FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

ANNUAL REPORT 2020 | 2021

Canada

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Word From the Chair

Pascale Daigneault

The COVID-19 pandemic has generated far-reaching consequences for our entire global society, and The Federal Bridge Corporation Limited (FBCL) has not been immune to its effects. As businesses and schools closed, and as Canadians, who could, sheltered at home, the Corporation focused all efforts on keeping employees and travellers safe and its bridges open for Canada. While protective public health measures and restrictions prevailed over weeks then into months, we have a situation that is now stretching into a second year.

The unprecedented and historically low traffic volumes, caused by restrictions to cross-border travel, necessarily resulted in dramatic declines in revenues and eroding financial reserves. With constant and shifting head winds, the Corporation's robust approach to governance enabled a seamless continuity of operations. It also permitted the renewal of the long-term legacy debt plan and the fulfillment of obligations to previously established capital project commitments. The resiliency of staff proved to be our greatest strength. Our team came together to face and navigate the challenges of maintaining healthy operational readiness while witnessing significant losses to revenues.

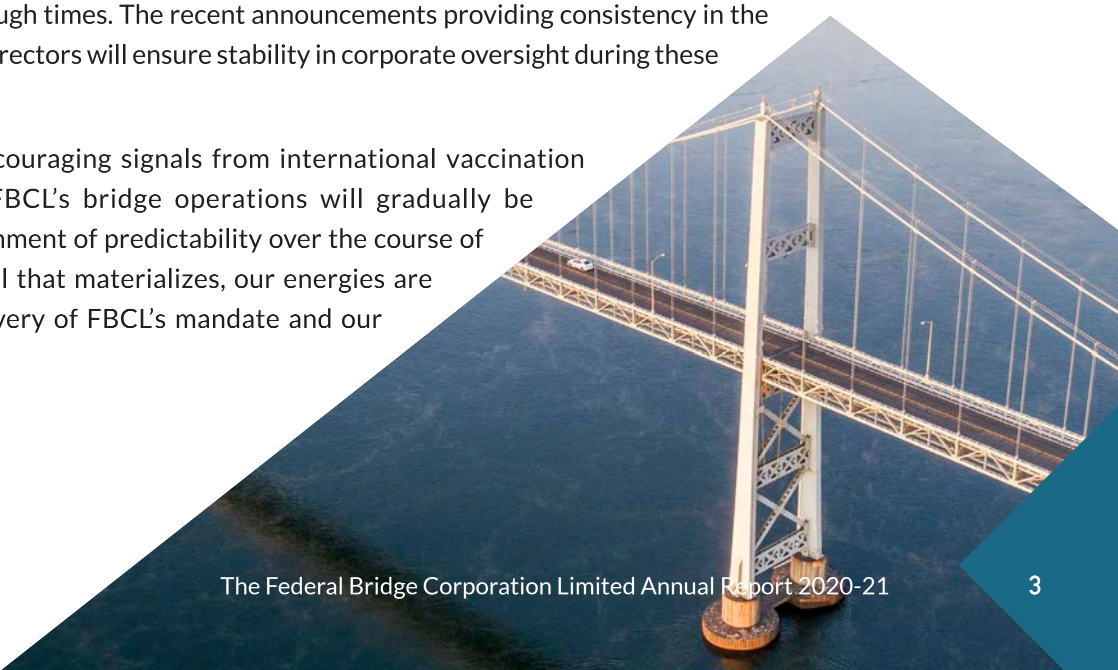
Risk mitigation remains at the forefront. Years of diligent financial and operational prudence provided FBCL with established proficiency to lead through volatility. The entire FBCL portfolio aggressively moved to contain operational costs and seek innovative alternatives to reduce or defer capital expenditures. Standard & Poor's recognized our strategy and maintained our credit rating at A+ (with a revised negative contextual outlook). Support received from the Crown sustained FBCL's fiscal condition, and in particular that of its subsidiary, The Seaway International Bridge Corporation Limited (SIBC), that would have ultimately become severely overwhelmed. As a nation and a business, we owe our continued health to concerted collaboration and mutual assistance.

2020-21 has been a year of challenges for all. As we look to FBCL's future, we can take some degree of security from the preservation of truck traffic at Blue Water Bridge, which remains Canada's second busiest international crossing for commercial trade. These vehicles are enabling FBCL's continuity and Canada's economy. While other bridge crossings in the FBCL portfolio do not share the same geographic advantages, the Government of Canada recognizes their value and supports FBCL's approach to sustaining their on-going viability. A regimen of prudent administration will help the Corporation weather these rough times. The recent announcements providing consistency in the membership of the Board of Directors will ensure stability in corporate oversight during these turbulent times.

With ever improving and encouraging signals from international vaccination programs, we expect that FBCL's bridge operations will gradually be invigorated with a re-establishment of predictability over the course of the coming fiscal period. Until that materializes, our energies are focused on the unfailing delivery of FBCL's mandate and our commitment to safety.

Pascale.

P. Daigneault



Word From the Chief Executive Officer

FBCL is overcoming the impacts of this pandemic. This is being achieved by providing open, reliable and sustained bridge operations for the benefit of essential travellers and Canada's economy and constant vigilance for the protection of workers and customers. It is driven by the continued implementation of resourceful administrative, operational and engineering solutions from all tiers of the Corporation united to overcome exceptional challenges.

In March 2020, the Canada-US border was closed to non-essential traffic in order to curtail the spread of the pandemic. The Corporation's revenues immediately dropped by half and the sustainability of bridge operations and committed capital works were possible only through existing financial reserves. All international bridges remained open without interruption. For more than a year, the FBCL team, consisting of essential frontline workers, back-office enablers and professionals, has dedicated itself to ensuring the on-going safety and viability of the international bridge crossings. Skilled employees have demonstrated exceptional resilience, adaptability and collaboration while helping to ensure the unbroken fluidity of international trade.

The collaboration of bridge partners and stakeholders is an integral achievement that FBCL facilitated as we jointly worked for the benefit of the entire border management community. Together, we sustained healthy and safe workplaces, conducted regular asset inspections, deployed new, corporate-wide technology and strengthened communication and security systems and procedures.

Although traffic volumes remain constricted, the damaging effects of weather and heavy truck usage prevail. FBCL bridge crossings inevitably require continued investments for the maintenance of capital assets. This year, we have invested more than $13M in rehabilitation and replacement of bridge suspender cables, bridge plaza surfaces, anchor bolts and upgraded critical drainage, safety and utilities assets. We also ensured the fulfillment of active and committed maintenance projects at all four crossings. Our efforts also focused on the long-term as we examined the impact of dire revenues on capital plans and assessed wide-ranging climate change risks to best plan for the enduring sustainability of our international bridge assets and operations.

Traffic and revenue are anticipated to remain low in the year ahead due to foreseeable travel restrictions at the Canada-US border. FBCL is determined to prevail in its work to support the integrity of the Canadian economy and international supply chain. While the income horizon remains unclear, precise schedules for major repair and renewal projects continue to be fluidly managed. The Corporation remains poised to invest in the longevity of its assets as soon as cross-border travel restrictions ease and financial reserves are reestablished. Essential support from the Government of Canada and collaboration between FBCL and Transport Canada officials have created a template for the future in view of resolving the long-term sustainability of FBCL's subsidiary that serves as a lifeline bridge crossing to Indigenous communities.

We remain unrelenting, vigilant and adaptable as the pandemic's erratic challenges attempt to impact bridge operations. FBCL international bridges will remain open. Canada can count on us.

Corporate Profile

BACKGROUND

The Federal Bridge Corporation Limited (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.

FBCL's responsibilities and relationships are varied and reflect the unique origin of each bridge. FBCL owns crossing assets and provides oversight to bridge operations, administering international agreements associated with the bridges, leading bridge engineering and inspection duties and management of bridge capital investment projects.

	SAULT STE. MARIE INTERNATIONAL BRIDGE	BLUE WATER INTERNATIONAL BRIDGE	THOUSAND ISLANDS INTERNATIONAL BRIDGE	SEAWAY INTERNATIONAL BRIDGE
FBCL OWNERSHIP	50% of the bridge 100% of Canadian bridge plaza and port of entry	50% of each of the twin bridges 100% of Canadian bridge plaza and port of entry	100% Canadian Bridge 50% Rift Bridge 100% of Canadian bridge plaza and port of entry	100% North Channel Bridge 100% of Canadian toll plaza and International Road 32% South Channel Bridge
INTERNATIONAL PARTNER	Michigan Department of Transportation	Michigan Department of Transportation	Thousand Islands Bridge Authority, a public benefit corporation under New York State Public Authorities Law	Great Lakes St. Lawrence Seaway Development Corporation, an agency of the United States Department of Transportation
BRIDGE OPERATOR	International Bridge Administration, a distinct administrative unit within the Michigan Department of Transportation with delegated authority from Sault Ste. Marie Bridge Authority, a separate legal entity constituted by Michigan Department of Transportation and FBCL	Canadian portion: FBCL American portion: Michigan Department of Transportation	Thousand Islands Bridge Authority	Seaway International Bridge Corporation, Ltd, a wholly-owned subsidiary Canadian Crown corporation
GOVERNANCE STRUCTURE	Eight Directors: four Americans appointed by the Governor of Michigan and four Canadians appointed by FBCL	Canadian portion: FBCL American portion: Michigan Department of Transportation	U.S. Chair and six Directors appointed by Jefferson County: three Americans and three Canadians (recommended by FBCL)	Eight Directors appointed by FBCL, four Canadians and four Americans (recommended by Great Lakes St. Lawrence Seaway Development Corporation)

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 shall be 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* (FAA), the *Canada Business Corporations Act*, and these articles, as amended from time to time, the capacities and powers of a natural person.

Strategic Authority

FBCL's mission, vision and pillars define the framework for the Corporation's strategic direction as approved by the Board of Directors.

MISSION

FBCL is a Crown corporation responsible for the oversight of Canadian federal interests in four selected international bridge crossings between Canada and the United States.

VISION

Striving to optimize the safety, security, sustainability and capacity of bridge operations to the benefit of Canada while serving the traveling public with efficiency and respect.

PILLARS

FBCL will fulfill its mission through these key pillars:

- Operating with a unified **portfolio management** approach and strong corporate oversight;
- **Stewardship** of the bridge assets, focused on safety and security through a program of independent inspections, of appropriate asset management programs and on the provision of excellent customer service;
- Effective **use of technology**, utilizing common platforms to ensure efficiency of operations and accuracy of information, managed in a manner that limits risk and cost;
- **Sustainability** of operations, maintenance and administration through a shared revenue approach, prioritized investment, toll optimization and cost containment; and,
- **Sound governance** of the Corporation, through an optimized structure with the required capacity and skills, and strong relationships with stakeholders.

Corporate Governance

As a Crown corporation, FBCL is governed by a Board of Directors and is accountable to Parliament through the Minister of Transport.

Legislative authority

FBCL is a corporation constituted under the *Canada Business Corporations Act* and listed in Schedule III Part 1 of the *Financial Administration Act* and is an agent of Her Majesty, following the amalgamation of the predecessor corporation, also known as The Federal Bridge Corporation Limited with several other bridge corporations.

The amalgamations have contributed significantly to resolving historical governance issues and allowed for increased focus and greater accountability for the international bridges under its purview.

Public accountability

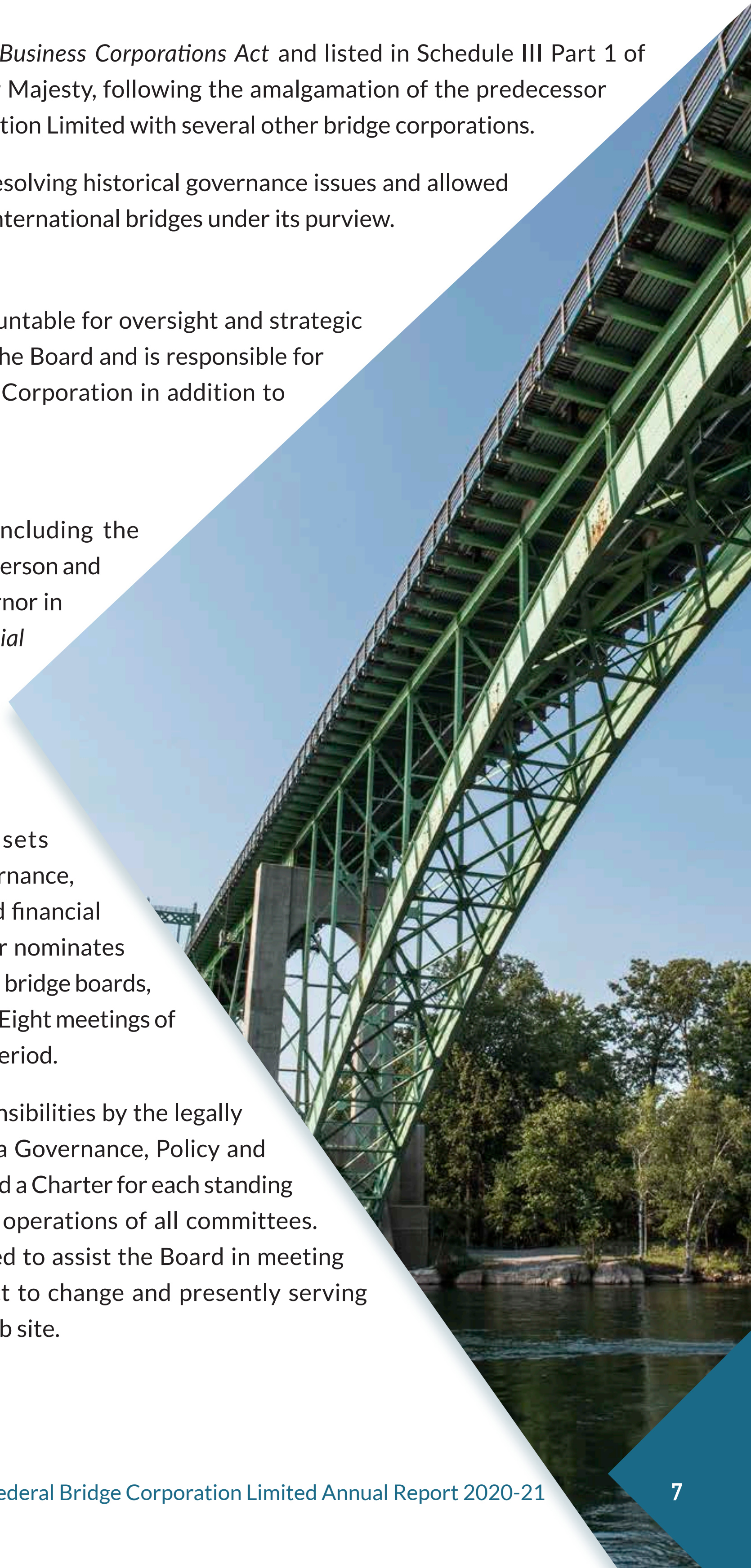
FBCL is governed by a Board of Directors that is accountable for oversight and strategic direction. The Chief Executive Officer is a member of the Board and is responsible for the day-to-day management and performance of the Corporation in addition to supporting the Board in its oversight role.

FBCL board

The FBCL Board is composed of seven directors, including the Chairperson and the Chief Executive Officer. The Chairperson and the Chief Executive Officer are appointed by the Governor in Council, in accordance with section 105 of the *Financial Administration Act*. The directors, other than the Chairperson and the Chief Executive Officer, are appointed by the Minister with the approval of the Governor in Council.

Within the Corporation's mandate, the Board sets corporate objectives and direction, ensures good governance, monitors financial performance, approves budgets and financial statements, approves policies and by-laws, appoints or nominates for appointment, the Canadian directors of international bridge boards, as well as ensures that risks are identified and managed. Eight meetings of the Board of Directors are typically held in each fiscal period.

The Board is currently supported in its role and responsibilities by the legally required Finance and Audit Committee as well as by a Governance, Policy and Human Resources Committee. The Board has established a Charter for each standing Committee and operating guidelines that govern the operations of all committees. The Board may establish other committees as required to assist the Board in meeting its responsibilities. Committee membership is subject to change and presently serving committee members are listed on the Corporation's web site.



Committees

FINANCE AND AUDIT COMMITTEE

Mandate: As per the duties outlined in the *Financial Administration Act*, the Finance and Audit Committee provides oversight and makes recommendations to the Board on the standards of integrity and behaviour, the reporting of financial information, management control practices, risk management and insurance needs. The Committee is responsible for advising the Board on matters related to financial statements, any internal audit of the Corporation and the annual auditor's report of the Corporation. The Finance and Audit Committee is also responsible to review and advise the Board with respect to a special examination, and the resulting plans and reports. The Committee performs other functions assigned to it by the Board and that are included in the corporate by-laws.

