



FEDERAL BRIDGE CORPORATION  
SOCIÉTÉ DES PONTS FÉDÉRAUX

# QUARTERLY FINANCIAL REPORT 3<sup>rd</sup> QUARTER (Q3) – UNAUDITED

For the nine months ended December 31, 2020

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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 nine-month period ended December 31, 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. Additionally, this approach has assisted FBCL in its operation and oversight of its portfolio of bridges during the current border restrictions that have been in effect at the Canada-US border since March 2020. These restrictions have affected FBCL's revenues greatly, and FBCL's bridges have responded by reducing and deferring expenditures where prudent and safe. FBCL continues to monitor and assess the impact of continued border restrictions on its plans.

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 most significant part of projects detailed below were committed to pre-COVID-19 pandemic. The significant construction projects in the quarter included:

- a) **Cornwall:** The replacement of the South Channel Bridge travellers is ongoing and will be completed in fiscal 2021-22. The travellers allow for routine maintenance and inspections of the structure.
- b) **Lansdowne:** There are currently no large-scale projects in process in Lansdowne.
- c) **Point Edward:** During the quarter, the paving of the plaza and the installation of new VMS signs were completed.
- d) **Sault Ste. Marie:** There are currently no large-scale projects in process in Sault Ste. Marie.

## 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 and Leasing revenues.



# 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 of decreased Tolls and Leasing revenue due to limited passenger volumes 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 and limits customers at leased Duty Free facilities, 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. In this third quarter, FBCL revised its corporate plan and determined which costs could be postponed to future years and which costs can be significantly reduced. This amended corporate plan was approved during the quarter and includes government funding for the current year which includes special requests for urgent government funding due to the pandemic for FBCL and its subsidiary, SIBC. In the second quarter, 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. FBCL's strategy is to repay its loans as they become due, as FBCL wishes to maintain a strong debt service coverage ratio, at the same time. This strong debt management strategy is to allow for debt payments over the life of the loans, and to minimize the need for additional indebtedness. With the impact of COVID-19, FBCL is closely monitoring its cash and investments to determine the most prudent path forward. With this uncertainty, in the third quarter, FBCL sought out all required approvals, which will allow FBCL to borrow up to \$10 million between January 1, 2021 and March 31, 2022, if required. There have been no accelerated debt repayments in the nine months ended December 31, 2020, and the next accelerated debt repayment is not scheduled until fiscal 2021-22.

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 nine months ended December 31, 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 three quarters of this year. Overall trucks volumes peaked in the second quarter with a significant increase over the first quarter and slight decrease in the third quarter; however, this differed at each 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)

	For the three months ending			For the nine months ending		
	Dec 31, 2020 (unaudited)	Dec 31, 2019 (unaudited)	Variance	Dec 31, 2020 (unaudited)	Dec 31, 2019 (unaudited)	Variance
Tolls	5,692	7,714	(2,022)	15,468	24,651	(9,183)
Thousand Islands						
International Bridge	979	1,738	(759)	2,857	5,225	(2,368)
Leases and permits	408	1,261	(853)	1,083	3,974	(2,891)
Interest	67	118	(51)	237	409	(172)
Gain on investments	267	-	267	690	-	690
Other	(103)	106	(209)	48	181	(133)
<b>Total revenue</b>	<b>7,310</b>	<b>10,937</b>	<b>(3,627)</b>	<b>20,383</b>	<b>34,440</b>	<b>(14,057)</b>
<b>Government funding</b>	<b>1,500</b>	<b>884</b>	<b>616</b>	<b>3,938</b>	<b>2,653</b>	<b>1,285</b>



*Tolls and Thousand Islands International Bridge:* When comparing the first three quarters of 2020-21 to the first three quarters of 2019-20, FBCL has seen a decrease in overall paid traffic volume of 68.0% which consists of a decrease of 84.1% in passenger vehicle volumes and an 11.3% decrease in commercial volumes. This is consistent with the Ontario average for all international bridges for passenger vehicle volumes and commercial volumes, which decreased 82.8% and 11.3%, respectively. Decreases in passenger vehicles by location vary between 67.6% and 95.0% while decreases in commercial volumes by location vary between 9.6% and 25.6%.

