



FEDERAL BRIDGE CORPORATION  
SOCIÉTÉ DES PONTS FÉDÉRAUX

**QUARTERLY FINANCIAL REPORT**

**2nd QUARTER (Q2) – UNAUDITED**

**For the six months ended September 30, 2024**

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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 six-month period ended September 30, 2024. 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 the FBCL. They involve known and unknown risks, uncertainties and other factors, which may cause the actual results and performance of the 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 the FBCL's stakeholders.

## 2.0 CORPORATE OVERVIEW

The FBCL is a parent Crown corporation that operates at arm's length from the federal government. Headquartered in Ottawa, the Corporation is responsible for Canadian federal interests at four of the eleven international bridges in Ontario. The FBCL is a bridge corporation enabling Canada's trade, tourism and bi-national interests with the United States. It is of acute national interest, enabling essential daily Canadian-U.S. trade, supporting its economies and guaranteeing resilience of the supply chain.

The corporate operational structure allows the FBCL to manage all bridges as a portfolio, sharing staff, expertise, support infrastructure, revenues, expenses and best practices through a common administrative framework for the collective benefits of the four assets.

Bridge operations for the Blue Water Bridge and the Seaway International Bridge are administered directly, or through a subsidiary, by the FBCL, whereas the FBCL provides a liaison function through local bridge authorities for the operations of the Sault Ste. Marie International Bridge and the Thousand Islands International Bridge.

### 2.1 Mandate

The FBCL's mandate, approved by the Minister of Transport, is to provide the highest level of stewardship so that its international bridges and associated structures are safe and efficient for users.

The business or undertaking of the Corporation is limited to the following:

- a) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of bridges or other related structures, facilities, works or properties, including approaches, easements, power or communication transmission equipment, pipelines integrated with any such bridge, other related structure, facility, work, or property, linking the Province of Ontario in Canada to the State

of New York or the State of Michigan in the United States of America, either alone, jointly or in cooperation with any other person, legal entity or governmental authority in Canada or in the United States of America;

b) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of other bridges or other related structures, facilities, works or properties, as the Governor in Council may deem appropriate, on such terms and conditions as the Governor in Council may determine; and

c) Any business, undertaking or other activities incidental to any bridge, or other related structure, facility, work or property contemplated in paragraph (a) or (b).

For the foregoing purposes, the Corporation has, subject to the *Financial Administration Act*, the *Canada Business Corporations Act*, and its mandated articles, as amended from time to time, the capacities and powers of a natural person.

## 2.2 Outlook

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 are used for capital re-investment in all portfolio bridges in support of public policy objectives;
- Revenues and expenses are centrally recorded, with each bridge established as its own segment;
- Operational and maintenance expenditures of each bridge are based on common best practices;
- Integrated long-term capital plans are developed as a basis for capital prioritization and annual capital budgeting; and,
- Shared knowledge and expertise across the portfolio.

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.

Traffic volumes are still in various states of recovery to pre-pandemic volumes across all international bridge crossings, and the FBCL's portfolio of bridges is no different. Through prudent understanding of the drivers of traffic at each crossing, the FBCL continues to monitor and assess the impact of lower than normal volumes on its plans in the hopes to start rebuilding its much needed capital reserves in order to ensure the longevity of its bridges and associated infrastructure.

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. In the current year, the FBCL is receiving parliamentary appropriations, in whole or in part, for paving and repair of the Blue Water Bridge, cable protection wrapping and approach paving to the Lansdowne Canadian bridge, various capital equipment, and infrastructure projects at multiple locations. The significant construction projects included:

- a) **Cornwall:** Multiple repairs to the administrative building are occurring this fiscal year. Additionally, overhead lights on the North Channel Bridge pedestrian sidewalk are being installed with the work commenced in the current quarter and ending in Q3. Additionally, major upcoming works are being planned to ensure the

longevity of the South Channel Bridge. Studies into requirements to maintain major components and the approaches to the bridge are being performed.

