



FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY FINANCIAL REPORT

3rd QUARTER (Q3) – UNAUDITED

For the nine months ended December 31, 2021

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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, 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.

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.

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

2.1 Mandate (Cont'd)

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. For the current year, FBCL's strategy with relation to capital acquisition is to only invest in projects which cannot be postponed to future fiscal years. The significant construction projects in the quarter included:

- a) **Cornwall:** The replacement of the South Channel Bridge travellers is nearing completion. Travellers allow for routine maintenance and inspections of the structure.
- b) **Lansdowne:** There were no significant construction projects in the quarter.
- c) **Point Edward:** During the quarter, work was performed on the replacing the emergency generator, VMS signs, new gates on the maintenance building, and the design of a new toll collection system.
- d) **Sault Ste. Marie:** There were no significant construction projects in the quarter.

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. As the restrictions impacted all of fiscal 2020-21 and continue into fiscal 2021-22, FBCL has experienced – and will likely continue to experience – a significant decrease in Tolls and Leasing revenues. The Government of Canada announced that starting August 2021, fully vaccinated Americans were permitted to enter into Canada, with specific conditions, and the U.S. Federal Government announced that starting in November fully vaccinated Canadians will be permitted to enter into the United States. The stipulations are constantly evolving regarding cross-border traffic. For example, there was the removal for PCR-testing for Canadians taking trips into the United States for less than 72 hours at the end of November in order to allow for personal travel, which was reversed 3 weeks later. Both US and Canadian governments announced that in January 2022, essential service providers (including commercial truck drivers), which were previously exempt from entry requirements, will only be allowed to enter Canada and the US if they are fully vaccinated. On December 15, 2021 the Government of Canada issued a statement to avoid non-essential travel outside Canada, regardless of vaccination status.

In December 2021, Ms. Karen Hill resigned as a director on FBCL’s board of directors. The director position currently remains vacant and is currently the only vacant position. Ms. Hill’s original term was until January 31, 2023.

3.0 RISK MANAGEMENT

CORPORATE RISK

In line with good governance practices, FBCL updates and revises its Enterprise Risk Management (ERM) 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 third quarter, an Environmental, Social and Governance (ESG) risk was added and was assessed as low. FBCL is shifting to align with the concept ESG which consists of three areas that measure ethical and sustainability performance. As a public entity, FBCL has already incorporated many key ESG themes in its strategy, operations and reporting although not historically labelled as such.

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 restrictions remain in place. 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.

While restrictions to enter into Canada were loosened in August and then again twice in November, this only resulted in passenger volumes increasing by 10% and representing less than 30% of pre-pandemic levels. 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.

3.0 RISK MANAGEMENT (CONT'D)

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 Crown-mandated 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.

The overall level of FBCL's debt is forecasted to decline as bi-annual bond payments continue. FBCL began the year with one outstanding loan and it's strategy is to repay these loans as they become due, maintaining 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. In July 2021, FBCL repaid the last accelerated debt repayment on its existing loans payable of \$2.5 million. The \$10 million borrowing is expected to be drawn upon by the end of the current fiscal year.

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 tolls rates at Blue Water Bridge for USA-bound traffic were updated on April 1, 2021. 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 Canada Border Services Agency (CBSA) and the Canadian Food Inspection Agency (CFIA) 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 further 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, 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.

4.1 Results of Operations (Cont'd)

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			For the nine months ending		
	Dec 31, 2021 (unaudited)	Dec 31, 2020 (unaudited)	Variance	Dec 31, 2021 (unaudited)	Dec 31, 2020 (unaudited)	Variance
Tolls	6,479	5,561	918	18,769	15,087	3,682
Thousand Islands International Bridge	1,109	979	130	3,517	2,857	660
Leases and permits	518	387	131	1,325	1,022	303
Interest	9	64	(55)	31	229	(198)
Gain on investments	(1)	267	(268)	(13)	690	(703)
Other	32	(79)	111	146	110	36
Total revenue	8,146	7,179	967	23,775	19,995	3,780
Government funding	4,424	1,500	2,924	14,786	3,938	10,848

Tolls and Thousand Islands International Bridge: Toll revenues are generally affected by traffic volumes, by the Canadian dollar exchange rate vs US dollar, and changes in toll rates. Since April 2020, toll revenues have also been significantly affected by border restrictions. Revenues have increased in comparison to the prior year as a result of a relative increase in overall traffic volumes.