Membership: The Committee is composed of three Directors appointed by the Board, one of whom is appointed as Chair of the Committee. The Board Chair is a non-voting ex officio member of the Committee.

GOVERNANCE, POLICY AND HUMAN RESOURCES COMMITTEE

Mandate: The mandate and operational guidelines of the Committee were ratified and approved by the Board. This Committee assists the Board in overseeing the Corporation's governance, board policy infrastructure and human resources. The role of the Committee is to support the Board in the discharge of its responsibilities by performing due diligence on matters within its area of responsibility. Its function is not to approve but make recommendations for approval by the Board.

Membership: The Committee is composed of three Directors appointed by the Board, one of whom is appointed as Chair of the Committee. The Board Chair is a non-voting ex officio member of the Committee.

BOARD OF DIRECTORS REMUNERATION

The Governor-in-Council establishes the remuneration paid to the Chair, other Board members and the Chief Executive Officer. The remuneration of the Chair and other Board members follows the Government's Remuneration Guidelines for Part-time Governor in Council Appointees in Crown corporations and is pursuant to section 108 of the *Financial Administration Act*. The Chair receives an annual retainer of $6,400 - $7,500 and a per diem of $200 - $300 for attending regular and committee meetings, while other Board members are paid an annual retainer of $3,200 - $3,800 and a per diem of $200 - $300. Board members are reimbursed for all reasonable out-of-pocket expenses, including travel, accommodations, and meals, incurred in the performance of their duties.

The employment conditions of the Chief Executive Officer are provided by the Terms and Conditions of Employment for Full-Time Governor-in-Council Appointees. The salary range for the Chief Executive Officer position (CEO 3) is $188,500 - $221,700. The Chief Executive Officer does not receive an annual retainer nor a per diem for attending Board meetings. The Governor-in-Council may also grant to the Chief Executive Officer performance pay of up to 15 percent of the base salary, according to the achievement of key performance objectives, as determined by the Board of Directors.

Remuneration for senior management is modeled on the Government of Canada Executive Group (EX) salary scales.

In 2020-21, Board members received the following reimbursements for expenses (continued on next page):

BOARD MEMBERS	Retainer Earned	Per Diems		Travel / Training Reimbursements	Total	Attendance			
						Board Meetings	Committee Meetings		Training
		Meetings /Travel	Training			Telephone	GPHR Telephone	FAC Telephone	# of days
NOTES	a	a,b	c	d			f	g	
Pascale Daigneault - Sarnia, ON	$7,500	$7,425	-	$1,048	$15,973	10/10	3/3	6/6	-
Karen Hill - Ohsweken, ON	3,800	3,225	-	-	$7,025	7/10	3/3	-	-
John Lopinski - Port Colborne, ON	3,800	5,850	-	-	$9,650	10/10	2/2	6/6	-
Marie-Jacqueline Saint-Fleur - Montreal, QC	3,800	5,700	-	1,000	$10,500	10/10	-	6/6	-
Travis Seymour - Ottawa, ON	3,800	5,100	-	-	$8,900	10/10	3/3	1/1	-
Rakesh Shreewastav - Toronto, ON	3,800	5,325	-	-	$9,125	10/10	1/1	5/5	-
Natalie Kinloch (Note e) - Apple Hill, ON	n/a	n/a	n/a	n/a	$-	10/10	3/3	6/6	-
Total	$26,500	$32,625	$-	$2,048	$61,173				

a. Rates per Order-in-Council PC2015-84, January 30, 2015, for the Chairperson. Rates per Order-in-Council PC2015-81, January 29, 2015, for other Directors. These are supplemented by *Guidelines for the Remuneration of the Chairperson and other Directors of The Federal Bridge Corporation Limited* (2015), which is based on Remuneration *Guidelines for Part-time Governor in Council Appointees in Crown Corporations* (2000), published by the Privy Council Office.

b. Includes attendance at Board and Committee meetings, annual public meeting, strategic planning sessions, teleconference, special duties, and additional travel days.

c. Per diems for training and conference attendance are paid in accordance with the equivalent rates applicable per Privy Council Orders 2015-81 and 2015-84.

d. Travel and training reimbursements include repayment of reasonable out-of-pocket expenses and registration fees in accordance with FBCL's *Travel, Hospitality, Conference, and Events Policy*.

e. The Chief Executive Officer is also a member of the Board of Directors and receives no additional compensation for those duties.

f. GPHR stands for Governance, Policy, and Human Resources Committee

g. FAC stands for Finance and Audit Committee

Code of Conduct

The purpose of the *Public Servants Disclosure Protection Act* is to encourage employees in the public sector including Crown corporations and other public agencies to come forward if they have reasons to believe that serious wrongdoing has taken place and to provide protection to them against reprisal should they do so. One requirement of the Act is to promptly provide public access to certain information respecting founded cases of wrongdoing resulting from a disclosure brought forward. Specifically, the Corporation must describe the wrongdoing; the recommendations made to the Chief Executive Officer; and the corrective action taken by the Chief Executive Officer.

The Board approved a Code of Values and Ethics that sets out FBCL's values, its commitment to ethics and expected behaviours from all employees in their dealing with their colleagues, the public, and other governmental or external entities. The Code is signed annually by all employees during their annual performance review.

The Corporation fully adheres to the spirit of the *Public Servants Disclosure Protection Act* and has had no disclosures to date.

Portfolio Management

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 that 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 prioritization 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.

Audit Regime

The audit regime consists of external and internal audits. The Office of the Auditor General conducts an annual audit of the consolidated financial statements to verify that they fairly reflect the Corporation's operating results and financial position, and that the transactions have been carried out in accordance with International Financial Reporting Standards (IFRS) and Part X of the *Financial Administration Act*. The Office of the Auditor General also conducts a special examination at least once every ten years to confirm that assets are being safeguarded and controlled; that financial, human and physical resources are being managed efficiently; and that operations are being conducted effectively. Such an examination is presently under way with a report expected in June 2022.

The internal audit regime aims to strengthen accountability, risk management, resource stewardship, and good governance by ensuring that internal audit is a key governance component. Risk-based, multi-year audit plans are developed to identify key risk areas common to all bridge locations. The current audit plan focuses on fraud prevention, policies, and security.

Business and Performance

A bridge is a passive facilitator of travel and trade. Due to its presence, it enables the transit of people and goods while possessing no fundamental or intrinsic means of enticing its usage. The provision of a safe, well-maintained and functional crossing ensures the bridge's viability and appeal, however the decision to cross relies much more significantly on the availability of local and regional attractors on the opposite side. Without those external attractors, a bridge has limited ability to affect consumption behaviour on its prospective users.

Strategic Issues

Within an operational context underlined by an on-going pandemic, FBCL maintains its focus on the following key strategic issues:

- **Global pandemic:** The most significant and least predictable factor affecting the business context during the fiscal period was the impact of the COVID-19 pandemic and its associated restrictions on non-essential cross-border travel. The pandemic is expected to produce a lasting dampening effect on the economy, public health policies and international crossings for an undefinable protracted period. While commercial goods continue to flow, the absence of non-commercial traffic is significantly impacting FBCL's operations and revenue streams. This in turn will have a manifest effect on the Corporation's ability to fund long-term, strategic capital investments and the timing of these activities at all of its operating locations.
- **The Economy in general:** This is classically represented by the fluctuations of currency exchange rates; general employment rates and manufacturing productivity; stable international trading environments and the healthy regional presence and/or demise of bridge-accessible travel attractors and destinations.
- **Throughput at the border:** A reputation for safety, speed and ease of crossing is the single most important factor affecting crossing choice for non-local travellers and commercial goods transporters.
- **Societal unrest:** The multi-faced social issues at times impact many components of our transportation infrastructure when the obstruction of these assets are targeted by protestors seeking to have their voices heard and issues recognized.
- **Evolving transportation logistics:** Growth in the reported value of goods at a rate higher than inflation with declines in the absolute volume of commercial vehicles crossing Ontario's border with the United States indicates continued improvements in transportation logistics that impact bridge toll revenue.

- **Technology and its security:** Ensuring that underlying transaction management technologies remain current, adaptable and secure promotes customer trust and confidence.
- **Competition:** The ready availability of crossing alternatives will have an effect on operations.

Setting aside well-maintained bridge assets and support for secure and novel payment technologies, all of the strategic issues affecting FBCL's line of business are external and detached from the organization's direct influence.

Notable Operational and Capital Initiatives

2020-21 has been a year like no other. There are no governance manuals or courses that detail the strategic and tactic measures required to shepherd an international business through the unpredictable constraints and ever shifting hurdles of a global pandemic. Over a year later, FBCL continues to stand as a viable corporation, featuring a team of individuals who focus on doing their best in the expectations of a brighter tomorrow. FBCL's collective efforts ensured that its bridges remained open 24/7, 365 days throughout the year in support of Canadians and its economy. The overarching prudence with which FBCL administers its business and the dedication of its staff provided a foundation of adaptability and resiliency.

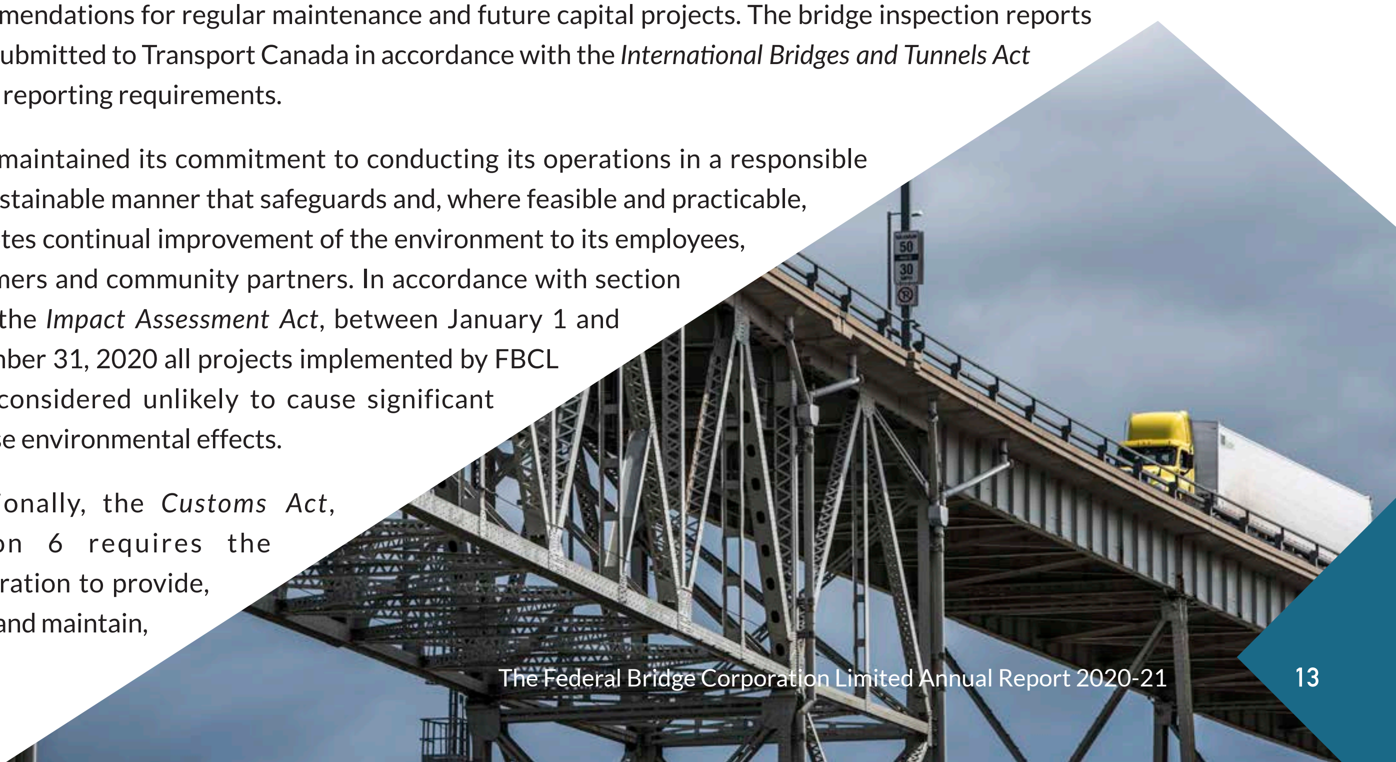
The global pandemic has negatively affected the Corporation's revenue and cash reserves, which in turn has required that FBCL indefinitely defer a majority of its future capital asset investment plans. Crown support for 2020-21 and 2021-22 has allowed the Corporation to maintain progress on previously committed contracts and urgent projects in the areas of security, traffic management and electrical supply reliability. As indicated below, the past year included notable events or activities that have impacted bridge operations and capital investments and will deliver value to all of the Corporation's performance domains.

Following on the pandemic's early effects, the International Bridge, Tunnel and Turnpike Association (IBTTA.org) recognized FBCL leadership and innovation with two Certificates of Merit. The first acknowledged FBCL as a responsible member of the community for the Community ConneXion program, while the second noted the corporation for its comprehensive operational actions and health safety measures towards staff, partners and customers in a special COVID-19 response category.

As stewards of four of Canada's international bridge crossings, it is necessary to invest prudently in the maintenance, rehabilitation and at times, complete full or partial replacement of bridge and bridge plaza assets. Annual bridge inspections for all four crossings generated favourable results. All bridges were determined to be in good overall conditions, with recommendations for regular maintenance and future capital projects. The bridge inspection reports were submitted to Transport Canada in accordance with the *International Bridges and Tunnels Act* (IBTA) reporting requirements.

FBCL maintained its commitment to conducting its operations in a responsible and sustainable manner that safeguards and, where feasible and practicable, promotes continual improvement of the environment to its employees, customers and community partners. In accordance with section 82 of the *Impact Assessment Act*, between January 1 and December 31, 2020 all projects implemented by FBCL were considered unlikely to cause significant adverse environmental effects.

Additionally, the *Customs Act*, section 6 requires the Corporation to provide, equip and maintain,



free of charge, adequate buildings, accommodations or other facilities for Canada Border Services Agency (CBSA). A similar provision in the *Plant Protection Act* and the *Health of Animals Act* mandate support for Canadian Food Inspection Agency (CFIA) facilities at bridge crossings. These facilities are provided to the agencies at its crossings at no cost and are paid out of revenue generated by the Corporation. Historically, the Corporation has not been required to pay for facilities in Cornwall due to the primarily local benefit provided by the crossing and the toll-exempt status of over 70% of its users.

At an Overarching Corporate Level

In response to the pandemic, FBCL swiftly implemented a spectrum of measures to protect the well-being of its staff and travellers. As staff shifts were staggered to allow for better social distancing, personal protective equipment was distributed and sanitizing methods and resourcing were expanded. From an operation perspective, many clear plastic barriers were erected and tolling shifted away from cash towards forms of payment that would limit the exchanges between employees and customers. A Business Continuity and Disaster Recovery Plan was ratified while all security and emergency plans were updated. As a result, no outbreaks occurred within FBCL's operational premises. Later, the Corporation facilitated the Government of Canada's deployment of rapid testing of travellers at two of its locations.

The Corporation has continued to build on its positive tactical relationships nationally and regionally with government partners, in addition to ongoing strategic collaboration with Transport Canada. Prior to establishment of the Canada Emergency Rent Assistance (CERA) program, FBCL had already reached out to tenants affected by restrictions to non-essential cross-border travel to facilitate mechanisms to relieve payment pressure from lease agreements and to ensure their sustainability and continued operations. While these actions affected FBCL revenues, they have resulted in strengthened commercial relationships and goodwill.

With support from the Transportation Asset Risk Assessment (TARA) Program, FBCL completed a Weather and Climate Change Risk Assessment and Impact Analysis study at each of its crossings. The assessment examined the current conditions and future projected weather and climactic patterns affecting FBCL bridges, roadways, buildings and other assets and infrastructure as well as delivered a detailed analysis and interpretation of risk areas The effects of weather and climate change on the relationship and interactions FBCL has with its customers was also evaluated providing the corporation with baseline data to adequately mitigate risk.

The Corporation, in conjunction with its Michigan Department of Transportation bridge ownership partner for the Sault Ste. Marie International Bridge as well as Blue Water Bridge U.S. entity assessed its requirements and options related to a future acquisition of a next generation toll management system. The procurement process is presently in the agreement approval phase with a proposed implementation scheduled of twelve months.

During the year, the Office of the Auditor General initiated the conduct of the first special examination of the post-amalgamation FBCL. Their report is expected in June 2022.

At the Sault Ste. Marie International Bridge

Standard, scheduled bridge and facilities maintenance remain the ongoing focus for the Sault Ste. Marie International Bridge.

