



FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY REPORT

1ST QUARTER (Q1) – UNAUDITED
FOR THE THREE MONTHS ENDED JUNE 30, 2021

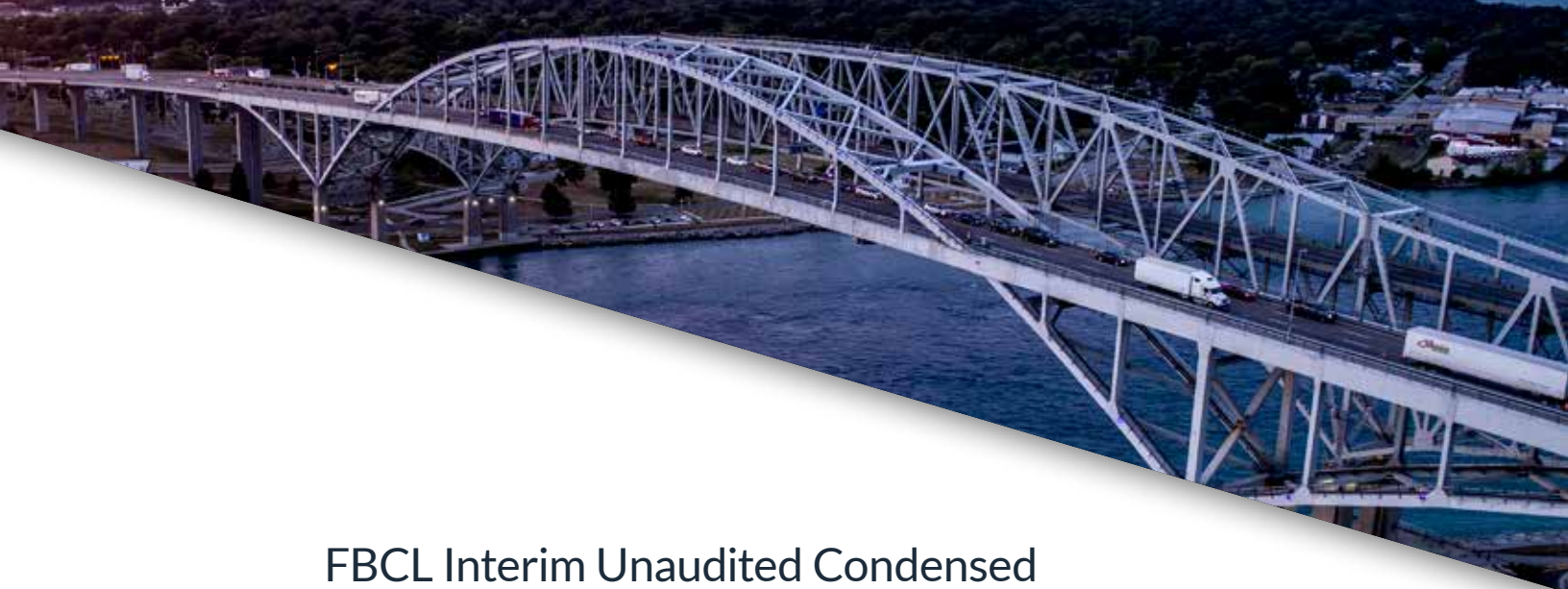
2021 | 2022

Canada 



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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, 2021. 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.

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.

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.



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.

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.

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.