Traffic volumes

Traffic that was reported in FBCL's third quarter continued to be affected by the restrictions at the Canada-US border, which currently are not expected to be fully eased until sometime well into the 2022 calendar year, at least. During the third quarter of 2021/22, overall truck and passenger car volumes have increased by 2% and 99% respectively when compared to the third quarter of 2020/21. Truck volumes, by bridge, varied between an decrease of 8% to an increase of 4% while passenger cars, per bridge, varied between an increase of 56% to 319%. From a year-to-date perspective, overall truck and passenger car volumes have increased by 13% and 52% respectively. Commercial volumes during the prior year eventually rebounded after an initial significant hit. Passenger volumes, however, remain significantly below normal volumes despite limited border reopening, with restrictions at the border to non-essential travels, passenger volumes are still approximately 25% of pre-pandemic levels.

4.1 Results of Operations (Cont'd)

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 Crown-mandated free passage travelers that depend on the bridge in order to access necessary food and medical suppliers.

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.

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 usually 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.

Canadian vs. US dollar exchange rate

The exchange rate for the third quarter of 2021-22 was 1.26, on average, whereas the exchange rate for the third quarter of 2020-21 was 1.30. 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. Toll rates at the Point Edward and Thousand Islands crossings were updated 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, of 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 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 \$0.9 million for the third quarter of 2021-22 (\$0.9 million for the third quarter of 2020-21) and \$3.6 million for the third quarter of 2021-22 relating to operations at all four bridge locations (\$0.6 million for the third quarter of 2020-21 relating to the operations of the Seaway International Bridge). From a year-to-date perspective, amortization of deferred capital funding and government funding for operations is \$2.9 million and \$11.9 million respectively (\$2.6 million and \$1.3 million respectively in 2020-21). Refer to the Reporting on Use of Parliamentary Appropriations section below for more information.

4.1 Results of Operations (Cont'd)

Operating and interest expense ('000s)

	For the three months ending			For the nine month ending		
	Dec 31, 2021 (unaudited)	Dec 31, 2020 (unaudited)	Variance	Dec 31, 2021 (unaudited)	Dec 31, 2020 (unaudited)	Variance
Operations	2,097	1,857	240	7,118	5,734	1,384
Thousand Islands International Bridge	1,315	1,640	(325)	4,170	4,603	(433)
Maintenance	3,579	3,561	18	10,599	10,410	189
CBSA & CFIA operations	1,853	1,896	(43)	5,601	5,635	(34)
Administration	1,738	1,673	65	5,476	5,181	295
Additional funding of SIBC operations	243	313	(70)	591	634	(43)
Total expenses	10,825	10,940	(115)	33,555	32,197	1,358
Interest expense	728	857	(129)	2,277	2,622	(345)

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 Canadian 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. For the third quarter, half of the increase relates to additional booth staffing as compared to last year, with the remainder being a variety of smaller variances in goods purchased for toll operations. From a year to date perspective, the increase in expenses relate primarily to an increase in depreciation for an emergency electrical generator that will be replaced in the fourth quarter.

Thousand Islands International Bridge: These expenses represent FBCL's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands. Apart from a variety of savings strategies implemented by the bridge operator, a lower exchange rate this year also contributed to lower reported expenses (as the operator incurs/reports expenses in US dollars).

Maintenance: Maintenance expenses relate to the maintenance, upkeep and repairs of FBCL's assets. The third quarter of 2021-22 is comparable to the third quarter of 2020-21. From a year to date perspective, 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 three quarters of 2021-22 is comparable to the first three quarters of 2020-21.

Administration: Administration expenses relate to the management and oversight of the operations of the individual crossings and the Corporation. The third quarter of 2021-22 is comparable to the third quarter of 2020-21. From a year to date perspective, the significant portion of the increase in costs relates to an upfront recognition of expense for employee future benefits in the first quarter of 2021-22.

4.1 Results of Operations (Cont'd)

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.

STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position (\$000's)			
	Dec 31,	March 31,	
	2021	2021	
	(Unaudited)	(Audited)	Variance
Assets			
Financial assets	6,634	6,763	(129)
Non-financial assets	370,429	381,387	(10,958)
Total assets	377,063	388,150	(11,087)
Liabilities			
Current liabilities	11,953	20,485	(8,532)
Non-current liabilities	142,849	148,144	(5,295)
Total liabilities	154,802	168,629	(13,827)
Total equity	222,261	219,521	2,740

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. Of this secured amount \$11.3 million is expected to be used by the end of the fiscal year (\$0.4 million for capital acquisitions and \$10.9 million for operations). 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. \$2.2 million of prepaid insurance and payments in lieu of taxes have been expensed during the first three quarters of 2021-22. Capital asset purchases total only \$5.8 million while depreciation of \$14.5 million has been recorded.

Current Liabilities: Over the first three quarters of the fiscal year current liabilities have decreased by \$8.5 million primarily due to the timing of when trade and other payables are made, debt payments and deferred government funding relating to operations being reclassified to net income.