There are limited changes in passenger volumes when comparing Q1, Q2 and Q3 averages, as compared to the equivalent time periods last year. However, the commercial volumes, compared to last year, have fluctuated when looking at Q1, Q2 and Q3. In the third quarter, the Point Edward crossing saw an increase of 3.3% when comparing the third quarter of 2020-21 to 2019-20 while the remaining three bridges saw decreases ranging between 0.9% and 11.0%. In Q3, FBCL's overall increase in commercial volumes was 0.5%, which is more favourable than the Ontario average decrease of 0.2%.

*Leases and permits:* Usually, 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 three quarters or generated minimal revenues.

*Interest and Gain on investments:* With the decrease in Tolls revenue, investments of \$13.8 million were redeemed to meet operational and debt 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 first three quarters.

*Government funding:* The government funding recognized in revenues consists of amortization of deferred capital funding in the amount of \$0.9 million per quarter which is consistent with the prior year first three quarters as well as \$1.3 million for the year to date (\$0.6 million for Q3) 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 in 2019-20.

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

	For the three months ending			For the nine months ending		
	Dec 31, 2020 (unaudited)	Dec 31, 2019 (unaudited)	Variance	Dec 31, 2020 (unaudited)	Dec 31, 2019 (unaudited)	Variance
Operations	1,997	1,875	122	6,117	5,904	213
Thousand Islands						
International Bridge	1,640	1,537	103	4,603	4,808	(205)
Maintenance	3,791	3,564	227	10,872	10,609	263
CBSA & CFIA operations	1,896	1,879	17	5,635	5,696	(61)
Administration	1,747	2,086	(339)	5,358	5,847	(489)
<b>Total expenses</b>	<b>11,071</b>	<b>10,941</b>	<b>130</b>	<b>32,585</b>	<b>32,864</b>	<b>(279)</b>
<b>Interest expense</b>	<b>857</b>	<b>960</b>	<b>(103)</b>	<b>2,622</b>	<b>2,984</b>	<b>(362)</b>

Parliamentary appropriations have been obtained this year to sustain SIBC's operations. Consequently, 100% of SIBC expenses are recognized by FBCL in 2020-21 whereas only 50% of these expenses were recognized by FBCL in 2019-20 with the remaining balance being recognized by its U.S. partner, SLSDC. This has the effect of adding approximately \$1.0 million in additional expenses for the first nine months of this year. 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:* Operations expenses in the quarter were higher than in the prior year by \$0.1 million. This increase was a result of \$0.2 million in depreciation reclassified from administration, \$0.1 million in additional SIBC expenses recognized (recognizing 100% of SIBC expenses this year), and offset by a \$0.2 million decrease in salaries at the Point Edward and Sault Ste. Marie locations. Year-to-date expenses are higher than last year by \$0.2 million. This is primarily due to \$0.3 million in additional SIBC expenses recognized offset by \$0.2 million in reduced salaries at the Point Edward and Sault Ste. Marie locations.

*Thousand Islands International Bridge:* Expenses at the Thousand Islands International Bridge in the quarter were similar to the prior year. Year-to-date expenses are \$0.2 million lower than the prior year, directly related to fewer maintenance works being completed in the current year.

*Maintenance:* Maintenance costs for the quarter are higher by \$0.2 million, which is a result of additional SIBC recognized expenses of \$0.3 million. Year-to-date expenses are higher by \$0.3 million, which results from additional SIBC recognized expenses of \$0.6 million but is offset by \$0.3 million as a result of fewer maintenance projects performed in the year primarily at Sault Ste. Marie.

*CBSA/CFIA:* Q3 and year-to-date 2020-21 is comparable to Q3 and year-to-date 2019-20.