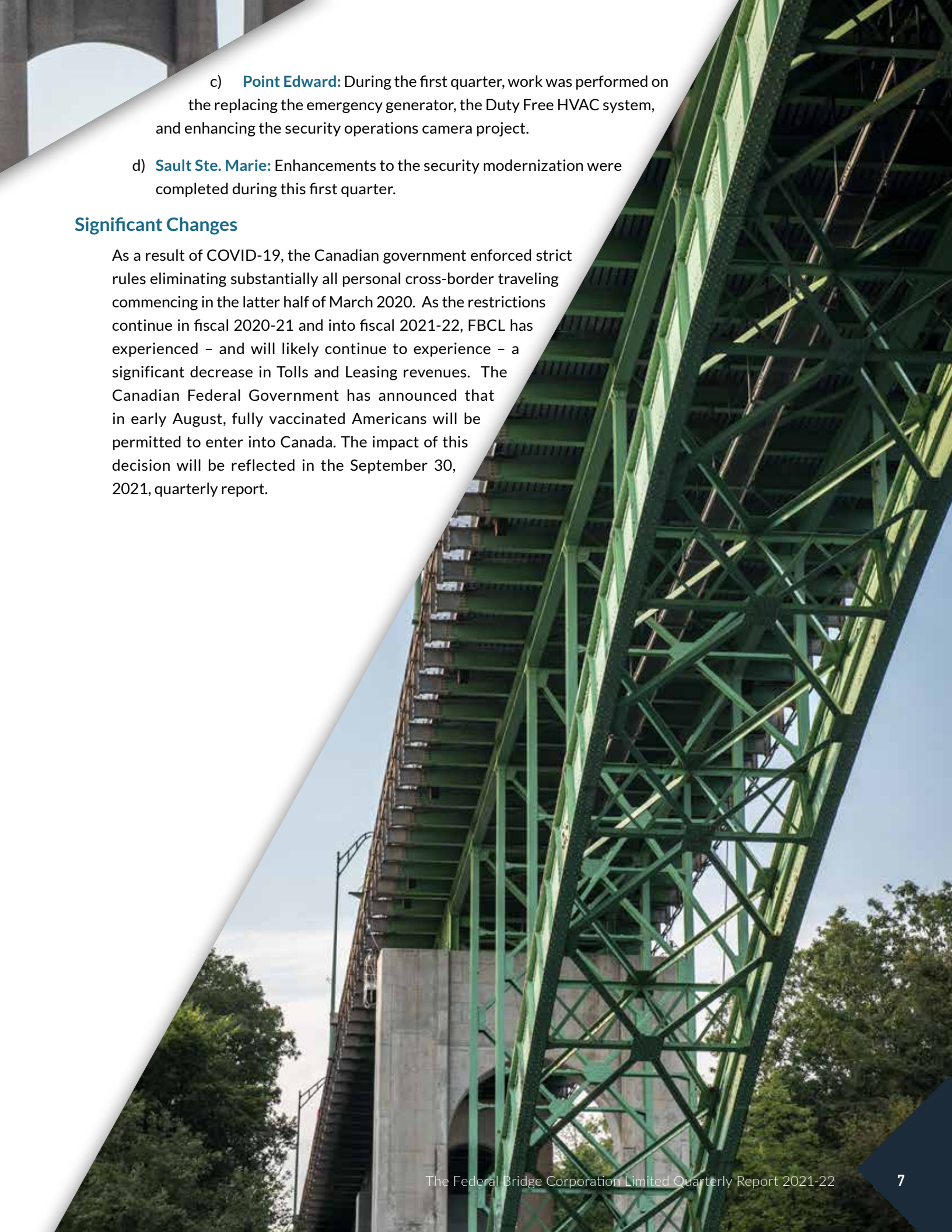
The Corporation has adopted a portfolio management approach to deliver its mandate. It is not a portfolio of corporations but rather one parent Crown corporation overseeing a portfolio of federal assets, which are used in pursuit of public policy objectives. Key aspects of the portfolio management approach 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. For the upcoming year, FBCL's strategy with relations to capital acquisition is to only invest in projects which were committed to pre-COVID-19 pandemic or those projects that cannot be postponed to the following fiscal year. 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:** Enhancement to the security modernization were completed during this first quarter.



c) **Point Edward:** During the first quarter, work was performed on the replacing the emergency generator, the Duty Free HVAC system, and enhancing the security operations camera project.

d) **Sault Ste. Marie:** Enhancements to the security modernization were completed during this first quarter.

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. As the restrictions continue in fiscal 2020-21 and into fiscal 2021-22, FBCL has experienced – and will likely continue to experience – a significant decrease in Tolls and Leasing revenues. The Canadian Federal Government has announced that in early August, fully vaccinated Americans will be permitted to enter into Canada. The impact of this decision will be reflected in the September 30, 2021, quarterly report.

