



FEDERAL BRIDGE CORPORATION  
SOCIÉTÉ DES PONTS FÉDÉRAUX

# QUARTERLY FINANCIAL REPORT 1st QUARTER (Q1) – UNAUDITED

For the three months ended June 30, 2020

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, 2020. 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 materially 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 a federal Crown corporation that has been entrusted with the administration of Canada's interests in four international crossings between Ontario and the United States. Each bridge has unique geographic, cultural, climactic, trade, employment and administrative characteristics that offer unique challenges while delivering crucial benefits to their local communities. 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 is 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.

The Corporation has adopted a portfolio management approach to deliver its mandate. It is not a portfolio of corporations but rather one parent Crown corporation overseeing a portfolio of federal assets, which are used in pursuit of public policy objectives. Key aspects of the portfolio management approach include:

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

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

As stewards of four of Canada's international bridge crossings, it is necessary to invest prudently in the maintenance, rehabilitation and at times, complete replacement of bridge and bridge plaza assets. The significant construction projects in the quarter included:

- a) **Cornwall:** The replacement of the South Channel Bridge travellers is ongoing and the project is expected to be completed this fiscal year.
- b) **Lansdowne:** There are currently no large-scale projects in process in Lansdowne.
- c) **Point Edward:** During the quarter, improvements to the Plaza design continued in order to improve the flow of traffic including work on paving the plaza. Additionally, the VMS signs replacement is ongoing. Both projects are expected to be completed during the current fiscal year.
- d) **Sault Ste. Marie:** a Reach-all vehicle was transferred from Michigan Department of Transportation (MDOT) to the Sault Ste. Marie Bridge Authority (SSMBA) and was refurbished. This equipment will be shared between the bridges in Sault Ste. Marie and FBCL's portion of the crossing at Point Edward and shall be used during bridge maintenance and inspections.

## 2.3 Significant Changes

As a result of COVID-19, the Canadian government enforced strict rules eliminating substantially all personal cross-border traveling commencing in the latter half of March 2020. Additionally, there were significant decreases in truck volumes. As the restrictions continue in fiscal 2020-21, FBCL has experienced – and will likely continue to experience – a significant decrease in Tolls revenue.



# 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. The ongoing risk on decreased Tolls revenue due to limited paying volumes at SIBC and COVID-19 are considered significant risks as they directly affect FBCL's ability to meet its strategic objectives.

## FINANCIAL RISK

Since the implementation of border restrictions directly affects FBCL's ability to collect Tolls revenue, the financial impact is significant and will continue to become more substantial the longer the borders remain effectively closed. The duration and extent of the COVID-19 pandemic measures and related travel restrictions remain unclear at this time and therefore it is not possible to reliably estimate the full effect on FBCL. Consequently, FBCL is reviewing its corporate plan and determining which costs can be postponed to future years and which costs can be significantly reduced in the interim. A special request for urgent funding was obtained due to the pandemic to support the subsidiary, SIBC in the continuity of its operations.

In recent years, overlooking the impact of COVID-19, SIBC has been facing a major financial risk as paying passenger traffic volumes are sharply down due to an overall regional bi-national manufacturing decline, the value of the Canadian dollar and limited commercial traffic at that location. Operational efforts remain the same as free passage traffic crossing the bi-national region is significantly up. Management closely monitors the decrease in Tolls revenue by only incurring essential expenses but this strategy cannot be maintained in the long-term.

FBCL's financial risks are assessed regularly by Standard & Poor's Financial Services LLC (S&P). In August of 2020, S&P Global Ratings affirmed its long-term issuer credit and senior unsecured debt ratings on FBCL as 'A+' based on its assessment of FBCL. In April of 2020 S&P had revised its outlook on FBCL from stable to negative, which was indicative of the uncertainty surrounding the length of time the borders would be restricted to passenger traffic. This negative outlook was maintained in the August rating review. FBCL's strong management and governance characteristics were noted by S&P, and with significant FBCL revenue resulting from commercial traffic, low debt levels, lack of additional external financing needs, and FBCL's strong link with the federal government, FBCL's A+ rating was maintained.



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, 2020 and the next accelerated debt repayment is not scheduled until fiscal 2021-22. With the impact of COVID-19, FBCL is closely monitoring its cash and investments to determine the most prudent path forward.

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. There were no changes to toll rates during the three months ended June 30, 2020.

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.

# 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, this year revenues from April 1, 2020 onwards are significantly lower due to border restrictions implemented to slow the spread of COVID-19 nearly eliminating all passenger travellers.