*Administration:* During the third quarter, administration expenses are lower than last year by \$0.3 million due to \$0.2 million depreciation that was reclassified to operations and \$0.1 million in other costs (primarily travel costs). Year-to-date, these expenses are \$0.5 million lower as compared to last year, due to the \$0.2 million in depreciation that was reclassified to operations, and \$0.3 million in other expenses (primarily travel, information technology, and internal audit fees).

*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)

	December 31, 2020 (unaudited)	March 31, 2020 (audited)	Variance
<b>Assets</b>			
Financial assets	17,227	28,165	(10,938)
Non-financial assets	378,303	384,104	(5,801)
<b>Total assets</b>	<b>395,530</b>	<b>412,269</b>	<b>(16,739)</b>
<b>Liabilities</b>			
Current liabilities	20,134	17,290	2,844
Non-current liabilities	151,429	159,903	(8,474)
<b>Total liabilities</b>	<b>171,563</b>	<b>177,193</b>	<b>(5,630)</b>
<b>Total equity</b>	<b>223,967</b>	<b>235,076</b>	<b>(11,109)</b>

*Financial Assets:* Financial assets consist of cash and cash equivalents, investments, and receivables. Overall cash and investments have decreased by \$10.2 million, which was used to purchase capital assets (\$7.6 million) and repay debt (\$3.0 million). Trade and other receivables have decreased by \$0.7 million, as the balances at March 31, 2020, include a receivable from the Thousand Islands Bridge Authority for the six month period ending February 29, 2020, whereas the December 31, 2020 balance is in a payable position.

*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 \$5.8 million, which is comprised of \$13.4 million in depreciation expense offset by \$7.6 million of capital assets acquisitions.

*Current Liabilities:* Trade and other payables and holdbacks have decreased by \$0.3 million. The current portion of the bonds payable has increased by \$0.2 million as a scheduled payment was made in July 2020 with the next payment being made in January 2021 and the current portion of the loans payable has increased by \$2.9 million as it is scheduled to be paid in full in Q2 2021-22.

*Non-current Liabilities:* Deferred capital funding has decreased by \$2.6 million as it is amortized to revenue and bonds payable has decreased by \$2.9 million as a payment was made in July 2020, and the balance of non-current loan liabilities are now classified as current with a \$2.9 million effect.

## STATEMENT OF CASH FLOWS

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

	For the three months ending			For the nine months ending		
	Dec 31, 2020 (unaudited)	Dec 31, 2019 (unaudited)	Variance	Dec 31, 2020 (unaudited)	Dec 31, 2019 (unaudited)	Variance
Net cash (used) generated by operating activities	395	1,304	(909)	543	3,744	(3,201)
Net cash generated (used) by investing activities	2,163	(274)	2,437	5,484	1,287	4,197
Net cash used by financing activities	(85)	(83)	(2)	(3,007)	(5,088)	2,081
<b>Net increase in cash</b>	<b>2,473</b>	<b>947</b>	<b>1,526</b>	<b>3,020</b>	<b>(57)</b>	<b>3,077</b>

Cash flow from operating activities is positive in the third quarter. Before considering the impact of the change in working capital, cash flows from operating activities for the third quarter were positive by \$0.6 million (\$0.1 million for the year-to-date). In the prior year, the cash flow from operating activities were negatively affected due to payments made on the demolition of the piers on the old North Channel Bridge in Cornwall. From a year-to-date perspective, \$13.1 million of investments were cashed in order to pay for \$7.6 million of property and equipment acquisitions as well as repaying \$3.0 million in debt in the nine months ending December 31, and in anticipation of a \$4.4 million bond payment due in early January 2021. Net cash used by financing activities for the prior year included an accelerated loan payment.

## 4.2 Financial Performance against Corporate Plan

The 2020-21 to 2024-25 amended Corporate Plan was approved in Q3. The following is a summary of actual revenues and expenses as compared to the full 12 months of the 2020-21 plan.