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. During the second quarter, in August, the unions representing workers at the Canada Border Services Agency (CBSA) embarked in one day of a work-to-rule campaign, which delayed traffic processing operations at all border entries into Canada. Fortunately, further action was curtailed by negotiated collective agreements after one day.

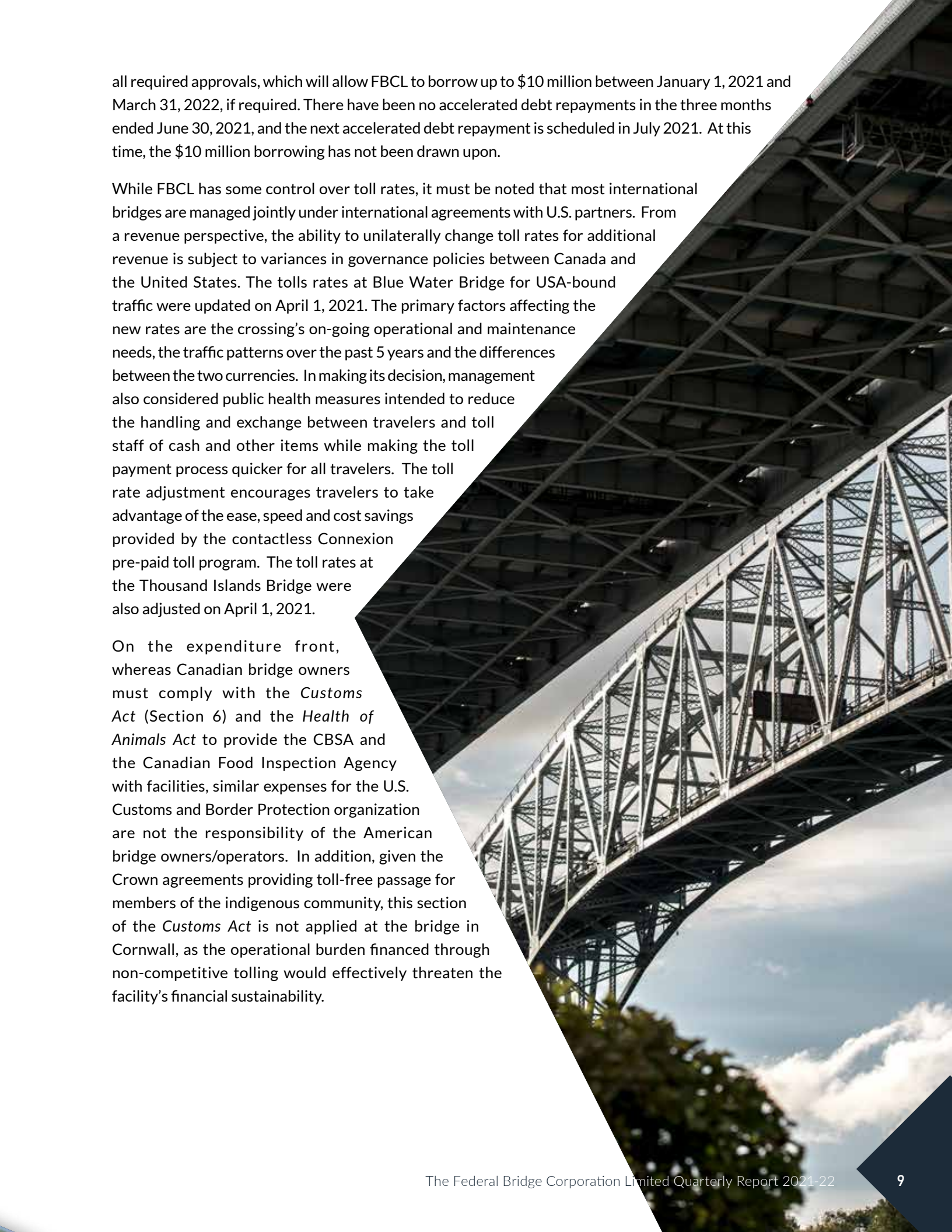
Financial Risk

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. FBCL is currently working with Transport Canada to finalize the current year Corporate Plan and has been approved to receive government funding for the current fiscal year in order to compensate for the decrease in toll revenues.