The state of the bridge's fracture critical members that were the subject of a targeted inspection have been deemed to be in good condition. Over the course of the maintenance season, selected concrete pier small-scale repairs and protection, and painting was performed in addition to the completion of the installation of steel stiffener plates to floor girder bearings.

While a major rehabilitation project is being undertaken at the nearby Soo Locks, the bridge is actively being monitored for seismic effects resulting from that construction.

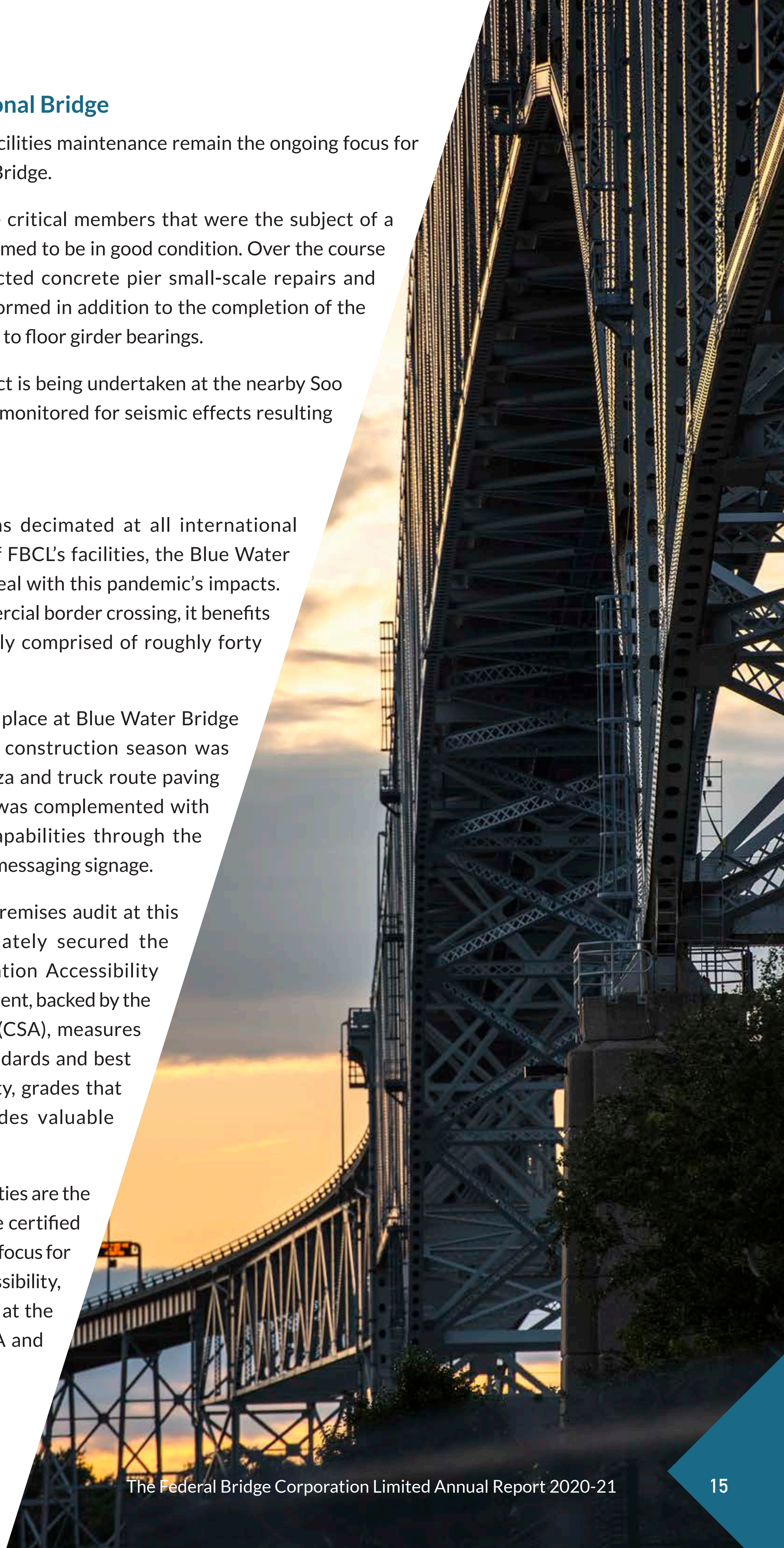
At the Blue Water Bridge

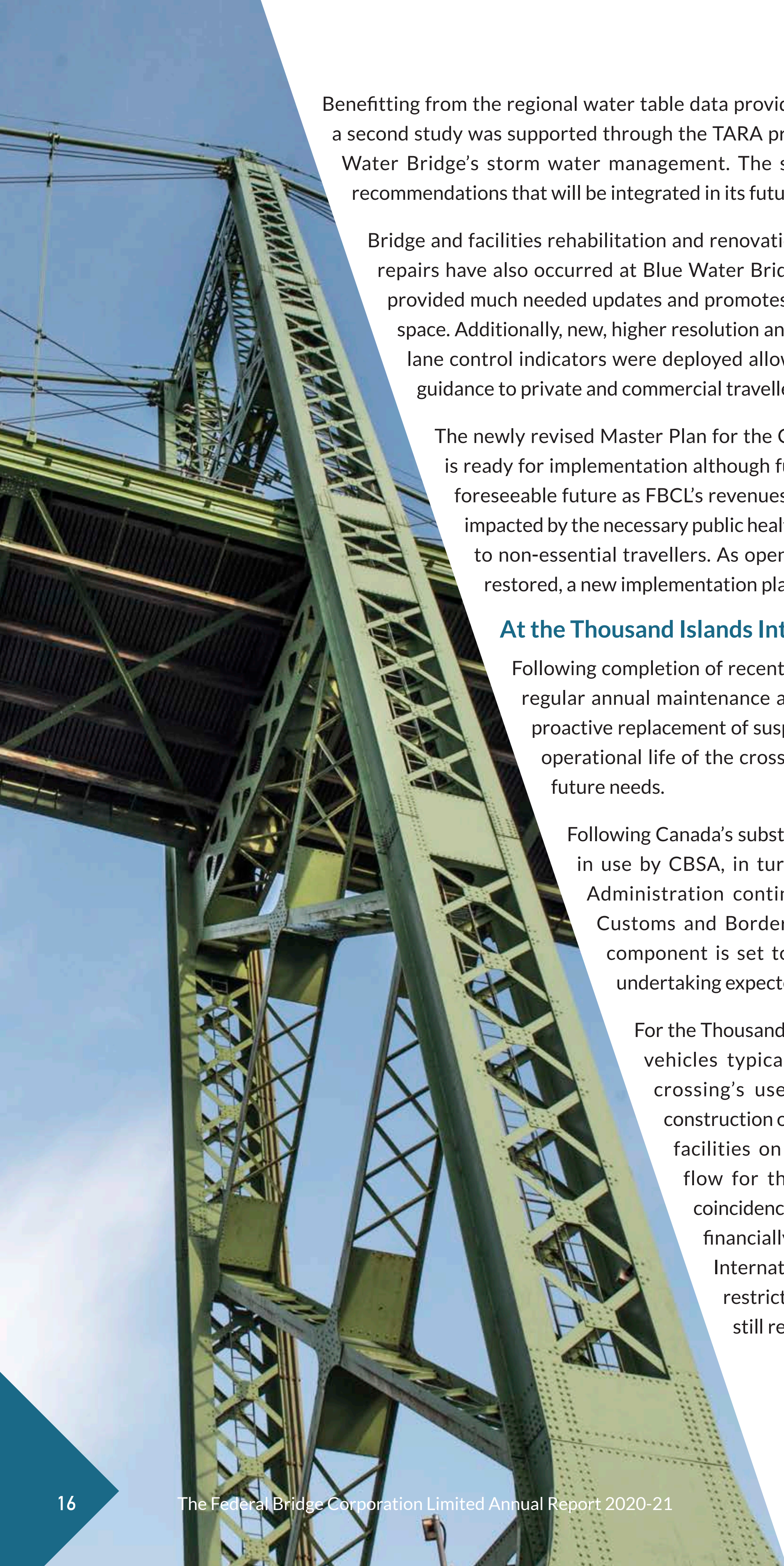
While private vehicle traffic was decimated at all international crossings during the pandemic, of FBCL's facilities, the Blue Water Bridge is uniquely positioned to deal with this pandemic's impacts. As Canada's second busiest commercial border crossing, it benefits from its user base that is normally comprised of roughly forty percent commercial vehicles.

The most notable activity to take place at Blue Water Bridge over the course of the 2020-21 construction season was the completion of a Canadian plaza and truck route paving and resurfacing endeavour. This was complemented with improved traffic management capabilities through the deployment of enhanced variable messaging signage.

Following an extensive physical premises audit at this location's facilities, FBCL ultimately secured the prestigious Rick Hansen Foundation Accessibility Certification. This rigorous assessment, backed by the Canadian Standards Association (CSA), measures the physical facilities against standards and best practices for effective accessibility, grades that level of accessibility, and provides valuable information on how to improve.

The FBCL's Blue Water Bridge facilities are the first of a land border crossing to be certified under the program. FBCL's primary focus for the assessment was on public accessibility, and consisted of several buildings at the plaza including those where CBSA and CFIA operates.





Benefitting from the regional water table data provided by the prior climate risk assessment, a second study was supported through the TARA program to evaluate the resiliency of Blue Water Bridge's storm water management. The study provided a number of long-term recommendations that will be integrated in its future planning.

Bridge and facilities rehabilitation and renovation projects such as anchor bolt grouting repairs have also occurred at Blue Water Bridge. A modernization of the toll building provided much needed updates and promotes a better, safer and more efficient use of space. Additionally, new, higher resolution and feature rich variable message signs and lane control indicators were deployed allowing for more precise and fully bilingual guidance to private and commercial travellers.

The newly revised Master Plan for the Canadian plaza of the Blue Water Bridge is ready for implementation although further works have been deferred for the foreseeable future as FBCL's revenues and cash reserves have been negatively impacted by the necessary public health measures and cross-border restrictions to non-essential travellers. As open cross-border movements are gradually restored, a new implementation plan will be defined.

At the Thousand Islands International Bridge

Following completion of recent major renewal activities, efforts shift to regular annual maintenance and bridge. These activities included the proactive replacement of suspender cables that will prolong the viable operational life of the crossing and review of maintenance facilities future needs.

Following Canada's substantial investment in new border facilities in use by CBSA, in turn, the United States' General Services Administration continues its significant expansion of their Customs and Border Protection facilities. The commercial component is set to open in 2021 and the balance of the undertaking expected to be completed in late 2022.

For the Thousand Islands International Bridge, commercial vehicles typically make up about twenty percent of crossing's users. Vehicles supporting the on-going construction of new US Customs and Border Protection facilities on Wellesley Island helped support cash flow for this facility. Without this serendipitous coincidence, it would have been as severely impacted financially as the Sault Ste. Marie and the Seaway International Bridges. Despite these advantages, restrictions to non-essential cross-border travel still resulted in a 60% reduction in revenues.

At the Seaway International Bridge

Standard, scheduled bridge and facilities maintenance remain the primary ongoing focus for the Seaway International Bridge. In this context, a $3M project to replace a mobile traveller maintenance platform under the South Channel Bridge is underway and scheduled to be completed in 2021. Concrete integrity mapping has been conducted, piers have been assessed for seismic susceptibility and, for cost reduction purposes, LED lighting has been deployed while selected data back-up services have been moved to the cloud.

FBCL continues to support the Crown's efforts to resolve longstanding land claims, and is awaiting the local community's consideration of ratification of a proposed settlement agreement. FBCL is exploring the potential of relocating of its operational facilities away from Cornwall Island. The project would include further optimization of the Canadian bridge plaza on the space known as the Canal Lands.

Over the course of the planning period, FBCL aims to collaborate with the Crown to identify and implement lasting measures to address revenue constraints at this crossing that result from the significant volume of toll exempt vehicular traffic.

Corporate Services

Corporate Services represent the internal business-management functions of the Corporation, these services include items such as IT support, information management, finance, security, human resources, legal services, communications, audit, and corporate risk management. All functions, which are key enablers to the continued success of our operations.

By driving internal efficiencies, the Corporation is able to focus on its core mandate in support of all Canadians. Investments in technology included major focus on server and networking infrastructure and delivery of new digital tools, the most prominent involving the shift to uninterrupted and secure accessibility to corporate resources by remote workers representing 30% of the workforce as well as upgrades to financial management systems.

The enhanced, integrated Human Resources, payroll and time management system deployed late in the prior cycle proved to be invaluable during the pandemic for recruitment of permanent and part time roles, and scheduling staff without the need for close physical interactions.

FBCL Diversity In Action

66% employees self-identifying in a designated group;
40% of these in leadership positions;
27% bilingual;
54% women;
11% indigenous;
8% visible minorities; and,
2% over age 65.

In the context of Human Resources management, following the creation of a multi-location Joint Health and Safety committee, a health and safety study was conducted. Occupational Health and Safety (OHS) programs were harmonized and enhanced across locations with definition of a new Corporate Health and Safety Policy statement and the drafting of a new OHS program manual. These actions are seen as critical to continuing corporate success and complements the Corporation's emphasis on the promotion of mental health and wellness as well as on supporting employees balancing work and home pressures. In support of the compliance and growth of the workforce, efforts have been expended to develop an employee learning and self-training portal.

Also in early 2021, the corporation conducted an employee engagement and satisfaction survey to generally favourable outcomes that were consistent with the prior evaluation cycle.

FBCL Employee Engagement Survey Results

2019-2021 Notable Summaries of Perceptions

Category	Description	2019/2020	2020/2021
Recognition	Acknowledging Strong Performance	66%	81%
Safety	Feeling safe at work	72%	86%
Inspiration	Feeling inspired at work	77%	85%
Valued	By Managers and Team	82%	81%
Pride	Taking pride in our work	92%	90%

During the pandemic's miscellaneous restrictions, the Corporation together with PSAC Local 501 ensured the continuity of FBCL's Community ConneXion outreach and engagement program. Staff demonstrated their intimate ties to their communities through coordinated volunteering and charitable giving activities. Multiple volunteering initiatives were carried out in Ottawa and Sarnia where time and funds were contributed to the benefit of local community support organization's helping the under privileged and most vulnerable in this difficult year.

Performance Assessment

MAJOR OBJECTIVE	ACTIVITIES	EXPECTED RESULTS	PERFORMANCE MEASURES	STATUS
PEOPLE	Attract and retain skills and experience	Diverse pool of skill sets	Skills map gap action plan and execution progress	**On target.** Full staffing and retention of key functional domains
	Employee development	Healthy and respectful workplace	Plan implemented and execution progress	**On Target** Training program compliance
	Employee engagement	Increasing scores in employee satisfaction surveys	Employee satisfaction survey conducted annually.	**On target.** Positive survey results and input comparable to prior year
	Labour	Renewed collective bargaining agreement established	Renewed collective bargaining agreement established	**Completed.** Collective agreement in place to November 2023
	Community engagement	Positive organizational reputation	Activities and partnerships with local community groups	**On target.** Staff involvement in donations of PPE and continued charitable activities
ASSETS	Asset Management Program Development	Asset management system in place	Core of asset planning and budgets defined by asset management program	**Progressing.** Significant advancement and targeted evaluations proceeding.
	Identification of potential climatic deficiencies that could disrupt long term growth	Climate resiliency	Development of climate impact action plan and progress of its action items	**Completed.** Actionable climate impact assessment report
	Blue Water Bridge Master Plan	Definition of future course of action for site	Plan completed and execution progress	**Completed.** Plan finalized with stakeholder concurrence.

MAJOR OBJECTIVE	ACTIVITIES	EXPECTED RESULTS	PERFORMANCE MEASURES	STATUS
SUSTAINABILITY	Corporate Financial Sustainability	- Corporate survival during pandemic after exhaustion of internal cash reserves - Establishment of a lasting mechanism for compensation for the publicly imposed duties resulting from toll-exempt, Indigenous crossings and to maintain the solvency of subsidiary SIBC	Progress on funding frameworks	**Progressing.** Continued, funded operations secured through 2021-22 with uninterrupted bridge operations.
	Toll Rate Strategies	Continued fiscal stability and operational funding	Revenue sufficiency, traffic trends and market shares	**Not achieved.** Pandemic impact significantly reduced toll revenue despite successful toll rate strategy adjustments.
	Improve toll collection management	Modernized toll management and payment collection systems	-Implementation of systems and/ or revised vehicle classification -Possible partnerships with tolling entities	**On target.** Bi-national procurement process and adjustments to vehicle classification completed. Action plan for deployment of new toll system formulated.
	Maintain or increase customer amenities and services	In-demand services available at FBCL bridges	Increase in lease and other diversified non-toll revenues	**Not achieved.** Primary tenants highly affected by pandemic traffic loss necessitating support in rent relief
TECHNOLOGY	Real-time predictive traffic analysis	Improved staff and activity scheduling	Deployment of consolidated data aggregation and analysis solution	**Progressing.** Dependency on Toll Collection System data reliability assessment in progress.
	Technology master plan	Course of action for direction of technological assets	Plan completed and execution process	**Progressing.** Strategic analysis completed and works advancing. Substantial reallocation of resources to manage pandemic impact.
	Customer-oriented data mining	Data driven decision-making and promotional campaigning	Core of operational and marketing activities defined by data analytics	**Progressing.** Dependency on Toll Collection System data reliability
	Data Integrity	Secure data	Absence of data breaches	**On target.** Secure, protected data

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) outlines FBCL's financial results and operational changes for the year ended March 31, 2021. This MD&A should be read in conjunction with FBCL's audited annual consolidated financial statements and accompanying notes for the year ended March 31, 2021. The consolidated financial statements and notes have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in thousands of Canadian dollars. All information is current as of June 24, 2021.