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. Again, COVID-19 had a significant impact on the commercial truck volumes in the first quarter of this year. Early indications for the second quarter are more favourable, however this varies greatly by bridge location.

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, 2020 (unaudited)	June 30, 2019 (unaudited)	Variance
Tolls	4,111	8,177	(4,066)
Thousand Islands International Bridge	794	1,739	(945)
Leases and permits	351	1,107	(756)
Interest	94	149	(55)
Gain on investments	412	-	412
Other	72	68	4
<b>Total revenue</b>	<b>5,834</b>	<b>11,240</b>	<b>(5,406)</b>
<b>Government funding</b>	<b>1,162</b>	<b>885</b>	<b>277</b>



*Tolls and Thousand Islands International Bridge:* When comparing Q1 2020-21 to Q1 2019-20, FBCL has seen a decrease in overall paid traffic of 73.9%, which consists of decreases of 85.9% in passenger vehicle volumes and 28.3% in commercial volumes. This is consistent with the Ontario average for all international bridges for passenger vehicle volumes and commercial volumes, which decreased 85.9% and 29.5%, respectively. Decreases in passenger vehicles by location vary between 68.9% and 96.2% while decreases in commercial volumes by location vary between 19.3% to 32.9%.

*Leases and permits:* The most significant leases are from the Duty Free stores in Point Edward, Thousand Islands, and Sault Ste. Marie in which a significant portion of FBCL's lease revenues are based on a percentage of sales of goods at these Duty Free stores. With the border travel restrictions, the Duty Free stores were either closed during the first quarter or generated minimal revenues.

*Interest and Gain on investments:* With the decrease in Tolls revenue, investments of \$7 million were redeemed to meet operational requirements. This resulted in realized gains on sale of investments as FBCL's fair value of investments have increased. However, these redemptions and lower interest rates in the market resulted in lower interest earned during the quarter.

*Government funding:* The government funding recognized in revenues consists of amortization of deferred capital funding in the amount of \$0.9 million which is consistent with the prior year first quarter as well as \$0.3 million to reimburse for SIBC's operating expenses in excess of externally generated revenues such as tolls, leases and permits, and interest. SIBC did not have such funding for Q1 2019-20.

### Operating and interest expense (\$000's)

	June 30, 2020 (unaudited)	June 30, 2019 (unaudited)	Variance
Operations	2,200	1,971	229
Thousand Islands International Bridge	1,631	1,513	118
Maintenance	3,374	3,446	(72)
CBSA & CFIA operations	1,924	1,904	20
Administration	1,890	1,874	16
<b>Total expenses</b>	<b>11,019</b>	<b>10,708</b>	<b>311</b>
<b>Interest expense</b>	<b>903</b>	<b>1,042</b>	<b>(139)</b>

Parliamentary appropriations have been obtained this year to sustain SIBC's operations. Consequently, 100 % of SIBC expenses are recognized by FBCL in Q1 2020-21 whereas only 50% of these expenses were recognized by FBCL in Q1 2019-20 with the remaining balance being recognized by its U.S. partner, SLSDC. In addition, during the fourth quarter of the prior fiscal year FBCL reviewed its methodology for attributed expenses to the various expense lines, which resulted in expenses being reallocated between expense lines.

*Operations:* Operating costs are higher as a result of additional SIBC operations expenses of \$0.1 million and \$0.1 million in costs reclassified from maintenance to operations.

*Thousand Islands International Bridge:* Direct operating costs are \$0.1 million higher when comparing Q1 2020-21 to Q1 2019-20. This is mainly attributable to the new toll system being in use since July 2019.

*Maintenance:* SIBC maintenance costs are \$0.1 million higher this year. This is offset by reallocation of expense of \$0.1 million to operations and \$0.1 million reallocation from administration as well as \$0.1 million decrease in various costs (salaries and maintenance projects).

*CBSA/CFIA:* Q1 2020-21 is comparable to Q1 2019-20.

*Administration:* Administration expenses are comparable for Q1 2020-21 when compared to Q1 2019-20 however this includes a reallocation of \$0.1 million to maintenance offset by recognition of a foreign currency translation loss of \$0.1 million.

*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, 2020 (unaudited)	March 31, 2020 (audited)	Variance
<b>Assets</b>			
Financial assets	25,075	28,165	(3,090)
Non-financial assets	381,683	384,104	(2,421)
<b>Total assets</b>	<b>406,758</b>	<b>412,269</b>	<b>(5,511)</b>
<b>Liabilities</b>			
Current liabilities	17,530	17,290	240
Non-current liabilities	159,009	159,903	(894)
<b>Total liabilities</b>	<b>176,539</b>	<b>177,193</b>	<b>(654)</b>
<b>Total equity</b>	<b>230,219</b>	<b>235,076</b>	<b>(4,857)</b>

*Financial Assets:* Financial assets consist of cash and cash equivalents, investments, and receivables. Overall cash and investments have decreased by \$3.4 million, which was used to fund operating activities (\$1.7 million) and purchase capital assets (\$1.7 million). Trade and other receivables have increased by \$0.3 million, which represents the parliamentary funding for SIBC.