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 remains high. Management closely monitors the decrease in Tolls revenue by only incurring essential expenses but this strategy cannot be maintained in the long-term.

FBCL is pleased to announce that Standard & Poor's (S&P) Global Ratings has maintained its 2021 FBCL long-term issuer credit and senior unsecured debt ratings with an 'A+', reaffirming its perspectives on the strategic framework governing FBCL operations. Due to uncertainty associated with easing of restrictions to non-essential cross-border travel, they also maintained their "negative" outlook that was established near the start of the global pandemic.

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, FBCL secured



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 three months ended June 30, 2021, and the next accelerated debt repayment is scheduled in July 2021. At this time, the \$10 million borrowing has not been drawn upon.

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. The toll rates at Blue Water Bridge for USA-bound traffic were updated on April 1, 2021. The primary factors affecting the new rates are the crossing's on-going operational and maintenance needs, the traffic patterns over the past 5 years and the differences between the two currencies. In making its decision, management also considered public health measures intended to reduce the handling and exchange between travelers and toll staff of cash and other items while making the toll payment process quicker for all travelers. The toll rate adjustment encourages travelers to take advantage of the ease, speed and cost savings provided by the contactless Connexion pre-paid toll program. The toll rates at the Thousand Islands Bridge were also adjusted on April 1, 2021.

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 CBSA 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.

Quarterly Results

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, 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 since the start of the COVID-19 pandemic.

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 ('000S)

	FOR THE THREE MONTHS ENDING		Variance
	June 30 2021 (unaudited)	June 30 2020 (unaudited)	
Tolls	6,074	3,998	2,076
Thousand Islands International Bridge	1,080	794	286
Leases and permits	365	331	34
Interest	10	92	(82)
Gain on investments	-	412	(412)
Other	51	89	(38)
TOTAL REVENUE	7,580	5,716	1,864
GOVERNMENT FUNDING	5,441	1,162	4,279

Tolls and Thousand Islands International Bridge: Toll revenues are affected by traffic volumes, by the Canadian dollar exchange rate vs US dollar, and changes in toll rates.



Results of Operations (Cont'd)