Forward-looking statements

Readers are cautioned that this report includes certain forward-looking information. These forward-looking information are 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 the organization to be materially different from any future results and performance expressed or implied by such forward-looking information. With the borders' restrictions imposed in mid-March 2020 relating to COVID-19, FBCL is working on establishing new strategies for the upcoming year(s). Consequently, for this annual report, the five-year Corporate Plan for 2021-22 to 2025-26 has not been included as the corporate plan is subject to change depending on when the border restrictions are lifted and the volume resume.

Materiality

In assessing what information is to be provided in this 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.

Financial Highlights 2020-21 at a glance

REVENUE 2020-21: $27,240 2019-20: $43,106 TOTAL DECREASE $15,866 (37%)	Effective March 21, 2020, by mutual agreement, the Canada-US border was closed to non-essential traffic in order to curtail the spread of COVID-19. The continued extension of the closure has had a profound impact on FBCL's toll revenues and lease revenues from Duty Free stores. Restrictions to non-essential travel does not directly impact the cross-border movement of commercial vehicles. However, the evolving restrictions and closures imposed on various manufacturing and retail facilities impacts the demand for goods and their movement.
GOVERNMENT FUNDING 2020-21: $6,035 2019-20: NIL	In response to COVID-19, the Corporation was eligible to request up to $9,432 in government funding to cover the revenues shortfalls experienced by SIBC due to COVID-19 and partially compensate for the critical operating requirements caused by COVID-19. Of this amount, $5,730 was claimed during the year. In addition, the Corporation was eligible to claim up to $340 for studies related to environmental impacts and storm water management. Of this amount, $305 was claimed during the year. Government funding for 2021-22 fiscal year has also been approved .
EXPENSES 2020-21: $48,934 20219-20: $48,625 TOTAL INCREASE $309 (1%)	As noted above, government funding was obtained this year to cover the revenue shortfalls experienced by SIBC due to COVID-19. Consequently, in addition to the 50% of joint arrangement expenses recognized per the international agreement, an additional $1,169 was recognized to cover the SIBC remaining deficit in accordance with the COVID-19 emergency funding arrangement. Throughout the year, the Corporation reviewed its expenditures in order to determine which costs could be postponed to future years and which costs could be reduced.

Analysis of Financial Results

CONSOLIDATED STATEMENT OF OPERATIONS

The following section provides information on key variances within the Consolidated Statement of Comprehensive Income (Loss) for 2020-21 compared to 2019-20:

Consolidated Statement of Comprehensive Income ($000's)	March 31 2021	March 31 2020	Variance favourable (unfavourable)	
	$	$	$	%
Tolls and services and Thousand Islands International Bridge revenue	**24,213**	37,556	(13,343)	-35.5%
Leases and permits	**1,378**	4,690	(3,312)	-70.6%
Other (interest, gain on investments, other)	**1,649**	860	789	91.7%
Total revenue	**27,240**	**43,106**	**(15,866)**	-36.8%
Operations	**8,272**	8,200	(72)	-0.9%
Thousand Islands International Bridge expense	**5,455**	6,218	763	12.3%
Maintenance	**15,260**	14,849	(411)	-2.8%
CBSA & CFIA operations	**7,827**	8,102	275	3.4%
Administration	**7,523**	7,365	(158)	-2.1%
Additional funding of SIBC operations	**1,169**	-	(1,169)	100.0%
Total expenses	**45,506**	**44,734**	**(772)**	-1.7%
Operating loss before government funding and interest	**(18,266)**	**(1,628)**	**(16,638)**	1022%
Government funding	**7,400**	3,535	3,865	109.3%
Interest expense	**(3,428)**	(3,891)	463	-11.9%
Net loss	**(14,294)**	**(1,984)**	**(12,310)**	620.5%
Other comprehensive income				
Actuarial gain (loss)	**(702)**	551	(1,253)	-227.4%
Investment revaluations gain	**(559)**	294	(853)	-290.1%
Total comprehensive loss	**(15,555)**	**(1,139)**	**(14,416)**	1,265.7%

Revenues

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

TRAFFIC VOLUMES

During the year, overall truck and passenger car volumes have decreased by 11% and 84%, respectively. Truck volumes, by bridge, varied between a decrease of 7% to 42% while passenger cars, per bridge, varied between a decrease of 67% to 95%.

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 more than 70% of toll-exempt travellers that depend on the bridge in order to access necessary food and medical services suppliers. Paid passenger volumes at these locations are down by 95% and 82%, respectively, and commercial volumes at these locations are down by 42% and 21%, respectively.

For the Thousand Islands International Bridge, commercial vehicles typically make up about 20% of the crossing's users and the on-going construction of new US Customs and Border Protection facilities on Wellesley Island have helped with a vital source of cash flow. Despite these advantages, the normally strong cross-border tourism industry in this region was considerably affected by the on-going border restrictions. Passenger volumes are down by 67% and commercial volumes are down by 7%.

Within the portfolio, the Blue Water Bridge is uniquely positioned to deal with this pandemic's impacts. As Canada's second busiest commercial border crossing, it benefits from a user base that is comprised of roughly 35-40% commercial vehicles. Initially, the pandemic caused dramatic reductions to commercial traffic however recent data indicates that commercial trends have returned to within seasonal and annually expected values, although at the lower end of the characteristic range. Passenger volumes are down by 94% and commercial volumes are down by 7%.

CANADIAN VS. US DOLLAR EXCHANGE RATE

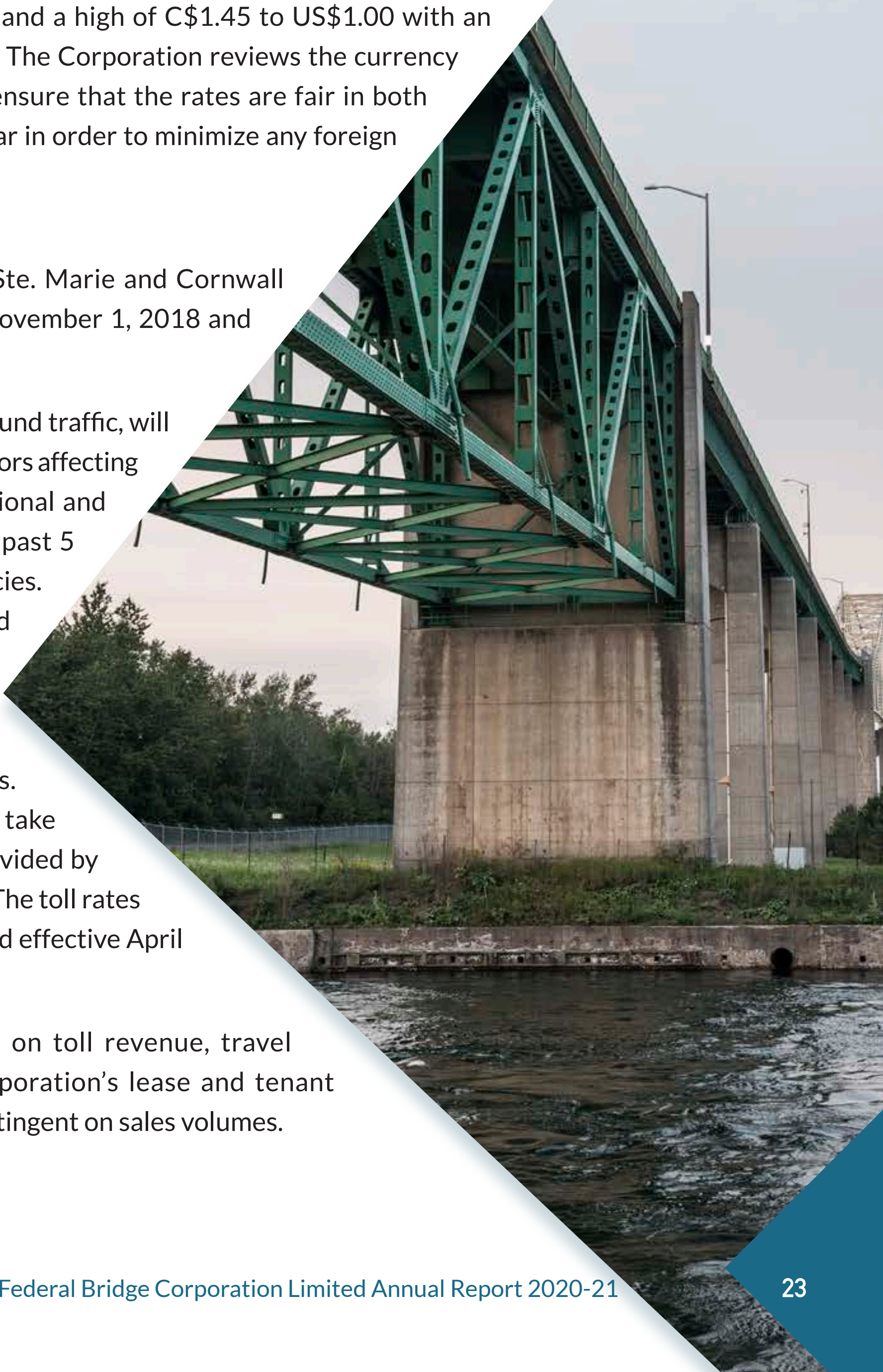
Throughout the year, the exchange rate fluctuated as much as C$0.17 to US$1.00 (2020 – C$0.16 to US$1.00). The exchange rate fluctuated between a low of C$1.25 to US$1.00 to a high of C$1.42 to US$1.00 with an average rate for the year of C$1.32 to US$1.00 (2020 - the exchange rate fluctuated between a low of C$1.29 to US$1.00 and a high of C$1.45 to US$1.00 with an average rate for the year of C$1.33 to US$1.00). The Corporation reviews the currency parity of the toll rates at its bridge locations to ensure that the rates are fair in both currencies and may adjust the rates during the year in order to minimize any foreign currency loss on toll revenues.

CHANGES IN TOLL RATES

Toll rates were updated at the bridges in Sault Ste. Marie and Cornwall effective April 1, 2019, Point Edward effective November 1, 2018 and Thousand Islands effective April 1, 2018.

The toll rates at the Blue Water Bridge for USA-bound traffic, will be adjusted effective April 1, 2021. The primary factors affecting the new rates are the crossing's on-going operational and maintenance needs, the traffic patterns over the past 5 years and the difference between the two currencies. In making its decision, management also considered public health measures intended to reduce the handling and exchange between travellers and toll staff of cash and other items while making the toll payment process quicker for all travellers. The toll rate adjustment encourages travellers 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 will also be adjusted effective April 1, 2021.

Leases and permits: In addition to the impact on toll revenue, travel restrictions have significantly affected the Corporation's lease and tenant revenue, as the majority of these revenues are contingent on sales volumes.



Expenses

The 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. While the passenger volumes were significantly reduced, the bridges remained open to essential travel and consequently operating costs remain fairly consistent with the prior year as traffic lanes remained opened and staffed.

Thousand Islands International Bridge expense: The expenses represent the Corporation's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands. The expenses are lower primarily due to a decrease in maintenance salaries and supplies as the yearly painting maintenance project was postponed for the year.

Maintenance: Maintenance expenses relate to the maintenance, upkeep and repairs of the Corporation's assets. At the Blue Water, Seaway International and Sault Ste. Marie bridges, salaries for maintenance have decreased due to fewer maintenance staff hired during the year. However, these savings are offset by additional consulting costs relating to environmental impact studies (which were funded by government appropriations) and load bearing studies.

CBSA & CFIA: The Corporation 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. In 2019-20, there was a payment in lieu of tax adjustment relating to the prior years.

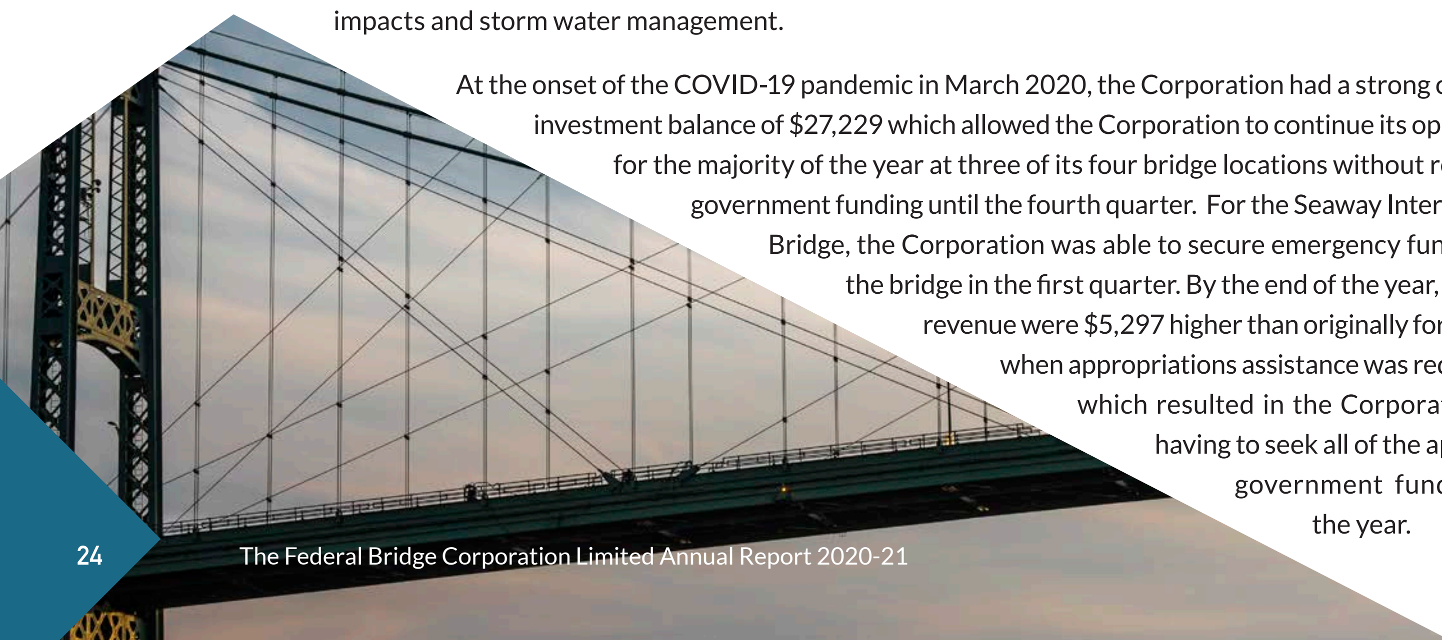
Administration: Administration expenses relate to the management and oversight of the operations of the individual crossings and the Corporation.

Government funding

As part of the Government of Canada's *Public Health Events of National Concern Payments Act*, on July 8, 2020, FBCL was eligible to receive up to $2,556 to compensate for the revenue shortfalls experienced by SIBC due to COVID-19. Funding was granted in order to ensure the continued safe operation of the bridge. Under the terms of the funding, FBCL could claim up to $2,556 based on actual annual operating deficit and purchases of capital assets and could not claim the full $2,556 if this resulted in a net income position.

As part of the *Appropriation Act No. 6, 2020-21* for the Supplementary Estimates (C), the Corporation was eligible to receive up to $6,876 to compensate for cash shortfalls experienced by the remaining three bridge locations due to border restrictions imposed by the Canadian and US federal governments to limit the spread of COVID-19. In addition, as part of the *Appropriation Act No. 5, 2020-21* and the *Appropriation Act No. 6, 2020-21* for Supplementary Estimates (B) and (C) respectively, the Corporation was eligible to receive up to $340 for studies related to FBCL environmental impacts and storm water management.

At the onset of the COVID-19 pandemic in March 2020, the Corporation had a strong cash and investment balance of $27,229 which allowed the Corporation to continue its operations for the majority of the year at three of its four bridge locations without requiring government funding until the fourth quarter. For the Seaway International Bridge, the Corporation was able to secure emergency funding for the bridge in the first quarter. By the end of the year, the tolls revenue were $5,297 higher than originally forecasted when appropriations assistance was requested, which resulted in the Corporation not having to seek all of the approved government funding for the year.