### Revenue and government funding ('000s)

	Dec 31, 2020 (9 months)	Corporate Plan (Amended) (12 months)	Percentage
Tolls	15,468	16,360	95%
Thousand Islands International Bridge	2,857	3,071	93%
Leases and permits	1,083	1,377	79%
Interest	927	408	227%
Other	48	171	28%
<b>Total revenue</b>	<b>20,383</b>	<b>21,387</b>	<b>95%</b>
<b>Government funding</b>	<b>3,938</b>	<b>12,877</b>	<b>31%</b>

The original Corporate Plan was prepared prior to the start of the pandemic and consequently had significantly higher toll volumes. Volumes at each of FBCL's crossings continue to be volatile and can be very dependant on imposed border restrictions. The fourth quarter is traditionally the slowest month from a traffic level overall. The amended Corporate Plan was submitted in Q2 and approved in Q3 and includes \$6.9 million of funding that was advanced through the Treasury Board Vote 5 and is expected to be included as part of Supplementary Estimates C later this fiscal year.

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

	Dec 31, 2020 (9 months)	Corporate Plan (Amended) (12 months)	Percentage
Operations	4,086	6,149	66%
Thousand Islands			
International Bridge	3,410	4,993	68%
Maintenance	4,537	7,653	59%
CBSA & CFIA	2,494	3,732	67%
Administration	4,693	7,388	64%
Depreciation	13,365	18,314	73%
<b>Total expense</b>	<b>32,585</b>	<b>48,229</b>	<b>68%</b>
Interest expense	2,984	3,430	87%

With the approval of the government funding late in the third quarter, to preserve FBCL's cash position, a number of disbursements and necessary projects were deferred to the fourth quarter.

### 4.3 Reporting on Use of Appropriations

In July 2020, FBCL secured funding from the Government of Canada to reimburse the operating expenses in excess of revenues for SIBC. During the first three quarters, \$1.3 million of funds were recorded in the financial statements.

Mid-December 2020, FBCL was been granted approval to access Treasury Board Vote 5 funding in the amount of \$6.9 million, to be presented as part of Supplementary Estimates C later in the fiscal year.

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 nine months ended December 31, 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

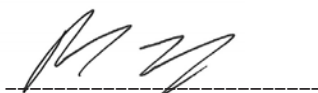
Management of The Federal Bridge Corporation Limited is responsible for the preparation and fair presentation of these interim unaudited condensed consolidated financial statements in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* and International 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  
January 29, 2021