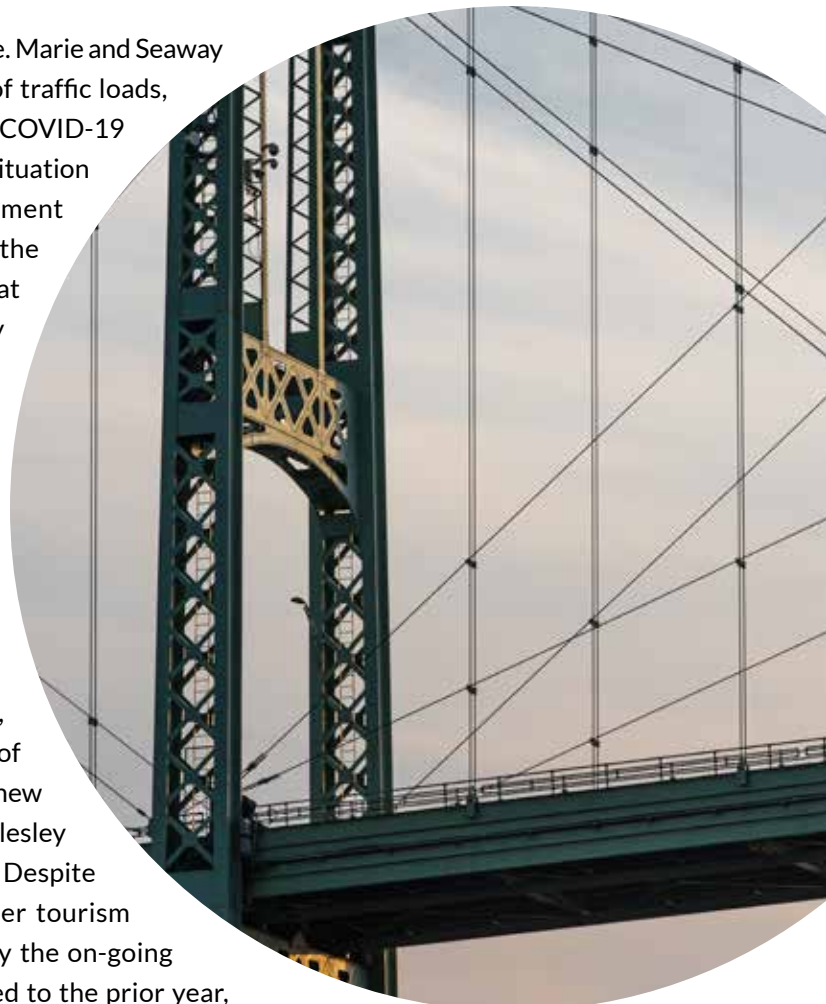
TRAFFIC VOLUMES

During the first quarter of 2021-22, overall truck and passenger car volumes have increased by 33% and 39% respectively when compared to the first quarter of 2020-21. Truck volumes, by bridge varied between an increase of 8% to 49% while passenger cars, per bridge, varied between an increase of 22% to 113%. It should be noted that commercial volumes were at an all-time low in the first quarter of 2020-21 as this was the start of the pandemic. Commercial volumes during the prior year eventually rebounded.

Given that the commercial traffic bases at the Sault Ste. Marie and Seaway International Bridges normally constitute only 5% of traffic loads, these operations have been significantly impacted by COVID-19 restrictions to non-essential travel. Worsening the situation at the Seaway International Bridge is the requirement to maintain normal operating levels in support of the normally more than 70% of toll-exempt travelers that depend on the bridge in order to access necessary food and medical suppliers. In the first quarter, as compared to the prior year, paid passenger volumes at these locations have increased by 39% and 42%, respectively, and commercial volumes at these locations are up by 19% and 8%, respectively. However, the prior year passenger volumes when compared to the volumes from two years ago were 95% and 82% lower, respectively.

For the Thousand Islands International Bridge, commercial vehicles typically make up about 20% of the crossing's users and the on-going construction of new US Customs and Border Protection facilities on Wellesley Island have helped with a vital source of cash flow. Despite these advantages, the normally strong cross-border tourism industry in this region was considerably affected by the on-going border restrictions. In the first quarter, as compared to the prior year, passenger volumes are up by 22% and commercial volumes are up by 29%. However the prior year passenger volumes are down by 67% when compared to two years ago.

Within the portfolio, the Blue Water Bridge is uniquely positioned to deal with this pandemic's impacts. As Canada's second busiest commercial border crossing, it benefits from a user base that is comprised of roughly 35-40% commercial vehicles. Initially, the pandemic caused dramatic reductions to commercial traffic, however commercial trends have returned to within seasonal and annually expected values, although at the lower end of the characteristic range. In the first quarter, as compared to the prior year, passenger volumes are up by 113% and commercial volumes are up by 49%. However the prior year passenger volumes are down by 94% when compared to two years ago.



Results of Operations (Cont'd)

CANADIAN VS. US DOLLAR EXCHANGE RATE

The exchange rate for the first quarter of 2021-22 was 1.23 on average whereas the exchange rate for the first quarter of 2020-21 was 1.39. FBCL reviews the currency parity of the tolls rates at its bridge locations to ensure that the rates are fair in both currencies and may adjust the rates in order to minimize any foreign currency loss on toll revenues.

CHANGES IN TOLL RATES

Toll rates were updated at the bridges in Sault Ste. Marie and Cornwall effective April 1, 2019, Point Edward effective April 1, 2021 and Thousand Islands effective April 1, 2021.

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 generated minimal revenues.

Interest and Gain on investments: With the decrease in Tolls revenue, nearly all of the investments were redeemed prior to March 31, 2021.

Government funding: The government funding recognized in revenues consists of amortization of deferred capital funding in the amount of \$1.0 million for the first quarter of 2021-22 (\$0.9 million for the first quarter of 2020-21) and \$4.5 million for the first quarter of 2021-22 relating to operations at all four bridge locations (\$0.3 million for the first quarter of 2020-21 relating to the operations of the Seaway International Bridge). Refer to the Reporting on Use of Parliamentary Appropriations section below for more information.