- b) **Lansdowne:** Works on ensuring the longevity of the suspension cables of the Thousand Islands International Bridge began, in addition to replacing pivotal bridge components. Much of the work was conducted in the second quarter. The completion date of this project will be next fiscal year.
- c) **Point Edward:** Rehabilitation work on the second span of the Blue Water Bridge occurred over the first two quarters and was completed at the start of the third quarter.
- d) **Sault Ste. Marie:** There were no major construction works in the first two quarters.

### 2.3 Significant Changes

There have been no significant and material changes occurring during the six months ended September 30, 2024, related to operations, personnel and programs of FBCL. In June, Her Excellency the Governor General in Council, on her recommendation of the Minister of Transport and the Treasury Board transferred the administration of certain federal real property from the Minister of Transport to the Corporation, without consideration. These lands relate to the location of the SIBC toll facilities and North Channel Bridge. These lands were previously utilized for operations via a Memorandum of Understanding between Transport Canada and the Corporation.

## 3.0 RISK MANAGEMENT

### CORPORATE RISK

In line with good governance practices, the FBCL updates and revises its Enterprise Risk Management on an ongoing basis, identifying and including any changes in the FBCL's environment. In order to address the risks within the 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 is considered a significant risk as it directly affects the FBCL's ability to meet its strategic objectives. Additionally, there is a high financial exposure at the Seaway International Bridge Corporation (SIBC) due to the volume of toll exempt passage and continued operating deficits. The FBCL continues dialogue with the Government of Canada on possible funding options for the FBCL and SIBC as well as reviews toll adjustments and other deficit reduction strategies.

### FINANCIAL RISK

Throughout the past 4+ years, traffic volumes have been measurably lower than pre-pandemic volumes, with no commensurate decrease in expenses. This meant that previous cash reserves have been used to finance operations. To partially compensate for this, the Corporation has received a mix of capital funding and limited operating funding in recent years. Management continues to closely monitor its cash position by only incurring essential operating expenses and crucial capital works. Currently there is no approved funding after March 31, 2025, however, the Corporation anticipates requesting additional appropriations as part of the upcoming Corporate Plan cycle.

In recent years, 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, however, remain the same as Crown-mandated toll-free passage traffic crossing the bi-national region is at an all-time high. The combination of these factors has strained SIBC financial resources for some time. Without financial support, SIBC will need to drastically cut its operations to a minimum level in the short-term while options are pursued collectively through each owner. The Corporation continues to proactively engage partners

and stakeholders in anticipation of establishing a long-term strategy for SIBC that is mutually beneficial to SIBC and its hosting communities.

In August, S&P Global Ratings reaffirmed its long-term issuer credit and senior unsecured debt rating at A+ with a stable outlook. This continued strong third-party analysis of the FBCL's financial state and the outlook is anchored in a number of continued themes. These include the low debt load in place at the organization, its strong links with the federal government, and the strong management and governance that is in place at the FBCL.

The overall level of the FBCL's debt is forecasted to decline as balances are repaid at regular intervals. The FBCL's strategy is to take on as little debt as necessary and to continue to make all loan and bond payments as they come due while closely monitoring its cash and investments to determine the most prudent path forward. The FBCL wishes to maintain a strong debt service coverage ratio, at the same time.

While the 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, 2023, Thousand Islands International Bridge were updated on March 1, 2023, and at Sault Ste. Marie and Cornwall on April 1, 2024. The Sault Ste. Marie rates also increased on October 1, 2024, as rates may be increased every six months.

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 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 effectively threaten the facility's financial sustainability.

## **ESG AND CLIMATE-RELATED RISKS**

FBCL is firmly committed in its international bridge operations to minimizing its impact on the environment, to ensure a financially resilient future and to the respect of its employees, stakeholders and host communities. In 2023-24, FBCL formalized an Environmental, Social, and Governance (ESG) Framework in its international bridge operations as well as establishing its base year for carbon inventory. In the next two fiscal years, the Corporation will complete its analysis including establishing formal objectives to reach its carbon reduction goals.

