion and amortized in accordance with the WDBA's policy.

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

Leasehold improvements	between 3 and 7 years
Office equipment and furniture	between 3 and 10 years

When conditions indicate that a tangible capital asset no longer contributes to the ability of the WDBA to provide services, or that the value of future economic benefits associated with a tangible capital asset is less than its net carrying value, the cost of the tangible capital asset is reduced to reflect the impairment. Net write-downs on tangible capital assets are recorded as expenses in the Statement of Operations. Assessments of whether such conditions exist are made, at a minimum, at each financial statement date.

h) 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.





i) Expense recognition

All expenses are recognized in the period in which they are incurred. Estimates for accruals are made at the end of each period.

j) Pension and Benefit Plans

The WDBA offers defined contribution pension and benefit plans to its employees; expenses related to these plans are recognized in the period in which they are incurred.

k) Financial Instruments

The WDBA identifies, assesses and manages financial risks in order to minimize their impact on its results and financial position. Financial risks are managed in accordance with specific criteria. The WDBA does not engage in speculative transactions or the use of derivatives.

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

Categories	Financial instruments	Measurement
Financial assets	Cash Restricted cash Due from Government of Canada	Cost or amortized cost
Financial liabilities	Accounts payable and accrued liabilities	Cost or amortized cost

l) 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 rate at the end of each quarter. Until an item is settled, gains and losses arising as a result of remeasurement are reported in the Statement of Remeasurement Gains and Losses. When the item is settled, the exchange gain and loss are recorded in the Statement of Operations.

m) Measurement uncertainty

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





3. RESTRICTED CASH

Restricted cash represents funds deposited in an escrow account for the Michigan activities, such as U.S. property acquisition. The escrow account is funded on a quarterly basis.

4. TANGIBLE CAPITAL ASSETS

(thousands of dollars)

	Leasehold Improvements	Computer and Office Equipment	Construction in Progress	Total
Cost				
April 1, 2014	-	-	817	817
Acquisitions	702	225	912	1,839
Contributions	-	-	3,308	3,308
March 31, 2015	702	225	5,037	5,964
Acquisitions	90	62	35,554	35,706
Contributions	-	-	171	171
December 31, 2015	792	287	40,762	41,841
Accumulated Depreciation				
April 1, 2014	-	-	-	-
Amortization	15	8	-	23
March 31, 2015	15	8	-	23
Amortization	96	64	-	160
December 31, 2015	111	72	-	183
Net Book Value				
March 31, 2015	687	217	5,037	5,941
December 31, 2015	681	215	40,762	41,658

The Acquisition of tangible capital assets and the change in accounts payables and accrued liabilities presented in the Statement of Cash Flows excludes an amount of \$19.3M (March 31, 2015 – \$0) in relation to the acquisition of tangible capital assets, as the amount relates to capital activities during the nine months ended December 31, 2015 that remain to be paid as at December 31, 2015.





5. CONTINGENCIES

In the normal course of its activities, the WDBA is the claimant or defendant or is involved in certain pending claims or lawsuits. To the extent that a future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the financial statements. It is the opinion of management that the settlement of such matters will not result in any material liabilities to the WDBA.

6. EXPENSES BY TYPE

(thousands of dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Legal Services	2,637	404	5,219	867
Professional Services	2,154	1,560	4,178	1,699
Payroll and Benefits	1,596	161	3,877	160
Michigan Land	518	21	1,756	21
Rent	157	45	473	45
Other	23	9	251	8
Office and Maintenance	57	50	243	50
Insurance	61	-	181	-
Depreciation	57	-	162	-
Transfer Costs	1	-	102	-
Meals and Travel	35	11	82	12
	7,294	2,262	16,522	2,863