OPERATING AND INTEREST EXPENSE ('000S)

	FOR THE THREE MONTHS ENDING		
	June 30 2021 (unaudited)	June 30 2020 (unaudited)	Variance
Operations	2,573	2,084	489
Thousand Islands International Bridge	1,361	1,631	(270)
Maintenance	3,459	3,284	175
CBSA & CFIA operations	1,981	1,924	57
Administration	1,987	1,836	151
Additional funding of SIBC operations	154	142	12
TOTAL EXPENSES	11,515	10,901	614
INTEREST EXPENSE	808	903	(95)



Results of Operations (Cont'd)

Government funding has been obtained again this year to sustain SIBC's operations. Historically, FBCL recognizes 50% of revenues and expenses of the Seaway International Bridge in accordance with the international agreements, however, due to COVID-19 the remaining 50% of the deficit is funded by government funding and therefore included as an expense.

The Interim Unaudited Condensed Consolidated Statement of Comprehensive Income presents operating expenses by function as this represents how management monitors its expenses internally against budgets.

Operations: Operations expense relate to the collection of toll revenue, security and traffic management. The increase in expenses relate primarily to an increase in depreciation for an emergency electrical generator that will be replaced in the second quarter.

Thousand Islands International Bridge: The expenses represent FBCL's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands. Savings strategies were implemented by the bridge operator resulting in lower expenses for the first quarter of 2021-22 when compared to the first quarter of 2020-21.

Maintenance: Maintenance expenses relate to the maintenance, upkeep and repairs of FBCL's assets. The increase in maintenance costs relates primarily to increased depreciation.

CBSA/CFIA: FBCL is required to provide facilities and certain maintenance of these facilities at some of its crossings to the CBSA and the CFIA, for which there is no related revenue. The first quarter of 2021-22 is comparable to the first quarter of 2020-21.

Administration: Administration expenses relate to the management and oversight of the operations of the individual crossings and the Corporation. The significant portion of the increase in costs relates to an upfront recognition of expense for employee future benefits.

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



Results of Operations (Cont'd)

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (\$'000'S)

	June 30 2021 (Unaudited)	March 31, 2021 (Audited)	Variance
Assets			
Financial assets	5,523	6,763	(1,240)
Non-financial assets	377,436	381,387	(3,951)
Total assets	382,959	388,150	(5,191)
Liabilities			
Current liabilities	15,340	20,485	(5,145)
Non-current liabilities	147,296	148,144	(848)
Total liabilities	162,636	168,629	(5,993)
Total equity	220,323	219,521	802

Financial Assets: Financial assets consist of cash and cash equivalents, investments, and receivables. At the onset of the COVID-19 pandemic in March 2020, FBCL had a strong cash and investment balance of \$27 million which allowed FBCL to continue its operations for the majority of the 2020-21 fiscal year without requiring government funding for three of the bridge locations (emergency funding was obtained for the full year at the Seaway International Bridge). As the restrictions continued, FBCL's cash and investment reserves were significantly reduced. FBCL has secured access of up to \$18.5 million in emergency funding for the 2021-22 fiscal year to support the continued operations of all four bridge locations. This emergency funding will help to ensure that FBCL's operations continue.

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. \$0.7 million of prepaid insurance and payments in lieu of taxes have been expensed during the first quarter of 2021-22. Capital assets purchases are \$1.9 million while depreciation of 5.1 million has been recorded.

Current Liabilities: Current liabilities have decreased by \$5.1 million primarily due to the timing of when trade and other payables are made as well as debt payments.

Non-current Liabilities: Deferred government funding has decreased by \$0.9 million as it is amortized to revenue.

FINANCIAL PERFORMANCE AGAINST CORPORATE PLAN

The 2021-22 to 2025-26 Corporate Plan has not been approved and consequently the financial performance against the Corporate Plan has not been included in this quarterly report.

REPORTING ON USE OF APPROPRIATIONS

As part of the *Appropriations Act 2021-22* (Full supply for Main Estimates) which passed as legislation by the House of Commons on June 17, 2021, \$18.5 million was granted to FBCL under vote 1. Of this amount, FBCL has claimed \$3.8 million for the first quarter of 2021-22.