### **4.0 QUARTERLY RESULTS**

#### **4.1 Results of Operations**

##### **SEASONAL TRENDS**

Traffic on the 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.

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.

In regards to its expenses, the 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 six months ending		
	Sept 30 2024 (unaudited)	Sept 30 2023 (unaudited)	Variance	Sept 30, 2024 (unaudited)	Sept 30, 2023 (unaudited)	Variance
Tolls	10,193	8,287	1,906	19,419	16,762	2,657
Thousand Islands International Bridge	2,639	2,539	100	4,695	4,642	53
Leases and permits	1,227	1,020	207	2,032	1,732	300
Interest	257	199	58	553	382	171
Gain on investments	28	80	(52)	44	109	(65)
Other	159	65	94	231	245	(14)
<b>Total revenue</b>	<b>14,503</b>	<b>12,190</b>	<b>2,313</b>	<b>26,974</b>	<b>23,872</b>	<b>3,102</b>
<b>Government funding</b>	<b>1,086</b>	<b>938</b>	<b>148</b>	<b>2,303</b>	<b>2,117</b>	<b>186</b>

*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.

#### Traffic volumes

During the second quarter of 2024-25, overall passenger volumes have increased by 6% and commercial vehicles have increased by 19% when compared to the second quarter of 2023-24. Truck volumes, by bridge, varied between a decrease of 1% to an increase of 32%, while passenger cars, per bridge, varied between an increase of 1% to 12%. From a year-to-date perspective, overall truck volumes have increased by 12% and passenger car volumes have increased by 7%.

Given that the commercial traffic bases at the Sault Ste. Marie and Seaway International bridges normally constitute only 5% of traffic loads, these operations continue to be impacted by a slower than expected return of passenger volumes to these locations. Worsening the situation at the Seaway International Bridge is the requirement to maintain normal operating levels in support of the more than 75% of toll-exempt travelers that depend on the bridge in order to access the necessities of life. In the second quarter, as compared to the prior year, paid passenger volumes at these locations have increased by 12% and 3%, respectively (year-to-date up 15% and 6%, respectively), and commercial volumes at these locations have remained largely unchanged. Passenger volumes, when compared to the pre-pandemic volumes, continue to be 17% and 12% lower, respectively (prior year-to-date – 28% and 18%, respectively).

For the Thousand Islands International Bridge, commercial vehicles typically make up about 20% of the crossing's users. In the second quarter, as compared to the prior year, passenger volumes are up by only 1% (year-to-date 4%) and commercial volumes are up by 3% (year-to-date 2%).

The Blue Water Bridge is Canada's second busiest commercial border crossing. In the second quarter, as compared to the prior year, commercial volumes are up by 32% (year-to-date up 19%). On the passenger side, volumes are up by 10% (year-to-date up 19%), however, they are still only 70% of pre-pandemic volumes (prior year-to-date – 65%).

## Canadian vs. US dollar exchange rate

The exchange rate for the second quarter of 2024-25 was US\$1.00 : CDN\$1.37 on average, whereas the exchange rate for the second quarter of 2023-24 was US\$1.00 : CDN\$1.34. The 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, 2024, in Thousand Islands effective March 1, 2023, and in Point Edward effective April 1, 2023. The Sault Ste. Marie toll rates also increased on October 1, 2024.

*Leases and permits:* 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 these lease revenues are based on a percentage of sales of goods. Typically as passenger volumes increase so will Duty Free contingent lease revenue.

*Interest, Gain on investments, and Other:* There are no significant changes when compared to the prior year.

*Government funding:* The government funding recognized in revenues consists of amortization of deferred capital funding in the amount of \$1.0 million for the second quarter of 2024-25 (\$1.0 million for the second quarter of 2023-24) and \$0.1 million for the second quarter of 2024-25 relating to the operating expenses of the Seaway International Bridge (\$0.2 million for the second quarter of 2023-24). From a year-to-date perspective, amortization of deferred capital funding and government funding for operations is \$2.1 million and \$0.2 million respectively (\$1.9 million and \$0.2 million respectively in 2023-24). Refer to the Reporting on Use of Parliamentary Appropriations section below for more information.