*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. Capital assets have decreased by \$2.8 million, which is comprised of \$4.5 million in depreciation expense offset by \$1.7 million of capital assets acquisitions. Prepaid insurance expense has increased by \$0.4 million.

*Current Liabilities:* Trade and other payables and short-term employee benefits, collectively have remained consistent when compared to March 31, 2020. Holdbacks have increased by \$0.2 million, which is primarily due to the VMS signs replacement project in Point Edward.

*Non-current Liabilities:* Deferred capital funding has decreased as it is amortized to revenue.

## STATEMENT OF CASH FLOWS

### Consolidated Statement of Cash Flow (\$000's)

	June 30, 2020 (unaudited)	June 30, 2019 (unaudited)	Variance
Net cash (used) generated by operating activities	(1,728)	3,578	(5,306)
Net cash generated (used) by investing activities	5,653	(322)	5,975
Net cash used by financing activities	(68)	(103)	35
<b>Net increase in cash</b>	<b>3,857</b>	<b>3,153</b>	<b>704</b>

Cash flow from operations was negative this first quarter due to border traffic restrictions as well as lower commercial truck volumes. Consequently, FBCL was required to use a portion of its investments to fund operations. Although the overall cash balance has increased by \$3.9 million, this increase will be used at the beginning of the second quarter to pay the schedule bond payment of \$4.4 million.

## 4.2 Financial Performance against Corporate Plan

FBCL's 2020-21 Corporate Plan has not yet received Parliamentary approval. FBCL's Board of Directors approved a Corporate Plan in January of 2020, however due to the effects of COVID-19 on FBCL's financial picture, this Corporate Plan is currently being reevaluated. For this reason, no comparison to Corporate Plan is currently presented.

## 4.3 Reporting on Use of Appropriations

FBCL has secured funding from the Government of Canada to reimburse the operating expenses in excess of revenues for SIBC. During the first quarter, \$0.3 million of funds were recorded in the financial statements. In 2019-20, there were no projects or operations that were funded by parliamentary appropriations.



# 5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## **For the three months ended June 30, 2020**

*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  
Chief Executive Officer



Richard Iglinski  
Chief Financial Officer

Ottawa, Canada  
August 27, 2020

## 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, 2020

(in thousands of Canadian dollars)

	Notes	June 30, 2020 (unaudited) \$	March 31, 2020 (audited) \$
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents		11,239	7,382
Investments		10,605	17,847
Trade and other receivables		1,231	936
Prepays		715	346
<b>Total Current Assets</b>		<b>23,790</b>	<b>26,511</b>
<i>Non-Current Assets</i>			
Property and equipment	6	362,098	364,708
Investment properties		18,603	18,777
Intangible assets		65	69
Lessor inducement		202	204
Investments		2,000	2,000
<b>Total Non-Current Assets</b>		<b>382,968</b>	<b>385,758</b>
<b>TOTAL ASSETS</b>		<b>406,758</b>	<b>412,269</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Trade and other payables		3,621	4,041
Employee benefits		1,823	1,327
Holdbacks		231	88
Deferred revenue		2,490	2,476
Current portion of loans payable		133	132
Current portion of bonds payable		5,540	5,540
Current portion of lease liability		202	182
Current portion of deferred capital funding		3,490	3,504
<b>Total Current Liabilities</b>		<b>17,530</b>	<b>17,290</b>
<i>Non-Current Liabilities</i>			
Loans payable		2,910	2,943
Bonds payable		46,320	46,320
Lease liability		1,267	1,323
Employee benefits		7,316	7,220
Deferred revenue		1,328	1,366
Deferred capital funding		99,868	100,731
<b>Total Non-Current Liabilities</b>		<b>159,009</b>	<b>159,903</b>
<b>EQUITY</b>			
Share capital - 2 shares @ no par value		-	-
Retained earnings		229,599	234,525
Accumulated other comprehensive income		620	551
<b>Total Equity</b>		<b>230,219</b>	<b>235,076</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>406,758</b>	<b>412,269</b>