FBCL Interim Unaudited Condensed Consolidated Financial Statements

For the three months ended June 30, 2021

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.

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 26, 2021

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, 2021

(in thousands of Canadian dollars)

	Notes	June 30, 2021 <i>unaudited</i>	March 31, 2021 <i>audited</i>
		\$	\$
Assets			
<i>Current Assets</i>			
Cash and cash equivalents		4,591	5,020
Investments		265	248
Trade and other receivables		667	1,495
Prepays		2,088	2,834
Total Current Assets		7,611	9,597
<i>Non-Current Assets</i>			
Property and equipment	6	357,193	360,216
Investment properties		17,909	18,083
Intangible assets		56	61
Lessor inducement		190	193
Total Non-Current Assets		375,348	378,553
Total Assets		382,959	388,150
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables		460	2,065
Employee benefits		1,445	1,131
Holdbacks		293	337
Deferred revenue		2,460	2,462
Loans payable		2,504	2,542
Bonds payable		3,005	5,914
Lease liability		212	189
Deferred government funding		4,961	5,845
Total Current Liabilities		15,340	20,485
<i>Non-Current Liabilities</i>			
Deferred revenue		1,177	1,214
Loans payable		-	-
Bonds payable		40,406	40,406
Lease liability		1,059	1,119
Deferred government funding		96,168	97,025
Employee benefits		8,486	8,380
Total Non-Current Liabilities		147,296	148,144
Equity			
Share capital - 2 shares @ no par value		-	-
Retained earnings		220,327	219,529
Accumulated other comprehensive income		(4)	(8)
Total Equity		220,323	219,521
Total Equity and Liabilities		382,959	388,150

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, 2021 (in thousands of Canadian dollars)

	June 30, 2021	June 30, 2020
	<i>unaudited</i>	<i>unaudited</i>
	\$	\$
Revenue		(restated *)
Tolls and services	6,074	3,998
Thousand Islands International Bridge revenue	1,080	794
Leases and permits	365	331
Interest	10	92
Gain on investments	-	412
Other	51	89
Total Revenue	7,580	5,716
Expenses		
Operations	2,573	2,084
Thousand Islands International Bridge expenses	1,361	1,631
Maintenance	3,459	3,284
Canada Border Security Agency & Canadian Food Inspection Agency operations	1,981	1,924
Administration	1,987	1,836
Additional funding of SIBC operations	154	142
Total Expenses	11,515	10,901
Operating Income Before Government Funding	(3,935)	(5,185)
Government Funding		
Amortization of deferred capital funding	1,048	876
Funding with respect to operating expense	4,493	286
Total Government Funding	5,541	1,162
Non-Operating Items		
Interest expense	(808)	(903)
Total Non-Operating Income	(808)	(903)
Net Income	798	(4,926)
Other Comprehensive Income		
Items that may be reclassified subsequently to net income		
Revaluation gain (loss) on fair value through other comprehensive income investments	1	481
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	3	(412)
Total Other Comprehensive Income	4	69
Total Comprehensive Income for the Period	802	(4,857)

* In order to conform with the consolidated financial statement presentation, the additional funding of SIBC operations is included as one expense line rather than the previous presentation where 100% of SIBC revenues and expenses were recorded.

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, 2021 (in thousands of Canadian dollars)

	Retained Earnings <i>unaudited</i>	Accumulated Other Comprehensive Income <i>unaudited</i>	Total <i>unaudited</i>
	\$	\$	\$
Balance, April 1, 2020	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)
Other Comprehensive Income total	-	69	69
Total Comprehensive Income	(4,926)	69	(4,857)
Balance at June 30, 2020	229,599	620	230,219
Balance, March 31, 2021	219,529	(8)	219,521
<i>Total Comprehensive Income:</i>			
Net income	798	-	798
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	1	1
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	3	3
Other Comprehensive Income total	-	4	4
Total Comprehensive Income	798	4	802
Balance at June 30, 2021	220,327	(4)	220,323

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, 2021 (in thousands of Canadian dollars)