## Operating and interest expense ('000s)

	For the three months ending			For the six month ending		
	Sept 30 2024 (unaudited)	Sept 30 2023 (unaudited)	Variance	Sept 30, 2024 (unaudited)	Sept 30, 2023 (unaudited)	Variance
Operations	2,445	2,434	11	4,924	4,742	182
Thousand Islands International	1,917	1,668	249	3,734	3,456	278
Maintenance	3,678	3,524	154	7,259	7,088	171
CBSA & CFIA operations	2,015	1,829	186	4,091	3,852	239
Administration	1,781	1,797	(16)	3,718	3,536	182
Additional funding of SIBC operati	20	(7)	27	113	103	10
<b>Total expenses</b>	<b>11,856</b>	<b>11,245</b>	<b>611</b>	<b>23,839</b>	<b>22,777</b>	<b>1,062</b>
<b>Interest expense</b>	<b>468</b>	<b>581</b>	<b>(113)</b>	<b>989</b>	<b>1,222</b>	<b>(233)</b>

Historically, the FBCL recognizes 50% of revenues and expenses of the Seaway International Bridge in accordance with the international agreements. In 2023-24 and 2024-25 the remaining 50% of the deficit is funded by the Government of Canada and is 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 relates to the collection of toll revenue, security and traffic management. The increase is caused by increased salaries and benefits in part due to operational needs, bank charges for collecting electronic sources of toll revenue, and maintenance fees for the new toll systems.

*Thousand Islands International Bridge:* The expenses represent the FBCL's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands. Changes in the relative value of the Canadian dollar vs. the US dollar, and a larger maintenance crew enabled to achieve further works has resulted in a higher expense in the current year.

*Maintenance:* Maintenance expenses relate to the maintenance, upkeep and repairs of the FBCL's assets. Depreciation is lower by \$0.2 million due to a revision to useful lives and has partially offset increased maintenance costs particularly at the Seaway International Bridge. These increases were a result of an increased maintenance crew, the timing of bridge inspections and painting, as well as certain studies being performed.

*CBSA/CFIA:* The 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. An increase in expenses to maintain the facilities, as well as increases in staffing requirements to do so result in the increased spending.

*Administration:* Administration expenses relate to the management and oversight of the operations of the individual crossings and the Corporation. Prior year turnover of administrative positions represent the bulk of the increase.

*Interest expense:* As the FBCL makes regular payments on its bank loans and bonds payable, the interest expense decreases.

## STATEMENT OF FINANCIAL POSITION

<b>Consolidated Statement of Financial Position (\$000's)</b>			
	September 30	March 31	
	2024	2024	
	(Unaudited)	(Audited)	Variance
<b>Assets</b>			
Financial assets	34,726	24,026	10,700
Non-financial assets	345,784	342,529	3,255
<b>Total assets</b>	<b>380,510</b>	<b>366,555</b>	<b>13,955</b>
<b>Liabilities</b>			
Current liabilities	20,152	16,854	3,298
Non-current liabilities	138,983	132,838	6,145
<b>Total liabilities</b>	<b>159,135</b>	<b>149,692</b>	<b>9,443</b>
<b>Total equity</b>	<b>221,375</b>	<b>216,863</b>	<b>4,512</b>

*Financial Assets:* Financial assets consist of cash and cash equivalents, investments, and receivables. Cash flow from operations is \$11.2 million before considering changes in working capital. The change in working capital generates an additional \$3.0 million. Of this amount, \$3.8 million was used to pay debt obligations. Capital reserves are being re-established in order to fund major upcoming repairs and rehabilitation on FBCL's aging infrastructure.