The Corporation has secured access of up to $18,497 in emergency government funding for the 2021-22 fiscal year to support the continued operations of all four bridge locations.

The following is a summary of actual revenues and expenses as compared to the Corporate Plan (2020-21 to 2024-25) Amendment:

Consolidated Statement of Comprehensive Income ($000's)	Budget 2021	March 31, 2021	Variance favourable (unfavourable)	
	$	**$**	$	%
REVENUES AND GOVERNMENT FUNDING				
Tolls and Thousand Islands International Bridge tolls	19,431	**24,213**	4,782	24.6%
Other revenue	1,956	**3,027**	1,071	54.8%
Government funding	12,877	**7,400**	(5,477)	-42.5%
Total Revenues and Government Funding	34,264	**34,640**	376	1.1%
OPERATING AND INTEREST EXPENSES				
Operations	6,149	**5,428**	721	11.7%
Thousand Islands International Bridge expense	4,993	**3,865**	1,128	22.6%
Maintenance	7,653	**6,627**	1,026	13.4%
CBSA & CFIA operations	3,732	**3,636**	96	2.6%
Administration	7,388	**6,637**	751	10.2%
Additional funding of SIBC operations	-	**1,169**	(1,169)	-100.0%
Depreciation	18,314	**18,144**	170	0.9%
Interest	3,430	**3,428**	2	0.1%
Total Operating and Interest expenses	51,659	**48,934**	2,725	5.3%
Net loss	**(17,395)**	**(14,294)**	**3,101**	**-17.8%**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following is a summary of the Consolidated Statement of Financial Position comparing the current year to the prior year and to the Corporate Plan (2020-21 to 2024-25) Amendment:

Consolidated Statement of Financial Position ($000's)	Budget	March 31 2021	March 31, 2020	Variance (actual vs prior year)	
		$	$	$	%
Assets					
Financial assets	5,655	**6,763**	28,165	(21,402)	-76.0%
Non-financial assets	376,003	**378,360**	383,554	(5,194)	-1.4%
Other assets	1,488	**3,027**	550	2,477	450.4%
Total assets	383,146	**388,150**	412,269	(24,119)	-5.9%
Current assets	*6,955*	**9,597**	*26,511*	*(16,914)*	-63.8%
Non-current assets	*376,191*	**378,553**	*385,758*	*(7,205)*	-1.9%
Liabilities					
Deferred government funding	100,790	**102,870**	104,235	(1,365)	-1.3%
Deferred revenue	2,519	**3,676**	3,842	(166)	-4.3%
Long-term employee benefits	7,220	**8,380**	7,220	1,160	16.1%
Long-term debt	50,554	**50,170**	56,440	(6,269)	-11.1%
Other liabilities	4,382	**3,533**	5,456	(1,924)	-35.3%
Total liabilities	165,465	**168,629**	177,193	(8,564)	-4.8%
Current liabilities	*18,234*	**20,485**	*17,290*	*3,194*	18.5%
Non-current liabilities	*147,231*	**148,145**	*159,903*	*(11,758)*	-7.4%
Total equity	217,681	**219,521**	235,076	(15,555)	-6.6%

Cash flow and liquidity

At the onset of the COVID-19 pandemic in March 2020, the Corporation had a strong cash and investment balance of $27,229 which allowed the Corporation to continue its operations for the majority of the year at three of its four bridge locations without requiring government funding until the fourth quarter. For the Seaway International Bridge, the Corporation was able to secure emergency funding for the bridge in the first quarter. With close monitoring of toll revenues, operating expenses and capital acquisitions, the Corporation ended the year with $ 6,763 of liquid assets, which is slightly more favourable than originally budgeted in the Corporate Plan amendment.

The Corporation has secured access of up to $18,497 in emergency funding for the 2021-22 fiscal year to support the continued operations of all four bridge locations. In addition, the Corporation has entered into a new loan agreement, which will replace the existing loan as this loan matures in July 2021 and allows the Corporation to increase the loan face value, up to a face value of $10,000. With both of these additional cash flows and close cash monitoring of the capital projects and expenses in fiscal 2021-22, the Corporation forecasts to be able to continue its operations in the upcoming fiscal year should COVID restrictions continue for the full fiscal year.

Financial Risk

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

The overall level of the Corporation's debt is forecasted to decline as loan balances are reduced. The Corporation's strategy is to repay its loans as they become due, as the Corporation wishes to maintain a strong debt service coverage ratio, at the same time. This strong debt management strategy is to allow for debt payments over the life of the loans, and to minimize the need for additional indebtedness. With the impact of COVID-19, the Corporation is closely monitoring its cash and investments to determine the most prudent path forward. With this uncertainty, the Corporation sought out all required approvals, which will allow the Corporation to borrow up to $10,000 between January 1, 2021 and March 31, 2022, if required. As at March 31, 2021, the Corporation had not drawn upon this $10,000 borrowing.

Capital Investments

Decisions related to the timing of capital investments were re-evaluated and adjusted during the fiscal year in order to push back as many projects as possible. The total deferral of some on-going projects was not possible due to existing bi-national partner commitments and/or the urgency of essential infrastructure activities.

As stewards of four of Canada's international bridge crossings, it is necessary to invest prudently in the maintenance, rehabilitation and, at times, complete replacement of bridge and bridge plaza assets. The most significant parts of projects detailed below were committed to pre-COVID-19 pandemic.

BLUE WATER BRIDGE	SEAWAY INTERNATIONAL BRIDGE	SAULT STE. MARIE BRIDGE	THOUSAND ISLANDS BRIDGE
Significant projects completed during the fiscal year include the installation of VMS signs, plaza paving, renovations of the toll building as well as purchase of various vehicles and construction equipment including a Reachall vehicle which will facilitate maintenance work and inspections. Work has been performed on the following projects which are expected to be completed in fiscal 2021-22: • Replacements of backup emergency power generators; • HVAC replacement at the Duty Free store; • CCTV camera modernization; and • Remaining VMS signs. Preliminary work has been performed on the span 2 rehabilitation which will be completed in fiscal 2024-25.	The replacement of the South Channel Bridge travellers is ongoing and will be completed in fiscal 2021-22. The travellers allow for routine maintenance and inspections of the structure.	Work has been performed on the security modernization of the plaza and is expected to be completed in fiscal 2021-22.	The completion of security fencing around two piers were completed. Work has been performed on fibre installation and the security modernization of the plaza. These works are expected to be completed in fiscal 2021-22.

REPORT ON ANNUAL EXPENDITURES FOR TRAVEL, HOSPITALITY, AND CONFERENCES FOR 2020-21

Effective July 2015, Crown corporations have been instructed per section 89 of the FAA to align their travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations. FBCL has complied and continues to comply with this directive. As per the Treasury Board requirements, this report provides information on the total annual expenditures for each of travel, hospitality, and conferences for FBCL for the fiscal year ending March 31, 2021.

Expenditures on travel, hospitality, and conference fees incurred by FBCL are directly related to supporting its mandate, in particular, the portfolio of international bridges at four locations in Sault Ste. Marie, Point Edward, Lansdowne and Cornwall.

Annual expenditures for Travel, Hospitality, and Conferences of FBCL:

Year ending March 31 ($000's)	2021	2020
	$	$
Travel	**13**	229
Hospitality	**-**	6
Conferences	**-**	38
Events	**-**	-
Total	**13**	**273**

Travel costs are significantly lower in 2020-21 due to limited travelling due to COVID-19 restrictions.

COMPLIANCE WITH DIRECTIVE ON PENSION PLANS

FBCL is subject to directives pursuant to Section 89 of the FAA. By Order in Council P.C. 2014-1382 dated December 10, 2014, FBCL is to ensure that the pension plans will provide:

i. a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017; and

ii. for any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan.

FBCL has complied and continues to comply with this directive.

FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

Consolidated Financial Statements As at March 31, 2021

The Federal Bridge Corporation Limited
March 31, 2021

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Management's Responsibility for Financial Statements

The consolidated financial statements contained in this Annual Report have been prepared by The Federal Bridge Corporation Limited (the Corporation) management in accordance with International Financial Reporting Standards (IFRS). The integrity and objectivity of the data in these consolidated financial statements is the responsibility of the Corporation's management and the management of its wholly-owned subsidiary, The Seaway International Bridge Corporation, Ltd. (SIBC), which reports directly to an independent Board of Directors.

It is necessary for management to make assumptions and estimates based on information available at the date of the consolidated financial statements. Areas where the Corporation's management and management of its wholly owned subsidiary have made significant estimates and judgements include components and associated useful lives of property and equipment, intangible assets, and investment properties, impairment testing, inputs for the calculation of employee benefits plans, classification of leases in which the Corporation is the lessor, classification of joint arrangements, and presentation of The Thousand Islands Bridge Authority (TIBA) operations. The Corporation's management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

In support of its responsibility, the Corporation's management prepares the consolidation of the financial statements. The Corporation's management and the management of its wholly owned subsidiary have developed and maintain books of account, records, financial and management controls, information systems and management practices for their respective financial statements. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Economic Action Plan 2013 Act, No. 2*, the *Canada Marine Act* and regulations, the *Canada Business Corporations Act* and regulations, and the articles and by-laws of the Corporation and its wholly-owned subsidiary, as well as the directives issued pursuant to section 89 of the *Financial Administration Act*.

The Corporation's Board of Directors is composed of six directors who are not employees of the Corporation and one director who is the CEO of the Corporation. The Board of Directors of the Corporation's wholly owned subsidiary is composed of eight directors who are currently employees of either the Corporation or The Great Lakes St. Lawrence Seaway Development Corporation (GLS) (the Corporation's partner at its wholly owned subsidiary). During the year, GLS' name was changed to add reference to Great Lakes and has updated its acronym from SLSDC to GLS. The Corporation's Board of Directors and the Board of Directors of its wholly owned subsidiary are responsible for ensuring that each corporation's management fulfils their responsibilities for financial reporting and internal control. The Board of Directors of the wholly owned subsidiary reports directly to the Corporation's Board of Directors. The Corporation Board of Directors and the Board of Directors of its wholly owned subsidiary exercise their responsibilities through their own Audit Committees comprised of Board of Directors members. Each Audit Committee meets with management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee of the Corporation's wholly owned subsidiary has reviewed its respective financial statements with its external auditors, the Auditor General of Canada. The wholly owned subsidiary's Board of Directors has approved and submitted its financial statements together with the external auditor's report to the Corporation (parent) Board of Directors. The Corporation's Audit Committee has discussed the consolidated financial statements with the external auditor, the Auditor General of Canada, and has submitted its report to the Corporation's Board of Directors. The Auditor General of Canada is responsible for auditing the consolidated financial statements and for issuing her report thereon. The Corporation's Board of Directors has reviewed and approved the consolidated financial statements.

Natalie Kinloch

Natalie Kinloch
Chief Executive Officer

Richard Iglinski
Chief Financial Officer

June 24, 2021

Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Federal Bridge Corporation Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of The Federal Bridge Corporation Limited and its wholly-owned subsidiary coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the *Economic Action Plan 2013 Act, No. 2*, the *Canada Marine Act* and regulations, the articles and by-laws of The Federal Bridge Corporation Limited and its wholly owned subsidiary, and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of The Federal Bridge Corporation Limited and its wholly-owned subsidiary that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for The Federal Bridge Corporation Limited and its wholly-owned subsidiary's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable The Federal Bridge Corporation Limited and its wholly-owned subsidiary to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Firyal Awada, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
24 June 2021

Consolidated Statement of Financial Position

(in thousands of Canadian dollars)

As at	Notes	March 31 2021	March 31 2020
		$	$
Assets			
Current Assets			
Cash and cash equivalents	7	**5,020**	7,382
Investments	8	**248**	17,847
Trade and other receivables	9	**1,495**	936
Prepaids		**2,834**	346
Total Current Assets		**9,597**	26,511
Non-Current Assets			
Property and equipment	10	**360,216**	364,708
Investment properties	11	**18,083**	18,777
Intangible assets	12	**61**	69
Lessor inducement		**193**	204
Investments	8	**-**	2,000
Total Non-Current Assets		**378,553**	385,758
Total Assets		**388,150**	**412,269**
Liabilities			
Current Liabilities			
Trade and other payables		**2,065**	4,041
Employee benefits		**1,131**	1,327
Holdbacks	13	**337**	88
Deferred revenue	14	**2,462**	2,476
Loans payable	15	**2,542**	132
Bonds payable	16	**5,914**	5,540
Lease liability	17	**189**	182
Deferred government funding	18	**5,845**	3,504
Total Current Liabilities		**20,485**	17,290
Non-Current Liabilities			
Deferred revenue	14	**1,214**	1,366
Loans payable	15	**-**	2,943
Bonds payable	16	**40,406**	46,320
Lease liability	17	**1,119**	1,323
Deferred government funding	18	**97,025**	100,731
Employee benefits	19	**8,380**	7,220
Total Non-Current Liabilities		**148,144**	159,903
Equity			
Share capital - 2 shares @ no par value	20	**-**	-
Retained earnings		**219,529**	234,525
Accumulated other comprehensive income (loss)		**(8)**	551
Total Equity		**219,521**	235,076
Total Equity and Liabilities		**388,150**	**412,269**
Contingent liabilities	24		
Commitments	25		

Approved by the Board of Directors

P. Dagneault
Director

Andrew Marcus Seymour
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended March 31 *(in thousands of Canadian dollars)*

	Notes	2021	2020
		$	$
Revenue			
Tolls and services		**20,542**	31,334
Leases and permits		**1,378**	4,690
Thousand Islands International Bridge revenue		**3,671**	6,222
Interest		**313**	536
Gain on sale of investments		**885**	-
Other		**451**	324
Total Revenue		**27,240**	**43,106**
Expenses			
Operations		**8,272**	8,200
Thousand Islands International Bridge expenses		**5,455**	6,218
Maintenance		**15,260**	14,849
Canada Border Security Agency & Canadian Food Inspection Agency operations		**7,827**	8,102
Administration		**7,523**	7,365
Additional funding of SIBC operations	**5**	**1,169**	-
Total Expenses	**21**	**45,506**	**44,734**
Operating Loss Before Government Funding		**(18,266)**	(1,628)
Government Funding			
Amortization of deferred capital funding	**18**	**3,503**	3,535
Funding with respect to operating expenses	**18**	**3,897**	-
Total Government Funding		**7,400**	**3,535**
Non-Operating Items			
Interest expense		**(3,428)**	(3,891)
Total Non-Operating Loss		**(3,428)**	**(3,891)**
Net loss		**(14,294)**	**(1,984)**
Other Comprehensive Income (Loss)			
Items that will not be reclassified subsequently to net income			
Actuarial gain (loss)	**19**	**(702)**	551
Items to be reclassified to net income when specific conditions are met			
Revaluation gain on fair value through other comprehensive income investments		**326**	285
Cumulative (gain) loss reclassified to income on sale of fair value through other comprehensive income investments		**(885)**	9
Total Other Comprehensive Income		**(1,261)**	**845**
Total Comprehensive Loss for the Year		**(15,555)**	**(1,139)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended March 31 *(in thousands of Canadian dollars)*

	Notes	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
		$	$	$
Balance as at April 1, 2019		235,958	257	236,215
Total Comprehensive Income (Loss):				
Net loss		(1,984)	-	(1,984)
Other Comprehensive Income (Loss):				
Actuarial gain	**19**	551	-	551
Revaluation gain (loss) on fair value through other comprehensive income investments		-	285	285
Cumulative gain reclassified to income on sale of fair value through other comprehensive income investments		-	9	9
Total Other Comprehensive Income (Loss)		551	294	845
Total Comprehensive Loss		(1,433)	294	(1,139)
Balance at March 31, 2020		234,525	551	235,076
Total Comprehensive Income (Loss):				
Net loss		(14,294)	-	(14,294)
Other Comprehensive Income (Loss):				
Actuarial loss	**19**	(702)	-	(702)
Revaluation gain on fair value through other comprehensive income investments		-	326	326
Cumulative gain reclassified to income on sale of fair value through other comprehensive income investments		-	(885)	(885)
Total Other Comprehensive Income		(702)	(559)	(1,261)
Total Comprehensive Loss		(14,996)	(559)	(15,555)
Balance at March 31, 2021		**219,529**	**(8)**	**219,521**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended March 31 *(in thousands of Canadian dollars)*

	Notes	2021	2020
		$	$
Cash Flows from Operating Activities			
Net loss		**(14,294)**	(1,984)
Adjustments for:			
Amortization of deferred capital funding	**18**	**(3,503)**	(3,535)
Depreciation of property and equipment	**10**	**17,389**	17,172
Depreciation of investment properties	**11**	**736**	694
Depreciation of intangible assets	**12**	**19**	21
(Gain) Loss on disposal of assets		**(26)**	(15)
(Gain) Loss on sale of investments		**(885)**	9
Change in employee benefits		**262**	494
Foreign exchange loss (gain)		**32**	(35)
		(270)	12,821
Changes in Working Capital:			
Trade and other receivables		**(548)**	(57)
Lessor inducement		**11**	31
Prepaids		**(2,488)**	501
Trade and other payables		**(1,140)**	155
Provisions		**-**	(6,047)
Government funding received relating to prepaid expenses	**18**	**2,095**	-
Deferred revenue	**14**	**(166)**	(165)
		(2,236)	(5,582)
Net Cash (Used by) Generated by Operating Activities		**(2,506)**	7,239
Cash Flows from Investing Activities			
Payments for property and equipment		**(13,498)**	(4,902)
Payments for investment properties		**(42)**	(72)
Payments for intangible assets		**(11)**	(13)
Government funding related to acquisitions of property and equipment received		**43**	368
Proceeds on disposal of property and equipment		**29**	15
Proceeds on sale of investments		**22,719**	6,079
Purchase of investments		**(2,794)**	(2,653)
Net Cash Generated by (Used by) Investing Activities		**6,446**	(1,178)
Cash Flows from Financing Activities			
Repayment of loans payable		**(533)**	(2,419)
Repayment of bonds payable		**(5,540)**	(5,192)
Repayment of lease liability		**(197)**	(157)
Net Cash Used by Financing activities		**(6,270)**	(7,768)
Foreign exchange (loss) gain on cash and cash equivalents held in foreign currency		**(32)**	35
Net (decrease) increase in cash and cash equivalents		**(2,362)**	(1,672)
Cash and cash equivalents at the beginning of the year		**7,382**	9,054
Cash and Cash Equivalents at the End of the Year	**7**	**5,020**	**7,382**
Supplemental disclosure on cash flow information			
Interest received included in operating activities		**387**	581
Interest paid included in operating activities		**3,516**	3,973

The accompanying notes form an integral part of these consolidated financial statements.