	June 30, 2021 <i>unaudited</i>	June 30, 2020 <i>unaudited</i>
	\$	\$
Cash Flows from Operating Activities		
Net income	798	(4,926)
Adjustments for:		
Amortization of deferred capital funding	(1,048)	(876)
Depreciation of property and equipment	4,964	4,267
Depreciation of intangible assets	5	4
Depreciation of investment properties	174	174
Loss (gain) on sale of investments	3	(412)
Change in employee benefits	420	592
	5,316	(1,177)
Changes in Non-cash Working Capital:		
Trade and other receivable	828	(295)
Lessor inducement	3	2
Prepays	746	(369)
Trade and other payables	(1,605)	(420)
Holdbacks	(44)	143
Deferred government funding relating to operations	(693)	-
Deferred revenue	(39)	(24)
	(804)	(963)
Net cash generated by (used for) Operating Activities	4,512	(2,140)
Cash Flows from Investing Activities		
Payments for property and equipment	(1,941)	(1,657)
Proceeds on sale of investments	8	8,968
Purchase of investments	(24)	(1,246)
Net cash (used for) generated by Investing Activities	(1,957)	6,065
Cash Flows from Financing Activities		
Repayment of bonds payable	(2,909)	-
Repayment of loans payable	(38)	(32)
Payment of lease liability	(37)	(36)
Net cash used for Financing Activities	(2,984)	(68)
Net (decrease) increase in cash and cash equivalents	(429)	3,857
Cash and cash equivalents, beginning of period	5,020	7,382
Cash and cash equivalents, end of period	4,591	11,239

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 the CBSA. A similar provision in the *Plant Protection Act* mandates similar support for the 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



Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements (Cont'd)

should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended March 31, 2021. 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, 2021.

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, 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, 2021 were consistent with those disclosed in Note 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2021.

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, 2021.

Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements (Cont'd)

6. PROPERTY AND EQUIPMENT

Cost	Vehicles							Total
	Land	Bridges and roads	and equipment	Buildings	Property Improvements	Right-of-use Assets	Projects in progress	
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, April 1, 2020	14,810	269,671	33,498	144,098	31,223	1,622	2,739	497,661
Additions	27	69	1,114	54	278	4	11,365	12,911
Disposals	-	(556)	(2,661)	(93)	(2,775)	-	-	(6,085)
Transfers	-	-	389	356	7,241	-	(7,986)	-
Balance, March 31, 2021	14,837	269,184	32,340	144,415	35,967	1,626	6,118	504,487
Additions	-	-	73	-	-	-	1,868	1,941
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	910	124	98	-	(1,132)	-
Balance, June 30, 2021	14,837	269,184	33,323	144,539	36,065	1,626	6,854	506,428

Accumulated depreciation	Vehicles							Total
	Land	Bridges and Roads	Equipment	Buildings	Property Improvements	Right-of-use Assets	Projects in Progress	
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, April 1, 2020	-	72,579	16,617	27,866	15,681	210	-	132,953
Eliminated on disposal of assets	-	(546)	(2,657)	(93)	(2,775)	-	-	(6,071)
Depreciation	-	9,866	1,992	4,103	1,218	210	-	17,389
Balance, March 31, 2021	-	81,899	15,952	31,876	14,124	420	-	144,271
Eliminated on disposal of assets	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Depreciation	-	2,454	1,066	1,034	358	52	-	4,964
Balance, June 30, 2021	-	84,353	17,018	32,910	14,482	472	-	149,235
Net book value, June 30, 2021	14,837	184,831	16,305	111,629	21,583	1,154	6,854	357,193
Net book value, March 31, 2021	14,837	187,285	16,388	112,539	21,843	1,206	6,118	360,216

Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements (Cont'd)

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	2021		
	Value	Cost	Level
	\$	\$	
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	265	265	Level 2
Financial instruments measured at amortised costs			
Loans payable	2,504	2,504	Level 2
Bonds payable	50,746	43,411	Level 2
As at March 31	2021		
	Value	Cost	Level
	\$	\$	
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	248	248	Level 2
Financial instruments measured at amortised costs			
Loans payable	2,563	2,542	Level 2
Bonds payable	54,322	46,320	Level 2