*Non-financial Assets:* Non-financial assets consist primarily of property and equipment and investment properties and also include prepaid expenses, intangible assets and lessor inducement. Capital asset purchases are \$12.5 million while depreciation of \$8.9 million has been recorded.

*Current Liabilities:* Current liabilities have increased due to the timing of when payments are made. Trade and other payables, employee benefits and holdbacks cumulatively are higher by \$2.7 million due to multiple ongoing capital projects.

*Non-current Liabilities:* Deferred government funding has increased by \$10.3 million which is composed of the net of new funding offset by funding amortized to revenue. Bonds and loans payable have decreased by \$3.7 million as principal payments have been made.

#### 4.2 Financial Performance against Corporate Plan

The 2024-25 to 2028-29 Corporate Plan has been authorized and its summary tabled in Parliament. The following is a summary of actual revenues and expenses as compared to the full 12 months of the 2024-25 plan.

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

	September 30 2024 (6 months)	Corporate Plan (12 months)	Percentage
Tolls	19,419	31,153	62%
Thousand Islands International Bridge	4,695	8,226	57%
Leases and permits	2,032	3,902	52%
Interest	597	407	147%
Other	231	640	36%
<b>Total revenue</b>	<b>26,974</b>	<b>44,328</b>	<b>61%</b>
 Government funding	 2,303	 5,417	 43%

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

	September 30, 2024 (6 months)	Corporate Plan (12 months)	Percentage
Operations	3,129	7,691	41%
Thousand Islands International Bridge	2,952	6,756	44%
Maintenance	3,398	7,362	46%
CBSA & CFIA	2,027	4,318	47%
Administration	3,317	7,972	42%
Additional funding of SIBC operations	113	510	22%
Depreciation	8,903	18,793	47%
<b>Total expense</b>	<b>23,839</b>	<b>53,402</b>	<b>45%</b>
 Interest expense	 989	 1,962	 50%

The corporation monitors its expenditures very closely in order to ensure that cash remains available should unforeseen events occur. Expenses across departments are currently between 41% and 47% (excluding depreciation) of the full Corporate Plan budget. Additional funding of SIBC operations is lower than budgeted as traffic volumes are traditionally higher in the first six months of the fiscal year.

#### 4.3 Reporting on Use of Appropriations

As part of the *Appropriations Act No. 2, 2024-25*, which passed as legislation by the House of Commons on June 13, 2024, \$17.9 million was granted to the FBCL under vote 1. Of this amount, the FBCL has claimed \$0.2 million in appropriations for operating expenses in the first two quarters and \$12.4 million for capital. Capital funding is expected

to be fully utilized in the fiscal year and operating appropriations will be used to compensate the Seaway International Bridge Corporation's deficit.

In the prior year, as part of the *Appropriations Act No. 2, 2023-24*, which passed as legislation by the House of Commons on June 22, 2023, \$7.4 million was granted to the FBCL under vote 1. Of this amount, the FBCL had claimed \$0.2 million in appropriations for operating expenses in the first quarter of the prior year and nil for capital.

## 5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2024

*The 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. The 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.



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Natalie Kinloch  
Chief Executive Officer



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Richard Iglinski  
Chief Financial Officer

**Ottawa, Canada**  
**November 28, 2024**

5.2 Interim Unaudited Condensed Consolidated Statement of Financial Position

as at September 30, 2024

(in thousands of Canadian dollars)