## 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 December 31, 2020  
(in thousands of Canadian dollars)

	Notes	December 31, 2020 (unaudited) \$	March 31, 2020 (audited) \$
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents		10,402	7,382
Investments		4,548	17,847
Trade and other receivables		277	936
Prepays		315	346
<b>Total Current Assets</b>		<b>15,542</b>	<b>26,511</b>
<i>Non-Current Assets</i>			
Property and equipment	7	359,482	364,708
Investment properties		18,255	18,777
Intangible assets		55	69
Lessor inducement		196	204
Investments		2,000	2,000
<b>Total Non-Current Assets</b>		<b>379,988</b>	<b>385,758</b>
<b>TOTAL ASSETS</b>		<b>395,530</b>	<b>412,269</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Trade and other payables		3,165	4,041
Employee benefits		1,361	1,327
Provisions		-	-
Holdbacks		676	88
Deferred revenue		2,533	2,476
Current portion of loans payable		2,977	132
Current portion of bonds payable		5,724	5,540
Current portion of deferred capital funding		3,493	3,504
Current portion of lease liability		205	182
<b>Total Current Liabilities</b>		<b>20,134</b>	<b>17,290</b>
<i>Non-Current Liabilities</i>			
Loans payable		-	2,943
Bonds payable		43,412	46,320
Employee benefits		7,479	7,220
Deferred revenue		1,252	1,323
Deferred capital funding		98,128	100,731
Lease liability		1,158	1,366
<b>Total Non-Current Liabilities</b>		<b>151,429</b>	<b>159,903</b>
<b>EQUITY</b>			
Share capital - 2 shares @ no par value		-	-
Retained earnings		223,639	234,525
Accumulated other comprehensive income		328	551
<b>Total Equity</b>		<b>223,967</b>	<b>235,076</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>395,530</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 and nine month periods ended December 31, 2020 (in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
<b>Revenue</b>				
Tolls and services	5,692	7,714	15,468	24,651
Thousand Islands International Bridge revenue	979	1,738	2,857	5,225
Leases and permits	408	1,261	1,083	3,974
Interest	67	118	237	409
Gain on investments	267	-	690	-
Other	(103)	106	48	181
<b>Total Revenue</b>	<b>7,310</b>	<b>10,937</b>	<b>20,383</b>	<b>34,440</b>
<b>Expenses</b>				
Operations	1,997	1,875	6,117	5,904
Thousand Islands International Bridge expenses	1,640	1,537	4,603	4,808
Maintenance	3,791	3,564	10,872	10,609
Canada Border Security Agency & Canadian Food Inspection Agency operations	1,896	1,879	5,635	5,696
Administration	1,747	2,086	5,358	5,847
<b>Total Expenses</b>	<b>11,071</b>	<b>10,941</b>	<b>32,585</b>	<b>32,864</b>
<b>Operating (Loss) Income Before Government Funding</b>	<b>(3,761)</b>	<b>(4)</b>	<b>(12,202)</b>	<b>1,576</b>
<b>Government Funding</b>				
Amortization of deferred capital funding	876	884	2,628	2,653
Funding with respect to operating expense	624	-	1,310	-
<b>Total Government Funding</b>	<b>1,500</b>	<b>884</b>	<b>3,938</b>	<b>2,653</b>
<b>Non-Operating Items</b>				
Interest expense	(857)	(960)	(2,622)	(2,984)
<b>Total Non-Operating Income</b>	<b>(857)</b>	<b>(960)</b>	<b>(2,622)</b>	<b>(2,984)</b>
<b>Net (Loss) Income</b>	<b>(3,118)</b>	<b>(80)</b>	<b>(10,886)</b>	<b>1,245</b>
<b>Other Comprehensive Income</b>				
Items that may be reclassified subsequently to statement of income (loss)				
Investments revaluation loss on available-for-sale investments	(29)	(32)	467	180
Cumulative gain reclassified to income on sale of available-for-sale investments	(267)	(69)	(690)	(39)
<b>Total Other Comprehensive Income</b>	<b>(296)</b>	<b>(101)</b>	<b>(223)</b>	<b>141</b>
<b>Total Comprehensive (Loss) Income for the Period</b>	<b>(3,414)</b>	<b>(181)</b>	<b>(11,109)</b>	<b>1,386</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 and nine month periods ended December 31, 2020 (in thousands of Canadian dollars)