1. Authority And Activities

The Federal Bridge Corporation Limited (the "Corporation") is a *Canada Business Corporations Act* (CBCA) corporation listed in Schedule III Part 1 of the *Financial Administration Act* (FAA). It is an agent of Her Majesty, not subject to income tax under the provisions of the *Income Tax Act*. It is a parent Crown Corporation that reports to the Parliament of Canada through the Minister of Transport. The Corporation resulted, on February 1, 2015, from an amalgamation between the legacy The Federal Bridge Corporation Limited (the "legacy FBCL"), which was a parent Crown corporation, with its subsidiary, St. Mary's River Bridge Company (SMRBC), on January 27, 2015, and with another parent Crown corporation Blue Water Bridge Authority (BWBA). This was done in accordance with the authorities provided by the *Economic Action Plan 2013 Act, No. 2*. The remaining planned amalgamation in this Act, with the Corporation's wholly-owned subsidiary, The Seaway International Bridge Corporation Ltd. (SIBC), has not been realized to date.

The Corporation's primary activities involve the ownership and operation of four international bridges linking the Province of Ontario in Canada to the State of New York or the State of Michigan in the United States of America (U.S.). Moreover, the Corporation may also undertake other activities incidental to the bridge business.

The Corporation's wholly-owned subsidiary, SIBC, operates the Seaway International Bridge crossing in Cornwall as a joint operation (as described in note 5) per agreement between the Corporation as Canadian owner and The Great Lakes St. Lawrence Seaway Development Corporation (GLS) as U.S. owner (during the year, GLS' name was changed to add reference to Great Lakes and has updated its acronym from SLSDC to GLS). 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 Blue Water Bridge crossing between Point Edward, Ontario, and Port Huron, Michigan, the Corporation owns and operates the Canadian portion of the crossing. The U.S. side of the crossing is owned and operated by MDOT.

By Order in Council P.C. 2015-31 dated January 26, 2015, the Corporation was granted all necessary approvals of the *International Bridges and Tunnels Act* for the purposes of ownership and management of the international bridges under the Corporation's portfolio. The *Customs Act*, section 6 requires the Corporation to provide, equip and maintain, free of charge, adequate buildings, accommodations or other facilities for customs and the Canada Border Services Agency (CBSA). Similar provisions in the *Plant Protection Act* and the *Health of Animals Act* mandate similar support for the Canadian Food Inspection Agency (CFIA) based at the land crossings. The subsidiary, SIBC, is also subject to the *Canada Marine Act* for the purposes of the management of the international bridge that crosses the St. Lawrence River.

The Corporation is subject to directives pursuant to Section 89 of the FAA. By Order in Council P.C. 2014-1382 dated December 10, 2014, the Corporation is:

(a) to ensure that the pension plans will provide

(i) a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017, and,

(ii) for any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and,

(b) to outline its implementation strategies with respect to the commitments set out in paragraph (a) in its next

1. Authority and Activities (continued)

corporate plan and subsequent corporate plans until the commitments are fully implemented.

The Corporation was in full compliance with the directive as of December 31, 2017 and continues to comply with the directive.

By Order in Council P.C. 2015-1114 dated July 16, 2015, the Corporation was also directed to align its policies with the travel, hospitality, conference and event expenditure policies, directives, and other related instruments issued by the Treasury Board pursuant to Section 89 of the FAA as follows:

(a) to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations; and,

(b) to report on the implementation of this directive in its next corporate plan.

The Corporation complied with this directive in the 2016-17 fiscal year and continues to comply with the directive.

The registered office of the Corporation is 55 Metcalfe, Suite 200, Ottawa, Ontario, K1P 6L5.

The consolidated financial statements were approved and authorized to issue by the Board of Directors on June 24, 2021.

2. Basis of Presentation and Significant Accounting Policies

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

BASIS OF PREPARATION

The financial statements are consolidated as a result of the ownership in the joint operations and have been prepared on the historical cost basis as explained in the accounting policies below, except as permitted by IFRS and otherwise indicated within these notes.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, 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,

2. Basis of Presentation and Significant Accounting Policies (continued)

- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Corporation undertakes its activities under joint operations, the Corporation as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and,
- its expenses, including its share of any expenses incurred jointly.

The Corporation accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses. The Corporation has assessed that two of its crossings meet the criteria of a joint operation, as explained in note 5. These crossings are at the Cornwall and Sault Ste. Marie international bridges.

ACCOUNTING FOR THE THOUSAND ISLANDS INTERNATIONAL BRIDGE

The Corporation records its proportionate share of the Thousand Islands International Bridge revenues and expenses, which consists of 50% gross revenues, 50% gross expenses other than CBSA/CFIA expenses, 100% of CBSA/CFIA expenses, and 50% depreciation of property and equipment. Similar to the revenue recognition policy below, gross revenues for the Thousand Islands International Bridge are recorded when the passenger vehicle users or commercial trucking companies cross the bridge.

The Corporation is responsible for the ownership and major maintenance of the bridges on the Canadian side of the border and as a result, the acquisitions of property and equipment and investment properties are recognized as assets by the Corporation. The Corporation has no interest in the assets or liabilities of TIBA.

GOVERNMENT FUNDING

Normally, the Corporation is financed using its own operating income with the Corporation receiving federal government funding for specific acquisitions of major property and equipment and investment properties from time to time. However, due to restrictions at the Canada-US border imposed because of COVID-19, the Corporation has obtained federal government funding for operations in the current year. Approved government funding drawdowns not received at year-end are recognized as receivables in the Consolidated Statement of Financial Position.

Government funding is recognized in the Consolidated Statement of Comprehensive Income on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the funding is intended to compensate.

2. Basis of Presentation and Significant Accounting Policies (continued)

Government funding for prepaid expenses, property and equipment and investment properties that are subject to depreciation are recorded as deferred government funding on the Consolidated Statement of Financial Position in the fiscal year in which the purchase is recorded. Income is then recognized in the Consolidated Statement of Comprehensive Income on the same basis, and over the same years, as the prepaid expenses are recognized or depreciation is recognized on the assets acquired using the government funding.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable.

The Corporation provides access to use the bridge to customers in exchange for a fixed fare. Revenues are recognized when control of the services have transferred and there is no unfulfilled obligation that could affect the customer receiving the services. For the Corporation, control is transferred, and therefore revenue is recognized, at the time the customer crosses the bridge. Where customers prepay tolls, these amounts are included in deferred revenue until the customer crosses the bridge. A receivable is recognized when customers cross the bridge, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Leases and permits revenue is recognized when services are rendered. Minimum lease payments, including lease incentives, relating to operating leases that the lessee is required to make, excluding contingent rent, are recognized on a straight-line basis over the life of the non-cancellable portion of the lease while contingent rent is recognized when earned. These revenues include payments received from tenants including Duty Free stores, commercial custom brokers, logistics companies, and travel and tourism office. All of the Corporation's leases in which the Corporation is the lessor are operating leases.

Deferred revenue represents tolls paid in advance by passenger vehicle users and commercial trucking companies, which represent contract liabilities per IFRS 15 – *Revenue from Contracts with Customers*, and also includes a prepaid minimal lease payment, which is accounted as leases under IFRS 16 – *Leases*, relating to an operating lease for a commercial tenant whose operations were expanded. Deferred revenues that will be recognized greater than one year after the reporting period are considered non-current deferred revenue.

Interest is recognized using the effective interest rate method and recorded in the year in which it is earned. The primary component of revenue in this category is interest related to investments.

FUNCTIONAL PRESENTATION OF EXPENSES

The Corporation's management reviews its expenses by function, therefore its consolidated financial statements are presented as such. Detail surrounding the nature of expenses is detailed in note 21. Functional departments are defined as such:

- Maintenance: expenses related to the maintenance, upkeep, and repair of the Corporation's assets;
- Operations: expenses related to the collection of toll revenue, security, and traffic management;
- Thousand Islands International Bridge: represents the Corporation's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands (see note 3 and note 6);
- CBSA & CFIA operations: The Corporation 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; and,
- Administration: the expenses related to the management and oversight of the operations of the Corporation.

2. Basis of Presentation and Significant Accounting Policies (continued)

FOREIGN CURRENCIES

Transactions in currencies other than the Corporation's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date and the resulting gains (or losses) are recorded in net income as part of revenue (or operating expenses). Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Corporation's proportionate share of the assets and liabilities denominated in foreign currency of SSMBA are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period, with the exception of non-monetary items, which are not retranslated from their exchange rates prevailing at their date of acquisition. Income and expense items are translated at the average exchange rates for each quarter, unless exchange rates fluctuate significantly during that quarter, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in net income.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments with maturities of three months or less from the date of acquisition, and are available upon demand.

PROPERTY AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

Items of property and equipment, investment properties, and intangible assets are measured at cost less accumulated depreciation and impairment.

Depreciation is recognized so as to write off the cost of assets (other than land and projects in progress) less their residual values over their useful lives. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Property and equipment, investment properties and intangible assets are depreciated over their estimated useful lives, using the straight-line depreciation method, as follows:

Type of Asset	Straight-line
Bridges and roads	5 – 75 years
Vehicles and equipment	5 – 33 years
Buildings	10 – 70 years
Right-of-use	Lease term
Property improvements	10 – 30 years
Investment properties	10 – 70 years
Intangible assets	5 years

An item of property and equipment, investment properties or intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment, investment properties or intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognized in net income.

Assets in the course of construction are carried at cost. Cost includes design, engineering and professional fees, material inputs and capitalized salaries. Such assets are classified to the appropriate categories of property and equipment, investment properties or intangible assets when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use. Appropriateness of depreciation methods and estimates of useful lives and residual values are assessed on an annual basis. In order to establish useful lives for these assets, management uses its judgment to determine the componentization of property

2. Basis of Presentation and Significant Accounting Policies (continued)

and equipment, investment properties and intangible assets. A component is accounted for separately if it is significant in comparison to the value of the entire asset and if its useful life differs from the other components.

Properties are classified as investment properties when the properties are held to earn rental income or future rental is probable. As lessor, when assets are leased out under an operating lease, the asset is included in the Consolidated Statement of Financial Position within property and equipment and investment properties based on their primary use.

IMPAIRMENT

At the end of each reporting period the Corporation reviews its property and equipment, investment properties, and intangible assets to determine whether there are any indications of impairment. An impairment loss is recognized when an asset's carrying amount exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash inflows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When impairment indicators exist, the useful lives of the assets within the CGU are reviewed in order to determine if these should be re-assessed. For assets that have a remaining value after the impairment is recognized, the useful lives of the assets within the CGU are reviewed in order to determine if the useful lives should be shortened. Any changes in estimated useful lives are recorded on a prospective basis.

It has been determined that investment properties represent CGU's that could have an impairment analysis, whereas bridge operations (as a separate CGU) could not have an impairment calculation completed.

CONTINGENCIES AND PROVISIONS

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability is disclosed when a possible obligation has arisen from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation; or when a present obligation has arisen from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

LEASES – AS A LESSEE

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the inception or on reassessment of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone prices.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Corporation changes its assessment of whether it will exercise an extension or termination options. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in net income if the carrying amount of the right-of-use asset has been reduced to zero.

2. Basis of Presentation and Significant Accounting Policies (continued)

EMPLOYEE BENEFITS

Retirement and Other Post-Employment Benefits

SIBC employees are covered by the Public Service Pension Plan (the Plan), a defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service costs. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation relating to SIBC employees.

Employees of SSMBA participate in the State of Michigan's defined benefits and defined contribution pension plans. Contributions are required by both the employees and the Corporation to cover current service costs. Contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation relating to the employees of the SSMBA.

The Corporation's remaining employees participate in a defined contribution private pension plan and the cost of this plan is shared equally by the employees and the Corporation, allowing for additional voluntary contributions by employees. Employer payments to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to the contributions.

The Corporation also provides eligible employees with defined post-employment benefits including health, dental, life insurance and an employee assistance program. For these defined post-employment benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The discount rate used to determine the accrued benefit obligation is based on market rates for non-current high quality bonds. Actuarial gains and losses are reflected immediately in the Consolidated Statement of Financial Position with a charge or credit recognized in other comprehensive income in the year in which they occur. Actuarial gains and losses recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to net income. Past service cost is recognized in net income in the year of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the year to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and,
- actuarial gains and losses.

The Corporation presents the first two components of defined benefit costs within the function in which it is incurred.

The employee benefits recognized in the Consolidated Statement of Financial Position represent the actual deficit in the Corporation's defined benefit plan.

Short-Term and Other Long-Term Employee Benefits

A liability is recognized for short-term benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the year the related service is rendered.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service and are presented within current liabilities.

2. Basis of Presentation and Significant Accounting Policies (continued)

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Corporation in respect of services provided by employees up to the reporting and measurement date of March 31. The Corporation provides service awards to eligible employees with a long history of commitment, dedication and exceptional service and have been with the organization for a predetermined period of time. These service awards are a fixed dollar value provided to the employee every five years. The obligation and the cost of these benefits are determined on an actuarial basis using the projected unit credit method prorated on service and management's best estimate assumptions. The discount rate used to determine the accrued benefit obligation is based on market rates for non-current high quality bonds.

Current service cost, interest cost and past service costs are presented in expense as per the function to which it relates. Actuarial gains and losses are recognized in full in the year in which they occur and are also recorded in expenses as per the function to which they relate. Past service costs associated with post-employment benefits are recognized as an expense at the earlier of when the plan amendment or curtailment occurs, or when the entity recognizes related restructuring costs or termination benefits. These benefits are not pre-funded, resulting in a deficit equal to the accrued liability benefit obligation.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments. At the initial recognition, the Corporation measures a financial instrument at its fair value plus transaction costs that are directly attributable to the acquisition of the financial instruments. Subsequently, the Corporation classifies its financial instruments in the following measurement categories:

- Financial assets to be measured subsequently at fair value through other comprehensive income;
- Financial assets to be measured at amortized cost; and
- Financial liabilities to be measured at amortized cost.

The classification depends on the Corporation's business for managing the financial assets and the contractual terms of the cash flows.

(i) Classification of Financial Instruments

The Corporation's financial assets and financial liabilities are classified and measured as follows:

ASSET/LIABILITY	CLASSIFICATION	SUBSEQUENT MEASUREMENT
Investments	Fair value through other comprehensive income	Fair value through other comprehensive income
	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Holdbacks	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Bonds payable	Amortized cost	Amortized cost

2. Basis of Presentation and Significant Accounting Policies (continued)

(ii) Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and expense over the relevant year to net income. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the instrument.

(iii) Financial Assets

Financial assets at fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses and interest income. Interest income from these financial assets is included in net income using the effective interest rate method.

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in net income using the effective interest rate method.