	Notes	September 30, 2024	March 31, 2024
		unaudited	
		\$	\$
<b>Assets</b>			
Current Assets			
Cash and cash equivalents		21,437	11,397
Investments		10,108	9,757
Trade and other receivables		3,181	2,872
Prepays		1,212	1,579
<b>Total Current Assets</b>		<b>35,938</b>	<b>25,605</b>
Non-Current Assets			
Property and equipment	6	328,091	324,181
Investment properties		16,294	16,595
Intangible assets		12	15
Lessor inducement		175	159
<b>Total Non-Current Assets</b>		<b>344,572</b>	<b>340,950</b>
<b>Total assets</b>		<b>380,510</b>	<b>366,555</b>
<b>Liabilities</b>			
Current Liabilities			
Trade and other payables		4,308	1,726
Employee benefits		1,093	1,319
Holdbacks		411	-
Deferred revenue		1,934	1,905
Loans payable		400	400
Bonds payable		7,429	7,191
Lease liability		226	203
Deferred government funding		4,351	4,110
<b>Total Current Liabilities</b>		<b>20,152</b>	<b>16,854</b>
Non-Current Liabilities			
Deferred revenue		685	760
Loans payable		8,567	8,767
Bonds payable		16,393	20,166
Lease liability		296	420
Deferred capital funding		106,199	96,104
Employee benefits		6,843	6,621
<b>Total Non-Current Liabilities</b>		<b>138,983</b>	<b>132,838</b>
<b>Equity</b>			
Share capital - 2 shares @ no par value		-	-
Retained earnings		221,349	216,900
Accumulated other comprehensive income		26	(37)
<b>Total Equity</b>		<b>221,375</b>	<b>216,863</b>
<b>Total Equity and Liabilities</b>		<b>380,510</b>	<b>366,555</b>

### 5.3 Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

for the three and six month periods ended September 30, 2024

(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
<b>Revenue</b>				
Tolls and services	10,193	8,287	19,419	16,762
Thousand Islands International Bridge revenue	2,639	2,539	4,695	4,642
Leases and permits	1,227	1,020	2,032	1,732
Interest	257	199	553	382
Gain on investments	28	80	44	109
Other	159	65	231	245
<b>Total Revenue</b>	<b>14,503</b>	<b>12,190</b>	<b>26,974</b>	<b>23,872</b>
<b>Expenses</b>				
Operations	2,445	2,434	4,924	4,742
Thousand Islands International Bridge expenses	1,917	1,668	3,734	3,456
Maintenance	3,678	3,524	7,259	7,088
Canada Border Security Agency & Canadian Food Inspection Agency operations	2,015	1,829	4,091	3,852
Administration	1,781	1,797	3,718	3,536
Additional funding of SIBC operations	20	(7)	113	103
<b>Total Expenses</b>	<b>11,856</b>	<b>11,245</b>	<b>23,839</b>	<b>22,777</b>
<b>Operating Gain (Loss) Before Government Funding</b>	<b>2,647</b>	<b>945</b>	<b>3,135</b>	<b>1,095</b>
<b>Government Funding</b>				
Amortization of deferred capital funding	1,044	954	2,077	1,911
Funding with respect to operating expense	42	(16)	226	206
<b>Total Government Funding</b>	<b>1,086</b>	<b>938</b>	<b>2,303</b>	<b>2,117</b>
<b>Non-Operating Items</b>				
Interest expense	(468)	(581)	(989)	(1,222)
<b>Total Non-Operating Items</b>	<b>(468)</b>	<b>(581)</b>	<b>(989)</b>	<b>(1,222)</b>
<b>Net Income (loss)</b>	<b>3,265</b>	<b>1,302</b>	<b>4,449</b>	<b>1,990</b>
<b>Other Comprehensive Income</b>				
Items that may be reclassified subsequently to statement of income (loss)				
Investments revaluation gain (loss) on available-for-sale investments	62	29	107	33
Cumulative loss (gain) reclassified to income on sale of available-for-sale investments	(28)	(80)	(44)	(109)
<b>Total Other Comprehensive Income</b>	<b>34</b>	<b>(51)</b>	<b>63</b>	<b>(76)</b>
<b>Total Comprehensive Income (Loss) for the Period</b>	<b>3,299</b>	<b>1,251</b>	<b>4,512</b>	<b>1,914</b>

5.4 Interim Unaudited Condensed Consolidated Statement of Changes in Equity

for the six month period ended September 30, 2024

(in thousands of Canadian dollars)