	Retained Earnings (unaudited)	Accumulated Other Comprehensive Income (unaudited)	Total (unaudited)
	\$	\$	\$
<b>Balance, April 1, 2019</b>	235,958	257	236,215
<i>Total Comprehensive Income:</i>			
Net income	1,245	-	1,245
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	180	180
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	(39)	(39)
<b>Other Comprehensive Income total</b>	-	141	141
<b>Total Comprehensive Income</b>	1,245	141	1,386
<b>Balance at December 31, 2019</b>	<b>237,203</b>	<b>398</b>	<b>237,601</b>
<b>Balance, April 1, 2020</b>	234,525	551	235,076
<i>Total Comprehensive Income:</i>			
Net loss	(10,886)	-	(10,886)
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	467	467
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	(690)	(690)
<b>Other Comprehensive Income total</b>	-	(223)	(223)
<b>Total Comprehensive Income (Loss)</b>	(10,886)	(223)	(11,109)
<b>Balance at December 31, 2020</b>	<b>223,639</b>	<b>328</b>	<b>223,967</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 and nine month periods ended December 31, 2020 (in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>				
Net (loss) income	(3,118)	(80)	(10,886)	1,245
Adjustments for:				
Amoritsation of deferred capital funding	(876)	(884)	(2,628)	(2,653)
Depreciation of property and equipment	4,327	4,266	12,829	12,814
Depreciation of intangible assets	5	6	14	16
Depreciation of investment properties	174	174	522	523
(Gain) loss on disposal of property and equipment	-	-	3	(30)
Change in employee benefits	135	(134)	293	(296)
	647	3,348	147	11,619
<b>Changes in Non-cash Working Capital:</b>				
Trade and other receivable	153	(645)	659	(685)
Lessor inducement	3	3	8	28
Prepays	387	351	31	531
Trade and other payables	(950)	201	(876)	(1,423)
Provisions	-	(1,478)	-	(5,890)
Holdbacks	143	(532)	588	(460)
Deferred revenue	12	56	(14)	24
	(252)	(2,044)	396	(7,875)
<b>Net cash (used for) generated by Operating Activities</b>	<b>395</b>	<b>1,304</b>	<b>543</b>	<b>3,744</b>
<b>Cash Flows from Investing Activities</b>				
Payments for property and equipment	(2,233)	(590)	(7,606)	(2,383)
Payments for investment properties	-	-	-	(72)
Payments for intangible assets	-	(1)	-	(13)
Government funding related to acquisitions of property and equipment	-	-	14	-
Proceeds from disposal of property and equipment	-	-	-	30
Proceeds on sale of investments	4,747	515	15,735	5,556
Purchase of investments	(351)	(198)	(2,659)	(1,831)
<b>Net Cash Generated (Used) for Investing Activities</b>	<b>2,163</b>	<b>(274)</b>	<b>5,484</b>	<b>1,287</b>
<b>Cash Flows from Financing Activities</b>				
Repayment of loans payable	(33)	(31)	(98)	(2,387)
Repayment of bonds payable	-	-	(2,724)	(2,553)
Repayment of lease liability	(52)	(52)	(185)	(148)
<b>Net Cash Used for Financing activities</b>	<b>(85)</b>	<b>(83)</b>	<b>(3,007)</b>	<b>(5,088)</b>
Net increase/(decrease) in cash and cash equivalents	2,473	947	3,020	(57)
Cash and cash equivalents, beginning of period	7,929	8,050	7,382	9,054
<b>Cash and Cash Equivalents, end of period</b>	<b>10,402</b>	<b>8,997</b>	<b>10,402</b>	<b>8,997</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 December 31, 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 nine 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	21	51	564	24	2	4	6,940	7,606
Disposals	-	-	-	(87)	-	-	(3)	(90)
Transfers	-	-	389	356	6,535	-	(7,280)	-
<b>Balance, Dec 31, 2020</b>	<b>14,831</b>	<b>269,722</b>	<b>34,451</b>	<b>144,391</b>	<b>37,760</b>	<b>1,626</b>	<b>2,396</b>	<b>505,177</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	-	7,259	1,506	3,062	845	157	-	12,829
<b>Balance, Dec 31, 2020</b>	<b>-</b>	<b>79,838</b>	<b>18,123</b>	<b>30,841</b>	<b>16,526</b>	<b>367</b>	<b>-</b>	<b>145,695</b>
<b>Net book value, Dec 31, 2020</b>	<b>14,831</b>	<b>189,884</b>	<b>16,328</b>	<b>113,550</b>	<b>21,234</b>	<b>1,259</b>	<b>2,396</b>	<b>359,482</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 December 31	2020		
	Value \$	Cost \$	Level
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	4,422	4,422	Level 2
Financial instruments measured at amortised costs			
Investments (amortised cost)	2,126	2,126	Level 1
Loans payable	2,944	2,977	Level 2
Bonds payable	57,537	49,136	Level 2
<hr/>			
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