## 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, 2020 (in thousands of Canadian dollars)

	June 30, 2020	June 30, 2019
	(unaudited)	(unaudited)
	\$	\$
<b>Revenue</b>		
Tolls and services	4,111	8,177
Leases and permits	794	1,739
Thousand Islands International Bridge revenue	351	1,107
Interest	94	149
Gain on investments	412	-
Other	72	68
<b>Total Revenue</b>	<b>5,834</b>	<b>11,240</b>
<b>Expenses</b>		
Operations	2,200	1,971
Thousand Islands International Bridge expenses	1,631	1,513
Maintenance	3,374	3,446
Canada Border Security Agency & Canadian Food Inspection Agency operations	1,924	1,904
Administration	1,890	1,874
<b>Total Expenses</b>	<b>11,019</b>	<b>10,708</b>
<b>Operating (Loss) Income Before Government Funding</b>	<b>(5,185)</b>	<b>532</b>
<b>Government Funding</b>		
Amortization of deferred capital funding	876	885
Funding with respect to operating expense	286	-
<b>Total Government Funding</b>	<b>1,162</b>	<b>885</b>
<b>Non-Operating Items</b>		
Interest expense	(903)	(1,042)
<b>Total Non-Operating Income</b>	<b>(903)</b>	<b>(1,042)</b>
<b>Net (Loss) Income</b>	<b>(4,926)</b>	<b>375</b>
<b>Other Comprehensive Income</b>		
Items that may be reclassified subsequently to net income		
Revaluation gain (loss) on fair value through other comprehensive income investments	481	172
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income statements	(412)	(2)
<b>Total Other Comprehensive Income</b>	<b>69</b>	<b>170</b>
<b>Total Comprehensive (Loss) Income for the Period</b>	<b>(4,857)</b>	<b>545</b>

## 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, 2020 (in thousands of Canadian dollars)

	Retained Earnings (unaudited)	Accumulated Other Comprehensive Income (unaudited)	Total (unaudited)
	\$	\$	\$
<b>Balance, April 1, 2019</b>	235,997	257	236,254
<i>Total Comprehensive Income:</i>			
Net income	375	-	375
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	172	172
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	(2)	(2)
<b>Other Comprehensive Income total</b>	-	170	170
<b>Total Comprehensive Income</b>	375	170	545
<b>Balance at June 30, 2019</b>	<b>236,372</b>	<b>427</b>	<b>236,799</b>
<b>Balance, March 31, 2020</b>	234,525	551	235,076
<i>Total Comprehensive Income:</i>			
Net loss	(4,926)	-	(4,926)
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	481	481
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	(412)	(412)
<b>Other Comprehensive Income total</b>	-	69	69
<b>Total Comprehensive Loss</b>	(4,926)	69	(4,857)
<b>Balance as at June 30, 2020</b>	<b>229,599</b>	<b>620</b>	<b>230,219</b>



## 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, 2020 (in thousands of Canadian dollars)

	June 30, 2020	June 30, 2019
	(unaudited)	(unaudited)
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Net (loss) income	(4,926)	375
Adjustments for:		
Amoritsation of deferred capital funding	(876)	(885)
Depreciation of property and equipment	4,267	4,272
Depreciation of intangible assets	4	5
Depreciation of investment properties	174	175
Loss on disposal of property and equipment	-	-
Change in employee benefits	592	111
	(765)	4,053
<b>Changes in Non-cash Working Capital:</b>		
Trade and other receivable	(295)	181
Lessor inducement	2	4
Prepays	(369)	256
Trade and other payables	(420)	(82)
Provisions	-	(646)
Holdbacks	143	(123)
Deferred revenue	(24)	(65)
	(963)	(475)
<b>Net cash (used for) generated by Operating Activities</b>	<b>(1,728)</b>	<b>3,578</b>
<b>Cash Flows from Investing Activities</b>		
Payments for property and equipment	(1,657)	(1,195)
Proceeds on sale of investments	8,557	1,485
Purchase of investments	(1,246)	(612)
<b>Net Cash Generated (Used) for Investing Activities</b>	<b>5,653</b>	<b>(322)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of loans payable	(32)	(56)
Payment of lease liability	(36)	(47)
<b>Net Cash Used for Financing activities</b>	<b>(68)</b>	<b>(103)</b>
Net increase/(decrease) in cash and cash equivalents	3,857	3,153
Cash and cash equivalents, beginning of period	7,382	9,054
<b>Cash and Cash Equivalents, end of period</b>	<b>11,239</b>	<b>12,207</b>

## 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, 2020. 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, 2020.