Impairment of Financial Assets

The Corporation assesses on a forward-looking basis the expected credit losses associated with each class of financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Corporation applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Derecognition of Financial Assets

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in net income. When a financial asset at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from accumulated other comprehensive income to net income and recognized as a gain or loss.

(iv) Financial Liabilities

All financial liabilities are measured at amortized cost.

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in net income.

3. Key Sources of Estimation Uncertainty and Critical Judgments

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on industry knowledge, consultation with experts and other factors that are considered to be relevant. Actual results may differ from these estimates.

3. Key Sources of Estimation Uncertainty and Critical Judgments (continued)

USE OF ESTIMATES AND JUDGMENTS

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments included in the consolidated financial statements are decisions made by management, based on an analysis of relevant information available at the time the decision is made. Judgments relate to application of accounting policies, and decisions related to the measurement, recognition and disclosure of financial amounts.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included below and in the statement notes relating to items subject to significant estimate uncertainty. Determinations of critical judgements are reassessed at each reporting date.

PROPERTY AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

Property and equipment, investment properties and intangible assets are depreciated over their useful lives. Useful lives are based on management's estimates of the years of service provided by the assets as outlined in note 2. The appropriateness of useful lives of these assets is assessed annually. Changes to the estimated useful lives would affect future depreciation expenses and the future carrying value of the assets.

In order to establish useful lives for these assets, management uses its judgment to determine the componentization of property and equipment, investment properties and intangible assets. A component is accounted for separately if it is significant in comparison to the value of the entire asset and if its useful life differs from the other components.

LONG-LIVED ASSETS VALUATION

The Corporation performs impairment testing on its long-lived assets, when circumstances indicate that there may be impairment. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in determining the grouping of assets to identify their CGU for the purpose of impairment testing.

The Corporation assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: i) value in use, or ii) fair value less cost to sell. The determination of the recoverable amount involves management judgment and estimation.

The recoverable amount involves significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates and assumptions could affect the Corporation's future results, if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization recognized in future years.

EMPLOYEE BENEFIT PLANS

The cost of other post-employment benefits and other long-term employee benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and management's best estimate of retirement ages of employees, and mortality rates, as well as expected health care costs for other post-employment benefits only. Discount rates used in actuarial calculations are based on long-term interest rates and can have a material effect on the employee benefit liabilities. Management employs external experts to advise the Corporation when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses.

3. Key Sources of Estimation Uncertainty and Critical Judgments (continued)

LEASES – AS A LESSEE

In determining whether a contract meets the definition of a lease, management makes significant judgements regarding whether an identified asset is present, the Corporation has the right to obtain substantially all of the economic benefits, and the Corporation has the right to direct the use of the asset. In addition, management uses judgment to allocate the value of the lease between lease and non-lease components by allocating the total value of the lease to each component based on their stand-alone costs. Management also uses judgement in determining the minimum lease payments, which takes into consideration whether renewal options will be reasonably exercised or not at the inception of the lease.

LEASES – AS A LESSOR

The Corporation is party to many leasing arrangements, which requires Management to determine whether the lease is a finance or operating lease, by assessing if substantially all of the risks and rewards of ownership have passed to the lessee. A lease is classified as a finance lease whenever the terms of the lease transfer substantially all of the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. The most significant judgment, in determining whether the lease transfers substantially all of the risks and rewards of ownership, is whether renewal options are reasonably assured to be exercised at the inception of the lease. At the inception of the lease, the Corporation considers both the minimum lease payment as well as the contingent rent in order to determine whether the renewal options are reasonably assured to be exercised. In Management's judgment, all of the Corporation's leases are considered to be operating leases.

JOINT ARRANGEMENTS

Management applies judgment in assessing the Corporation's status when it is party to joint arrangements. In assessing if the Corporation has joint control of an arrangement, the parties involved must determine if the activities that significantly affect the returns of the arrangement are collectively considered. Once joint control is determined, the Corporation applies judgment in determining whether the arrangement is a joint operation or a joint venture. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. In Management's judgment, the Corporation has two arrangements that are determined to be joint operations, at the Cornwall (SIBC) and Sault Ste. Marie (SSMBA) crossings. Despite the SIBC operation being a 100% wholly-owned subsidiary, due to the international agreement governing its operations, it is considered a joint operation by management. This joint operation in Sault Ste. Marie is considered a foreign operation, however due to the high interdependency between SSMBA and the Corporation, the functional currency judged by management is the Canadian dollar. Management accounts for the difference in equity distribution owed to (or due from) the U.S. partners of these agreements as an adjustment to cash and cash equivalents.

Additional information on the Corporation's joint arrangements can be found in note 5.

THOUSAND ISLANDS INTERNATIONAL BRIDGE

There is a third arrangement with an international partner that was judged not to be a joint arrangement by management as the Corporation does not jointly control TIBA. Significantly, this is derived from the fact that four of the seven members of the Board of Directors are appointed by the U.S. partner in the arrangement.

It was determined that although the Corporation can appoint three of the seven members, TIBA is not considered an associate as the Corporation does not have significant influence of TIBA. This arrangement was judged to be this way due to the structure of the agreement with the partner which gives the Corporation the rights to a proportionate share of the bridge related revenues and expenses. However, the agreement does not give the Corporation rights or responsibilities to the assets and liabilities recorded on the financial statements of the operator of the crossing as they relate to the crossing.

3. Key Sources of Estimation Uncertainty and Critical Judgments (continued)

Additional information on the Corporation's arrangement with TIBA can be found in note 6.

TIBA provides goods or services to customers directly. The Corporation needed to determine if it was considered the principal or the agent for the purposes of determining the revenue presentation. In determining who is the principal, it had to be determined who controls the goods before they are transferred to the customer. Since the Corporation has an obligation to maintain the bridge, it was deemed that the Corporation controls the goods before being transferred to the customer. Due to these considerations, the Corporation determined that it acts as a principal and therefore a gross presentation is required.

CONTINGENCIES AND PROVISIONS

In determining a reliable estimate of the obligation, management makes assumptions about the amount, likelihood, and timing of outflows, as well as the appropriate discount rate. Factors affecting these assumptions include the nature of the provision, the existence of a claim amount, opinions or views of legal counsel and other advisers, experience in similar circumstances, and any decision of management as to how the Corporation intends to handle the obligation. The actual amount and timing of outflows may deviate from assumptions, and the difference might materially affect future consolidated financial statements, with a potentially adverse impact on the consolidated results of operations, financial position and liquidity.

4. Future Changes in Accounting Policies

The following accounting standard and amendment is issued but not yet effective. Management is still assessing the potential impacts of this standard and amendment on its consolidated financial statements, and as such its impacts are not yet known at this time. However, management is expecting to implement this standard and amendment at its effective date.

IAS 1 – CRITERION FOR CLASSIFYING A LIABILITY AS NON-CURRENT

IAS 1, *Presentation of Financial Statements*, has been revised to incorporate amendments to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The effective date for this amendment is for annual periods beginning on or after January 1, 2022, with earlier adoption allowed.

5. Joint Operations

The Corporation has entered into a joint operation with GLS for operation of toll bridges across the St. Lawrence River between Cornwall, Ontario, Canada and Rooseveltown, New York, U.S. through a wholly-owned subsidiary of the Corporation, SIBC. Although the Corporation owns 100% of the shares of SIBC there is a governing agreement that grants the Board of Directors of SIBC with the full power to manage the affairs of SIBC. Since the Corporation and GLS each appoint 50% of the Directors, the Corporation concluded it has joint control of SIBC with GLS. Although the joint arrangement is structured as a separate vehicle, the Corporation considered the purpose and design of the arrangement and concluded that each of the parties have rights to the assets and obligations for the liabilities of the joint arrangement and SIBC has been classified as a joint operation. The consolidated financial statements of the Corporation include its share of the assets, liabilities, revenues and expenses of SIBC. As per the Joint Venture agreement, SIBC's annual surplus is to be distributed equally between FBCL and GLS and consequently the Corporation's Consolidated Statement of Comprehensive Income typically includes 50% of SIBC revenues and expenses.

Notes to the Consolidated Financial Statements (in thousands of dollars)

5. Joint Operations (continued)

In the current year, the Corporation has claimed parliamentary appropriations from the Government of Canada to fully fund SIBC revenue shortfalls (see Note 18). This funding was provided to fund the entirety of the SIBC crossing, both the Corporation's share of net expenses, and the partner's (GLS) share. Included in the Consolidated Statement of Comprehensive Income is the 50% FBCL share of the joint arrangement as well as $1,169 in expenses to cover the SIBC remaining deficit in accordance with the COVID-19 emergency funding arrangement.

The Corporation's share of SIBC's cash and cash equivalents is adjusted to account for the difference in the equity distribution between the Corporation and the U.S partner, GLS, in the amount of $2,483 (2020 - $2,952). The amounts owed to the U.S. partner of SIBC bear interest at a rate which varies between 0% and 0.57% (2020 – 0.81% and 1.58%) and is payable on demand.

The Corporation has entered into an arrangement with MDOT for the operation of the Sault Ste. Marie International Bridge through a separate legal entity, SSMBA, and for operational delivery by IBA, an entity of MDOT. The Corporation has the right to appoint 50% of the directors of the Board of SSMBA which directs the relevant activities of the bridge and its operations, and the Corporation has concluded it has joint control with IBA. Although the joint arrangement is structured as a separate vehicle, the Corporation considered the purpose and design of the arrangement and concluded that each of the parties have rights to the assets and obligations for the liabilities of the joint arrangement and SSMBA has been classified as a joint operation. The consolidated financial statements of the Corporation include its share of the assets, liabilities, revenues and expenses of the SSMBA. The Corporation's share of SSMBA cash and cash equivalents is adjusted to account for the difference in equity distribution between the Corporation and the U.S partner, MDOT. The undistributed equity bears no interest, and is payable on demand with funds restricted per the international agreement to be used only as they relate to the international crossing in Sault Ste. Marie.

6. Thousand Islands Bridge Authority

The Thousand Islands International Bridge is managed by TIBA in accordance with a bi-national agreement with the Corporation. Due to the nature of the structure of this agreement, the Corporation is entitled to 50% of the gross revenues that are generated at the crossing, and is also responsible for 50% of the operating expenses for the crossing. The net of revenues less expenses are transferred to or from TIBA for the six-month periods ending February 28 and August 31.

As at March 31, 2021, $2,169 of revenues (2020 – $3,449) are yet to be collected by the Corporation from TIBA and $2,607 (2020 – $3,075) is owed by the Corporation to TIBA to cover operating costs. The net of the revenues less expenses, property and equipment acquisitions of $2 (2020 - $0), prepaid expenses of $219 (2020 - $0), and cash payments made of $588 (2020 - $0), for the six months ending February 28 is $41 and is included in trade and other receivables (2020 - $362 is included in trade and other receivables) and an amount for the month of March of $111 (2020 - $12) is included in trade and other payables.

7. Cash and cash equivalents

As at March 31	2021	2020
	$	$
Cash	**3,668**	4,694
Cash equivalents	**1,352**	2,688
Total cash and cash equivalents	**5,020**	7,382

Notes to the Consolidated Financial Statements (in thousands of dollars)

8. Investments

As at March 31	2021	2020
	$	$
Investments carried at amortized cost		
Deposit certificates	**-**	3,505
Total investments carried at amortized cost	-	3,505
Investments carried at fair value through other comprehensive income		
Government of Canada bonds	**43**	420
Provincial bonds	**96**	6,470
Corporate bonds	**109**	9,452
Total investments carried at fair value through other comprehensive income	**248**	16,342
Total investments	**248**	19,847
Less: Current portion	**248**	17,847
Non-current portion	**-**	2,000

The average term to maturity for the Corporation's bonds is 10.7 years (2020 – 5.4 years), and they earn an average effective interest rate of 3.55% (2020 – 2.54%). There are no deposit certificates for 2021 (the average term to maturity for the Corporation's deposit certificates was 463 days in 2020, and earned interest at an average annual rate of 2.13% in 2020).

9. Trade and Other Receivables

As at March 31	2021	2020
	$	$
Federal departments and agencies	**1,069**	19
Trade receivables	**426**	917
Total trade and other receivables	**1,495**	936

Notes to the Consolidated Financial Statements (in thousands of dollars)

10. Property and Equipment

Cost	Land	Bridges and roads	Vehicles and equipment	Buildings	Right-of-use Assets	Property Improvements	Projects in progress	Total
	$	$	$	$	$	$	$	$
Balance, April 1, 2019	14,791	266,834	30,789	143,632	1,579	27,362	9,219	494,206
Additions	19	97	594	38	43	19	3,560	4,370
Disposals	-	-	(169)	-	-	(746)	-	(915)
Transfers	-	2,740	2,284	428	-	4,588	(10,040)	-
Balance, March 31, 2020	14,810	269,671	33,498	144,098	1,622	31,223	2,739	497,661
Additions	27	69	1,114	54	4	278	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**	**1,626**	**35,967**	**6,118**	**504,487**

Accumulated depreciation	Land	Bridges and roads	Vehicles and equipment	Buildings	Right-of-use Assets	Property Improvements	Projects in progress	Total
	$	$	$	$	$	$	$	$
Balance, April 1, 2019	-	62,750	14,877	23,807	-	15,262	-	116,696
Elimination on disposal of assets	-	-	(169)	-	-	(746)	-	(915)
Depreciation	-	9,829	1,909	4,059	210	1,165	-	17,172
Balance, March 31, 2020	-	72,579	16,617	27,866	210	15,681	-	132,953
Eliminated on disposal of assets	-	(546)	(2,657)	(93)	-	(2,775)	-	(6,071)
Depreciation	-	9,866	1,992	4,103	210	1,218	-	17,389
Balance, March 31, 2021	**-**	**81,899**	**15,952**	**31,876**	**420**	**14,124**	**-**	**144,271**
Net book value, March 31, 2021	**14,837**	**187,285**	**16,388**	**112,539**	**1,206**	**21,843**	**6,118**	**360,216**
Net book value, March 31, 2020	14,810	197,092	16,881	116,232	1,412	15,542	2,739	364,708

At year-end, the Corporation reviews the estimated useful lives of its capital assets and updates the useful lives as at April 1 of the following fiscal year. As at March 31, 2020, the Corporation revised the estimated useful lives of the paving of the Blue Water Bridge spans and HVAC systems. These changes in useful lives are considered changes in accounting estimates and have been applied on a prospective basis starting on April 1, 2020. These changes in useful lives result in an increase in annual depreciation expense as high as $226 ($187 to Bridges and Roads and $39 to Buildings) and a decrease in annual depreciation expense as low as $152 (Bridges and Roads) and impact the fiscal years ending March 31, 2021 to March 31, 2042 with the fiscal 2023 having the highest increase in depreciation expense. (As at March 31, 2019, the Corporation did not revise any useful lives and consequently no useful lives were updated on April 1, 2019).

Notes to the Consolidated Financial Statements (in thousands of dollars)

11. Investment Properties

	Investment Properties
	$
Cost	
Balance, April 1, 2019	25,358
Additions	72
Disposals	-
Balance, March 31, 2020	25,430
Additions	42
Disposals	(101)
Balance, March 31, 2021	**25,371**
Accumulated depreciation	
Balance, April 1, 2019	5,959
Disposals	-
Depreciation expense	694
Balance, March 31, 2020	6,653
Disposals	(101)
Depreciation expense	736
Balance, March 31, 2021	**7,288**
Net book value, March 31, 2021	**18,083**
Net book value, March 31, 2020	18,777

Investment properties comprise commercial properties that are leased to third parties.

Rental income for the year ended March 31, 2021 amounts to $1,217 (2020 – $4,554) and is included within 'leases and permits'. Contingent rent of $337 (2020 - $2,875) is included in rental income. There were no significant investment properties that were vacant at March 31, 2021 (2020 – no significant investment properties that were vacant).

Fair value of the investment properties have been determined based on a valuation performed by an independent valuator who is a current member of the Appraisal Institute of Canada with the exception of the fair value of land, which was evaluated internally. The fair value is $26,805 and was determined as at March 31, 2021 (2020 - $24,451 based on March 31, 2017 and 2018 valuations extrapolated to March 31, 2020, using the Consumer Price Index and adjusted for obsolescence). The fair value of the properties have not been determined on transactions observable in the market because of the nature of the properties and the lack of comparable data. The fair value was determined by estimating the replacement cost of the building while deducting the obsolescence and considering inputs such as the type of building, age, condition and region that the building is in as well as the mechanical systems attached.