	Retained Earnings (unaudited)	Accumulated Other Comprehensive Income (unaudited)	Total (unaudited)
	\$	\$	\$
<b>Balance, April 1, 2023</b>	213,672	(9)	213,663
<i>Total Comprehensive Income:</i>			
Bet Income	1,990	-	1,990
<i>Other Comprehensive Income:</i>			
Revaluation gain on fair value through other comprehensive income investments	-	33	33
Cumulative gain reclassified to income on sale of fair value through other comprehensive income investments	-	(109)	(109)
Other Comprehensive Income total	-	(76)	(76)
Total Comprehensive Income	1,990	(76)	1,914
<b>Balance at September 30, 2023</b>	<b>215,662</b>	<b>(85)</b>	<b>215,577</b>
<b>Balance, April 1, 2024</b>	216,900	(37)	216,863
<i>Total Comprehensive Income:</i>			
Net income	4,449	-	4,449
<i>Other Comprehensive Income:</i>			
Revaluation gain on fair value through other comprehensive income investments	-	107	107
Cumulative gain reclassified to income on sale of fair value through other comprehensive income investments	-	(44)	(44)
Other Comprehensive Income total	-	63	63
Total Comprehensive Income	4,449	63	4,512
<b>Balance at September 30, 2024</b>	<b>221,349</b>	<b>26</b>	<b>221,375</b>



## 5.5 Interim Unaudited Condensed Consolidated Statement of Cash Flows

for the three and six month periods ended September 30, 2024

(in thousands of Canadian dollars)

	<i>For the three months ended</i>		<i>For the six months ended</i>	
	<b>September 30, 2024</b>	<b>September 30, 2023</b>	<b>September 30, 2024</b>	<b>September 30, 2023</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$			
<b>Cash Flows from Operating Activities</b>				
Net income (loss)	3,265	1,327	4,449	1,990
Adjustments for:				
Amortization of deferred capital funding	(1,044)	(954)	(2,077)	(1,911)
Depreciation of property and equipment	4,286	4,383	8,562	8,818
Depreciation of intangible assets	2	6	3	11
Depreciation of investment properties	169	178	338	355
(Gain) loss on disposal of investments	(28)	(80)	(44)	(109)
Change in employee benefits	333	(100)	(4)	30
	<b>6,983</b>	<b>4,760</b>	<b>11,227</b>	<b>9,184</b>
Changes in Non-cash Working Capital:				
Trade and other receivable	(213)	(2,806)	(309)	(2,737)
Lessor inducement	(19)	3	(16)	5
Prepays	365	149	367	483
Trade and other payables	45	2,031	2,582	2,690
Holdbacks	329	2	411	2
Deferred revenue	46	10	(46)	(44)
	<b>553</b>	<b>(611)</b>	<b>2,989</b>	<b>399</b>
<b>Net Cash Generated by Operating Activities</b>	<b>7,536</b>	<b>4,149</b>	<b>14,216</b>	<b>9,583</b>
<b>Cash Flows from Investing Activities</b>				
Payments for property and equipment	(8,117)	(5,276)	(12,472)	(5,595)
Payments for investment properties	(37)	-	(37)	-
Payments for intangible assets	-	-	-	-
Government funding related to acquisitions of property and equipment	8,461	5,243	12,413	5,252
Proceeds from disposal of property and equipment	-	-	-	-
Proceeds on sale of investments	3,742	311	3,810	2,357
Purchase of investments	(22)	(41)	(4,054)	(4,247)
<b>Net Cash Generated by (Used for) Investing Activities</b>	<b>4,027</b>	<b>237</b>	<b>(340)</b>	<b>(2,233)</b>
<b>Cash Flows from Financing Activities</b>				
Repayment of loans payable	(100)	(100)	(200)	(200)
Repayment of bonds payable	(3,535)	(3,313)	(3,535)	(3,313)
Repayment of lease liability	(62)	(70)	(101)	(129)
<b>Net Cash Used for Financing Activities</b>	<b>(3,697)</b>	<b>(3,483)</b>	<b>(3,836)</b>	<b>(3,642)</b>
Net increase) in cash and cash equivalents	7,866	903	10,040	3,708
Cash and cash equivalents, beginning of period	13,571	10,313	11,397	7,508
<b>Cash and Cash Equivalents, end of period</b>	<b>21,437</b>	<b>11,216</b>	<b>21,437</b>	<b>11,216</b>

**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 should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended March 31, 2024. 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, 2024.