Non-current Liabilities: Bonds payable has decreased by \$3.1 million since March 31, 2021, as a bi-annual bond payment was made. The deferred government funding balance has decreased by a net \$2.2 million.

4.2 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.

4.3 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 \$9.9 million for the first three quarters of 2021-22 (\$0.4 million for capital acquisitions and \$9.5 million for operations).

5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2021

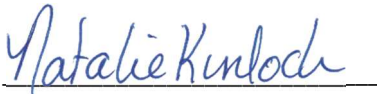
FBCL's interim unaudited condensed consolidated financial statements have been prepared by management reviewed by the Finance and Audit Committee and approved by the Board of Directors. FBCL's external auditors have not audited nor reviewed these interim unaudited condensed consolidated statements.

5.1 Statement of Management Responsibility

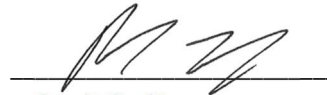
Management of The Federal Bridge Corporation Limited is responsible for the preparation and fair presentation of these interim unaudited condensed consolidated financial statements in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* and International 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 27, 2022

5.2 Interim Unaudited Condensed Consolidated Statement of Financial Position

as at December 31, 2021

(in thousands of Canadian dollars)

	Notes	December 31 2021 unaudited \$	March 31, 2021 \$
Assets			
Current Assets			
Cash and cash equivalents		5,102	5,020
Investments		267	248
Trade and other receivables		1,265	1,495
Prepays		618	2,834
Total Current Assets		7,252	9,597
Non-Current Assets			
Property and equipment	6	351,335	360,216
Investment properties		18,225	18,083
Intangible assets		66	61
Lessor inducement		185	193
Total Non-Current Assets		369,811	378,553
Total assets		377,063	388,150
Liabilities			
Current Liabilities			
Trade and other payables		1,097	2,065
Employee benefits		1,080	1,131
Holdbacks		393	337
Deferred revenue		2,554	2,462
Loans payable		-	2,542
Bonds payable		3,104	5,914
Lease liability		220	189
Deferred government funding		3,505	5,845
Total Current Liabilities		11,953	20,485
Non-Current Liabilities			
Deferred revenue		1,101	1,214
Bonds payable		37,302	40,406
Lease liability		940	1,119
Deferred government funding		94,829	97,025
Employee benefits		8,677	8,380
Total Non-Current Liabilities		142,849	148,144
Equity			
Share capital - 2 shares @ no par value		-	-
Retained earnings		222,258	219,529
Accumulated other comprehensive income		3	(8)
Total Equity		222,261	219,521
Total Equity and Liabilities		377,063	388,150

5.3 Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

for the three and nine month periods ended December 31, 2021

(in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
	\$	\$	\$	\$
Revenue		(restated *)		(restated *)
Tolls and services	6,479	5,561	18,769	15,087
Thousand Islands International Bridge revenue	1,109	979	3,517	2,857
Leases and permits	518	387	1,325	1,022
Interest	9	64	31	229
Gain on investments	(1)	267	(13)	690
Other	32	(79)	146	110
Total Revenue	8,146	7,179	23,775	19,995
Expenses				
Operations	2,097	1,857	7,118	5,734
Thousand Islands International Bridge expenses	1,315	1,640	4,170	4,603
Maintenance	3,579	3,561	10,599	10,410
Canada Border Security Agency & Canadian Food Inspection Agency operations	1,853	1,896	5,601	5,635
Administration	1,738	1,673	5,476	5,181
Additional funding of SIBC operations	243	313	591	634
Total Expenses	10,825	10,940	33,555	32,197
Operating Loss Before Government Funding	(2,679)	(3,761)	(9,780)	(12,202)
Government Funding				
Amortization of deferred capital funding	855	876	2,901	2,628
Funding with respect to operating expense	3,569	624	11,885	1,310
Total Government Funding	4,424	1,500	14,786	3,938
Non-Operating Items				
Interest expense	(728)	(857)	(2,277)	(2,622)
Total Non-Operating Items	(728)	(857)	(2,277)	(2,622)
Net Income (loss)	1,017	(3,118)	2,729	(10,886)
Other Comprehensive Income				
Items that may be reclassified subsequently to statement of income (loss)				
Investments revaluation gain (loss) on available-for-sale investments	1	(29)	(2)	467
Cumulative loss (gain) reclassified to income on sale of available-for- sale investments	1	(267)	13	(690)
Total Other Comprehensive Income	2	(296)	11	(223)
Total Comprehensive Income (Loss) for the Period	1,019	(3,414)	2,740	(11,109)

* 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.