FBCL's significant accounting policy on Interests in Joint Operations states that FBCL accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses. FBCL has assessed that two of its crossings meet the criteria of a joint operation, as explained in note 6 of the audited consolidated financial statements for the year ended March 31, 2020. Although the significant accounting policy has not changed, the allocation of revenues and expenses for SIBC have been modified this year.

Per agreement, FBCL and the Saint Lawrence Seaway Development Corporation (SLSDC - American partner) shared revenues and expenses of the FBCL subsidiary, SIBC. Due to the impact of COVID-19, FBCL has received parliamentary appropriations to fund SIBC operating expenses in excess of revenues. Consequently, for the current fiscal year, all of SIBC's revenues and expenses are attributed to FBCL and therefore fully recognized in the interim unaudited condensed consolidated financial statements.

## 3. 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 a preference for travel between the late spring and early fall months. However, this year revenues from April 1, 2020 onwards are significantly lower due to COVID-19 restrictions nearly eliminating all leisure travellers.

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. Again, COVID-19 had a significant impact on the commercial truck traffic.

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.

#### **4. USE OF JUDGMENTS AND ESTIMATES**

The preparation of the interim unaudited condensed consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that can significantly affect the amounts recognized in the consolidated financial statements. Actual results may differ from these estimates. Where these differ, the impact will be recorded in future periods. Significant judgments and estimates as at June 30, 2020 were consistent with those disclosed in Note 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2020.

#### **5. FUTURE CHANGES IN ACCOUNTING POLICIES**

There were no new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) during the 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, 2020.

## 6. 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, 2019	14,791	266,834	30,789	143,632	27,362	-	9,219	492,627
Adjustment (IFRS 16)	-	-	-	-	-	1,579	-	1,579
Additions	19	97	594	38	19	43	3,560	4,370
Disposals	-	-	(169)	-	(746)	-	-	(915)
Transfers	-	2,740	2,284	428	4,588	-	(10,040)	-
<b>Balance, March 31, 2020</b>	<b>14,810</b>	<b>269,671</b>	<b>33,498</b>	<b>144,098</b>	<b>31,223</b>	<b>1,622</b>	<b>2,739</b>	<b>497,661</b>
Additions	6	7	-	-	2	-	1,642	1,657
Disposals	-	-	-	(87)	-	-	-	(87)
Transfers	-	-	389	-	-	-	(389)	-
<b>Balance, June 30, 2020</b>	<b>14,816</b>	<b>269,678</b>	<b>33,887</b>	<b>144,011</b>	<b>31,225</b>	<b>1,622</b>	<b>3,992</b>	<b>499,231</b>

  

Accumulated depreciation	Land \$	Bridges and Roads \$	Vehicles and Equipment \$	Buildings \$	Property Improvements \$	Right-of-use Assets \$	Projects in Progress \$	Total \$
Balance, April 1, 2019	-	62,750	14,877	23,807	15,262	-	-	116,696
Eliminated on disposal of assets	-	-	(169)	-	(746)	-	-	(915)
Depreciation	-	9,829	1,909	4,059	1,165	210	-	17,172
<b>Balance, March 31, 2020</b>	<b>-</b>	<b>72,579</b>	<b>16,617</b>	<b>27,866</b>	<b>15,681</b>	<b>210</b>	<b>-</b>	<b>132,953</b>
Eliminated on disposal of assets	-	-	-	(87)	-	-	-	(87)
Transfers	-	-	-	-	-	-	-	-
Depreciation	-	2,419	505	1,014	260	69	-	4,267
<b>Balance, June 30, 2020</b>	<b>-</b>	<b>74,998</b>	<b>17,122</b>	<b>28,793</b>	<b>15,941</b>	<b>279</b>	<b>-</b>	<b>137,133</b>
<b>Net book value, June 30, 2020</b>	<b>14,816</b>	<b>194,680</b>	<b>16,765</b>	<b>115,218</b>	<b>15,284</b>	<b>1,343</b>	<b>3,992</b>	<b>362,098</b>
Net book value, March 31, 2020	14,810	197,092	16,881	116,232	15,542	1,412	2,739	364,708

## 7. 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	2020		
	Value \$	Cost \$	Level
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	9,100	9,100	Level 2
Financial instruments measured at amortised costs			
Investments (amortised cost)	3,505	3,505	Level 1
Loans payable	3,072	3,043	Level 2
Bonds payable	62,274	51,860	Level 2
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As at March 31	2020		
	Value \$	Cost \$	Level
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	16,342	16,342	Level 2
Financial instruments measured at amortised costs			
Investments (amortised cost)	3,505	3,505	Level 1
Loans payable	3,111	3,075	Level 2
Bonds payable	61,619	51,860	Level 2