**3. SEASONALITY**

Traffic on the 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.

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.

In regards to its expenses, the 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 judgments, 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 September 30, 2024, were consistent with those disclosed in Note 3 of the Corporation's audited consolidated financial statements for the year ended March 31, 2024.

**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 six-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, 2024.

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

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, 2023	14,908	273,900	36,781	144,703	36,042	1,537	1,765	509,636
Additions	59	53	627	-	-	-	5,788	6,527
Disposals	-	(2,659)	(93)	-	-	(16)	-	(2,768)
Transfers	-	6,024	224	3	-	-	(6,251)	-
<b>Balance, March 31, 2024</b>	<b>14,967</b>	<b>277,318</b>	<b>37,539</b>	<b>144,706</b>	<b>36,042</b>	<b>1,521</b>	<b>1,302</b>	<b>513,395</b>
Additions	21	-	871	-	38	-	11,542	12,472
Disposals	-	-	(301)	-	-	-	-	(301)
Transfers	-	-	-	-	146	-	(146)	-
<b>Balance, September 30, 2024</b>	<b>14,988</b>	<b>277,318</b>	<b>38,109</b>	<b>144,706</b>	<b>36,226</b>	<b>1,521</b>	<b>12,698</b>	<b>525,566</b>

  

Accumulated depreciation	Land	Bridges and Roads	Vehicles and Equipment	Buildings	Property Improvements	Right-of-use Assets	Projects in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, April 1, 2023	-	102,114	15,850	40,018	16,069	821	-	174,872
Eliminated on disposal of assets	-	(2,659)	(93)	-	-	-	-	(2,752)
Depreciation	-	8,900	2,532	3,984	1,491	187	-	17,094
<b>Balance, March 31, 2024</b>	<b>-</b>	<b>108,355</b>	<b>18,289</b>	<b>44,002</b>	<b>17,560</b>	<b>1,008</b>	<b>-</b>	<b>189,214</b>
Eliminated on disposal of assets	-	-	(301)	-	-	-	-	(301)
Transfers	-	-	-	-	-	-	-	-
Depreciation	-	4,476	1,269	1,976	748	93	-	8,562
<b>Balance, September 30, 2024</b>	<b>-</b>	<b>112,831</b>	<b>19,257</b>	<b>45,978</b>	<b>18,308</b>	<b>1,101</b>	<b>-</b>	<b>197,475</b>

  

<b>Net book value,</b>								
<b>September 30, 2024</b>	<b>14,988</b>	<b>164,487</b>	<b>18,852</b>	<b>98,728</b>	<b>17,918</b>	<b>420</b>	<b>12,698</b>	<b>328,091</b>
Net book value,								
March 31, 2024	14,967	168,963	19,250	100,704	18,482	513	1,302	324,181

5.6 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 categorized 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:

<b>As at Sept 30</b>	<b>2024</b>		
	Value	Cost	Level
	\$	\$	
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	3,635	3,635	Level 2
Financial instruments measured at amortised costs			
Investments - amortised cost	6,473	6,473	Level 2
Loans payable	8,967	8,967	Level 2
Bonds payable	25,278	23,822	Level 2
<b>As at March 31</b>	<b>2024</b>		
	Value	Cost	Level
	\$	\$	
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	7,586	7,586	Level 2
Financial instruments measured at amortised costs			
Investments - amortized cost	2,171	2,171	Level 2
Loans payable	9,167	9,167	Level 2
Bonds payable	28,627	27,357	Level 2