5.4 Interim Unaudited Condensed Consolidated Statement of Changes in Equity

for the nine month period ended December 31, 2021

(in thousands of Canadian dollars)

	Retained Earnings (unaudited) \$	Accumulated Other Comprehensive Income (unaudited) \$	Total (unaudited) \$
Balance, April 1, 2020	234,525	551	235,076
<i>Total Comprehensive Income:</i>			
Net loss	(10,886)	-	(10,886)
<i>Other Comprehensive Income:</i>			
Revaluation gain on fair value through other comprehensive income investments	-	467	467
Cumulative gain reclassified to income on sale of fair value through other comprehensive income investments	-	(690)	(690)
Other Comprehensive Income total	-	(223)	(223)
Total Comprehensive Income	(10,886)	(223)	(11,109)
Balance at December 31, 2020	223,639	328	223,967
Balance, April 1, 2021	219,529	(8)	219,521
<i>Total Comprehensive Income:</i>			
Net income	2,729	-	2,729
<i>Other Comprehensive Income:</i>			
Revaluation loss on fair value through other comprehensive income investments	-	(2)	(2)
Cumulative loss reclassified to income on sale of fair value through other comprehensive income investments	-	13	13
Other Comprehensive Income total	-	11	11
Total Comprehensive Income	2,729	11	2,740
Balance at December 31, 2021	222,258	3	222,261

5.5 Interim Unaudited Condensed Consolidated Statement of Cash Flows

for the three and nine month periods ended December 31, 2021

(in thousands of Canadian dollars)

	<i>For the three months ended</i>		<i>For the six months ended</i>	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$			
Cash Flows from Operating Activities				
Net income (loss)	1,017	(3,118)	2,729	(10,886)
Adjustments for:				
Amortization of deferred capital funding	(855)	(876)	(2,901)	(2,628)
Depreciation of property and equipment	4,293	4,327	13,976	12,829
Depreciation of intangible assets	5	5	17	14
Depreciation of investment properties	180	174	533	522
(Gain) loss on disposal of investments	-	-	-	3
Change in employee benefits	(48)	135	246	293
	4,592	647	14,600	147
Changes in Non-cash Working Capital:				
Trade and other receivable	(308)	153	230	659
Lessor inducement	2	3	8	8
Prepays	692	387	2,216	31
Trade and other payables	(357)	(950)	(968)	(876)
Holdbacks	86	143	56	588
Deferred government funding relating to operations	(634)	-	(2,035)	-
Deferred revenue	37	12	(21)	(14)
	(482)	(252)	(514)	396
Net Cash Generated by Operating Activities	4,110	395	14,086	543
Cash Flows from Investing Activities				
Payments for property and equipment	(2,195)	(2,233)	(5,289)	(7,606)
Payments for investment properties	-	-	(481)	-
Payments for intangible assets	2	-	(22)	-
Government funding related to acquisitions of property and equipment	(500)	-	400	14
Proceeds from disposal of property and equipment	-	-	-	-
Proceeds on sale of investments	28	4,747	66	15,735
Purchase of investments	(33)	(351)	(74)	(2,659)
Net Cash Generated by (Used for) Investing Activities	(2,698)	2,163	(5,400)	5,484
Cash Flows from Financing Activities				
Repayment of loans payable	-	(33)	(2,542)	(98)
Repayment of bonds payable	(3,005)	-	(5,914)	(2,724)
Repayment of lease liability	(77)	(52)	(148)	(185)
Net Cash Used for Financing Activities	(3,082)	(85)	(8,604)	(3,007)
Net increase/(decrease) in cash and cash equivalents	(1,670)	2,473	82	3,020
Cash and cash equivalents, beginning of period	6,772	7,929	5,020	7,382
Cash and Cash Equivalents, end of period	5,102	10,402	5,102	10,402

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 Great Lakes St. Lawrence Seaway Development Corporation (GLS) 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 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 December 31, 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 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, 2021.

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, 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	-	25	73	-		125	3	5,063	5,289
Disposals	-	-	-	-		-	-	-	-
Transfers	-	-	1,106	135		810	-	(2,245)	(194)
Balance, December 31, 2021	14,837	269,209	33,519	144,550		36,902	1,629	8,936	509,582

Accumulated depreciation	Land \$	Bridges and Roads \$	Vehicles and Equipment		Buildings \$	Property Improvements \$	Right-of-use Assets \$	Projects in Progress \$	Total \$
			\$	\$					
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	-	7,261	2,411	3,057		1,088	159	-	13,976
Balance, December 31, 2021	-	89,160	18,363	34,933		15,212	579	-	158,247
Net book value, December 31, 2021	14,837	180,049	15,156	109,617		21,690	1,050	8,936	351,335
Net book value, March 31, 2021	14,837	187,285	16,388	112,539		21,843	1,206	6,118	360,216

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	2021		
	Value \$	Cost \$	Level
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	267	267	Level 2
Financial instruments measured at amortised costs			
Bonds payable	48,809	40,406	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