Notes to the Consolidated Financial Statements (in thousands of dollars)

12. Intangible Assets

	Intangible Assets
	$
Cost	
Balance, April 1, 2019	396
Additions	13
Disposals	(73)
Balance, March 31, 2020	336
Additions	11
Disposals	(243)
Balance, March 31, 2021	**104**
Accumulated depreciation	
Balance, April 1, 2019	319
Depreciation expense	21
Disposals	(73)
Balance, March 31, 2020	267
Depreciation expense	19
Disposals	(243)
Balance, March 31, 2021	**43**
Net book value, March 31, 2021	**61**
Net book value, March 31, 2020	69

The Corporation's intangible assets consist primarily of software and does not hold any internally generated intangible assets.

13. Holdbacks

The Corporation temporarily retains an amount on the total due to contractors to ensure that the latter fulfills its obligations pertaining to warranty, rectification and correction of defects in work. The contracts call for the Corporation to pay holdbacks upon substantial completion of the individual contracts. Holdbacks relate primarily to various projects at all bridge locations (2020 – relate primarily to various projects at the Point Edward location).

Notes to the Consolidated Financial Statements (in thousands of dollars)

14. Deferred Revenue

As at March 31	2021	2020
	$	$
Contracts with customers		
Debit cards	**64**	65
Passenger vehicles tokens/tickets	**422**	421
Prepaid commercial/commuter vehicles	**1,787**	1,800
Total contracts with customers	**2,273**	2,286
Leases		
Current prepaid facility rentals	**189**	190
Non-current prepaid facility rentals	**1,214**	1,366
Total leases	**1,403**	1,556
Total deferred revenue	**3,676**	3,842
Less: Current portion	**2,462**	2,476
Non-current portion	**1,214**	1,366

Contracts with customers include debit cards, passenger vehicle tokens/tickets and prepaid commercial/passenger vehicles. The majority of the deferred revenues from contracts with customers are recognized as revenues in the following fiscal year. The following are the tolls received during the year that have not been recognized in revenue and tolls received in the previous years that are recognized in revenues in the current fiscal year.

As at March 31	2021	2020
	$	$
Balance, start of year	**2,286**	2,281
Tolls received during year that have not been recognized in revenue	**1,277**	1,442
Tolls received in previous years that are recognized in revenue	**(1,290)**	(1,437)
Balance, end of year	**2,273**	2,286

Notes to the Consolidated Financial Statements (in thousands of dollars)

15. Loans Payable

As at March 31	2021 Carrying cost	2020 Carrying cost
	$	$
$15,000 term facility payable monthly		
$4,000 @ 4.42% locked until July 27, 2021	**2,542**	3,075
Total loans payable	**2,542**	3,075
Less: Current portion	**2,542**	132
Non-current portion	**-**	2,943

Principal and interest payments for the term facility and credit facility for the remaining years are as follows:

As at March 31	Principal	Interest	2021 Total
	$	$	$
2022	2,542	37	2,579

The Corporation maintains one (2020 – one) credit facility with a Canadian chartered bank in the total amount of $15,000 (2020 - $15,000). The facility has been approved by the Minister of Finance as part of the Corporation's borrowing plan. The credit facility is a reducing term facility, which originally was drawn for $15,000 on a fixed rate, non-current basis with periodic payments of interest and principal not to exceed a maturity of 25 years. This facility carries the same security as the full bond issuance (note 16). At March 31, 2021, $2,542 remained drawn on this facility in one tranche (2020 - $ 3,075).

16. Bonds Payable

As at March 31	2021 Carrying cost	2020 Carrying cost
	$	$
Series 2002-1 bonds maturing	**46,320**	51,860
July 9, 2027 payable semi-annually on January 9 and July 9		
Total bonds payable	**46,320**	**51,860**
Less: current portion	**5,914**	5,540
Non-current portion	**40,406**	46,320

Notes to the Consolidated Financial Statements (in thousands of dollars)

16. Bonds payable (continued)

Principal and interest payments for the bonds for the next five years and thereafter are as follows:

	Principal	Interest	2021 Total
	$	$	$
2022	5,914	2,972	8,886
2023	6,312	2,574	8,886
2024	6,737	2,149	8,886
2025	7,191	1,695	8,886
2026	7,675	1,211	8,886
Thereafter	12,491	837	13,328
	46,320	11,438	57,758

The Corporation has issued at a face value of $110,000, 6.41% Revenue Bonds payable semi-annually, Series 2002-1, due July 9, 2027.

The Bonds constitute direct, unsecured, and unconditional obligations of the Corporation, and of Her Majesty in right of Canada who is its principal. Payment of principal of and interest on the Bonds by Her Majesty in right of Canada in an event of default are subject to government funding.

Below is the requirement for any Bonds outstanding or any obligations under the indenture:

i) The principal and interest will be duly paid on the due dates.

ii) Insurance will be maintained in such types and amounts in accordance with sound business practices and standards in the industry.

iii) The Corporation shall maintain its corporate existence pursuant to the CBCA and maintain its existence as an agent Crown corporation or an agent parent Crown corporation under the Financial Administration Act (Canada). In addition, The Corporation shall at all times comply in all material respects with the requirements of the CBCA, the *Financial Administration Act* (Canada), the *Economic Action Plan 2013 Act, No. 2* and all other applicable laws and governmental orders or regulations.

iv) The Bonds shall constitute direct, unsecured, and unconditional obligations of the Corporation, and as such constitute direct, unsecured, and unconditional obligations of Her Majesty in right of Canada.

Transaction costs including bond restructuring costs of $1,660 have been added to the $110,000 principal bond amount, resulting from the bond restructuring due to the amalgamation of legacy BWBA and the legacy FBCL.

Notes to the Consolidated Financial Statements (in thousands of dollars)

17. Lease Liability

The Corporation leases its head office at 55 Metcalfe, in Ottawa, ON. The rental contract is for a fixed term ending December 31, 2026, with no renewal options and no variable lease payments. The contract contains both a lease and non-lease component based on their relative stand-alone prices. However, only the lease component is included in the lease liability (also see Note 26). During the year, the Corporation incurred $ 340 (2020 - $284) for leased properties which is comprised of $38 (2020 - $43) of interest expense, $101 (2020 - $84) of operating costs (included in maintenance) and $201 (2020 - $157) as a reduction in the lease liability.

Principal and interest payments for the lease liability for the next five years and thereafter are as follows:

As at March 31	Principal	Interest	Total
	$	$	$
2022	189	33	222
2023	221	27	248
2024	227	21	248
2025	233	15	248
2026	239	8	247
Thereafter	199	2	201
	1,308	**106**	**1,414**

The current portion of the lease is $189 and the non-current portion is $1,119.

18. Government Funding

As part of the Government of Canada's *Public Health Events of National Concern Payments Act* (PHENCPA) enacted on July 8, 2020, the Corporation was authorized to receive up to $2,556 by the legislation's repeal date of December 31, 2020, to cover the revenue shortfalls experienced by SIBC due to COVID-19 and ensure the continued safe operation of the bridge. The unclaimed amounts under this statutory legislation were re-profiled as part of the government's budgetary process and authorized for drawdown by March 31, 2021, through *Appropriation Act No. 5, 2020–21* and *Appropriation Act No. 6, 2020–21*. The Corporation claimed $2,381 of this funding of which $2,338 was transferred to SIBC to cover its 2020-21 revenue shortfall with the remaining $43, that was used to purchase capital assets, to be transferred to SIBC in future years to cover the revenue shortfalls caused by the amortization of the related tangible capital assets purchased. There is no requirement for either partner to reimburse the government funding received in the current year in a future year should SIBC incur positive annual surplus.

The Corporation was also authorized to receive up to $6,876 in funding for critical operating requirements (COVID-19) available for drawdown by March 31, 2021, through *Appropriation Act No. 6, 2020–21*, of which it claimed $3,348. In addition, as part of the government's Supplementary Estimates (B) and (C) for 2020-21, the Corporation was eligible to receive up to $340 from the Department of Transport to undertake a climate risk assessment through the Transportation Assets Risk Assessment Program, of which it claimed $305.

Notes to the Consolidated Financial Statements (in thousands of dollars)

18. Government Funding (continued)

As at March 31	2021	2020
	$	$
Government funding available	**9,772**	-
Government funding used for operating expenses - SIBC	**2,339**	-
Government funding used for purchase of capital assets - SIBC	**43**	-
Government funding used for operating expenses - FBCL	**3,653**	-
Total Government funding claimed	**6,035**	-
Unclaimed Government funding	**3,737**	-

Of the $6,035 claimed in government funding during the year, $3,897 has been recognized as revenue in the current year, $2,095 has been recorded as deferred government funding related to operating expenses to be incurred in future years for which the corresponding expenditures are included within prepaids on the Consolidated Statement of Financial Position, and $43 has been recorded as deferred capital funding.

As at March 31	2021	2020
	$	$
Deferred government funding related to operating expenses		
Balance, beginning of year	**-**	-
Parliamentary appropriations used to fund operating expenses	**5,992**	-
Parliamentary appropriations for operating expenses recognized in net income	**(3,897)**	-
Balance, end of year	**2,095**	-
Deferred capital funding		
Balance, start of year	**104,235**	107,770
Government funding for capital expenditures received	**43**	-
Amortization of deferred capital funding	**(3,503)**	(3,535)
Balance, end of year	**100,775**	**104,235**
Deferred government funding	**102,870**	104,235
Less: Current portion	**5,845**	3,504
Non-current portion	**97,025**	100,731

19. Employee Benefits

PENSION BENEFITS

The Corporation has contracted an outside firm to operate and administer an employee pension plan. Employees of the Corporation must join the pension plan, subject to eligibility requirements. The pension plan, which is a defined-contribution pension plan, is funded on a money-purchase basis with members contributing up to 11.5% of their annual earnings. In accordance with the plan, the Corporation is required to fund matching contributions up to 9.0% (2020 - up to 9.0%). During the year, the Corporation's pension contributions amounted to $381 (2020 – $381).

Additionally, employees of SIBC are enrolled in the Public Service Pension Plan (the Plan). Under the Plan, the President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year-end was a multiple of 1.00 for all employees (2020 - 1.00). The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. The Corporation's portion of pension contributions amounted to $103 (2020 – $50) during the year.

The employees of SSMBA participate in the State of Michigan's defined benefit and defined contribution plans. SSMBA is required to make contributions to the defined benefit plan based on an actuarially determined rate. For the defined contribution plan, SSMBA is required to contribute 4.0% of payroll plus up to an additional match of 3.0%. The contribution requirements of the plan members and SSMBA are established and may be amended by state legislation. During the year, the Corporation's portion of pension contributions amounted to $275 (2020–$294).

Contributions, for the fiscal year ending March 31, 2022, to the Public Service Pension Plan and the State of Michigan's defined benefit and defined contribution plans are anticipated to be consistent with the contributions made during the year.

OTHER BENEFITS

Other than the pension plan, the Corporation provides post-employment benefits to its eligible employees through health, dental, life insurance and an employee assistance program as well as other long-term benefits, which consist of service awards. Benefit costs related to current service are charged to income as services are rendered. The risks associated with these benefits include changes in discount rates, mortality rates, per capita claim costs and general inflation that can cause volatility in the Corporation's financial results. The actuarial valuation was performed as at March 31, 2021.

Notes to the Consolidated Financial Statements (in thousands of dollars)

19. Employee Benefits (continued)

The following table sets forth the status of the post-employment non-pension related benefit plan:

Defined benefit obligation	**Post-employment**	**Other long-term**
	$	$
Balance, April 1, 2019	7,177	70
Current service cost	432	6
Interest cost	256	2
Actuarial (gain)/loss - other	29	(4)
Actuarial (gain)/loss - financial assumptions	(580)	(2)
Benefits paid	(163)	(3)
Balance, March 31, 2020	7,151	69
Current service cost	404	6
Interest cost	284	3
Actuarial (gain)/loss - other	(207)	(11)
Actuarial (gain)/loss - financial assumptions	909	2
Benefits paid	(227)	(3)
Balance, March 31, 2021	**8,314**	**66**

Total post-employment non-pension related benefit plan is $8,380 (2020 - $7,220).

Changes in other comprehensive income during the year:

As at March 31	**2021**	2020
	$	$
Actuarial gains (losses) arising during the year	**(702)**	551

Post-employment expense recognized in net loss during the year is as follows:

As at March 31		**2021**		2020
	Post-employment	**Other long-term**	Post-employment	Other long-term
	$	**$**	$	$
Current service costs	**404**	**6**	432	6
Interest cost	**284**	**3**	256	2
Actuarial loss/(gain)	**-**	**(9)**	-	(5)
Net post-employment expense recognized in year	**688**	**-**	**688**	3

Notes to the Consolidated Financial Statements (in thousands of dollars)

19. Employee Benefits (continued)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations and net benefit plan expense are as follows:

As at March 31	2021	2020
Discount Rate, accrued benefit obligation	3.40%	3.80%
Discount Rate, benefit cost	3.80%	3.40%
Weighted average assumptions		
Initial weighted average health care trend	5.67%	6.31%
Ultimate weighted average health care trend	3.98%	4.47%
Year ultimate health care trend rate is reached	2036	2028
Mortality rates	CPM Public table generational improvements using MI - 2017 (2020 - CPM Public table generational improvement using MI - 2017)	

The assumed drug trend rate as of March 31, 2021 is 7.0% (2020 – 8.0%) per annum decreasing linearly to 4.0% (2020 – 4.5%) per annum in 2036 (2020 - 2028) fiscal year.

The assumed other health care trend rate as of March 31, 2021 is 4.0% per annum (2020 – 8.0% per annum in 2018 decreasing linearly to 4.5% per annum in 2028).

The assumed vision and dental trend rates as of March 31, 2021 are 0.0% and 4.0%, respectively (2020 – 0.0% and 4.5%).

The average expected maturity of the plan obligation is 19 years (2020 – 19 years).

SENSITIVITY ANALYSIS

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumptions as those that could result in a significant impact on the defined benefit obligation:

As at March 31	2021	2020
	$	$
Discount rate - increase of 1 %	**(1,430)**	(1,056)
Discount rate - decrease of 1 %	**1,900**	1,397
Future mortality - increase of 1 year age	**(325)**	(245)
Future mortality - decrease of 1 year age	**329**	249
Trend rates - increase of 1 %	**1,711**	1,206
Trend rates - decrease of 1 %	**(1,319)**	(941)

The sensitivity analysis above may not be representative of the actual change in the defined benefit obligation as it is unlikely that a change in assumptions would occur in isolation of one another, as some of the assumptions may be correlated.

20. Issued Capital

The Corporation's articles of incorporation authorize an unlimited number of shares without par value. The Corporation has two issued and fully paid shares.

Notes to the Consolidated Financial Statements (in thousands of dollars)

21. Supplementary Expense Information

The following table shows the breakdown of expenses by nature for each function on the Consolidated Statement of Comprehensive Income.

Year ended March 31	2021	2020
	$	$
Depreciation of property and equipment	**17,389**	17,172
Salaries and employee benefits	**14,843**	15,872
Goods and services	**5,270**	5,484
Repairs and maintenance	**4,144**	4,126
Professional services	**1,936**	1,593
Additional funding of SIBC operations	**1,169**	-
Depreciation of investment property	**736**	694
Depreciation of intangible assets	**19**	21
Decommissioning	**-**	(228)
Total Expenses	**45,506**	**44,734**

22. Related Party Transactions

Balances and transactions between the Corporation and its share of its joint operations have been eliminated on consolidation and are not disclosed in this note. Related party transactions relating to employee benefits are disclosed in note 19, and government bonds and deposits certificates investments are disclosed in note 8.

Details of transactions between the Corporation and other related parties are disclosed below.

TRANSACTIONS WITH GOVERNMENT RELATED ENTITIES

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown Corporations. The Corporation enters into transactions with these entities in the normal course of business. These operations are measured at fair value.

During the year, the parent Corporation recorded $6,035 of new government funding (2020 – nil). At March 31, 2021, the parent Corporation recorded $1,044 (2020 – nil) in accounts receivable with related parties.

The parent Corporation also receives services, such as financial statement audits, at no charge, which have not been reflected in these consolidated financial statements.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the Board of Directors and members of the senior executive team who have the authorities and responsibilities for planning, controlling and directing the activities of the Corporation.

Compensation of key management personnel was as follows:

Year ended March 31	2021	2020
	$	$
Short-term employee benefits	**1,152**	968
Retirement and other post-employment benefits	**156**	94
Total	**1,308**	**1,062**

Notes to the Consolidated Financial Statements (in thousands of dollars)

23. Facility Rentals

The Corporation has entered into contracts with companies who rent space in its buildings at various crossings. Contingent rent, based on sales at the Duty Free Shops, are the largest components of the rent received by the Corporation from these lessees. One of these Duty Free stores has a fixed component of its rent. Contingent revenue recognized during the current year for these leases was $337 (2020 – $2,875). The lessee of the Duty Free Shop at the Point Edward crossing has also paid for the expansion of the building. This payment was recorded as deferred revenue and is recognized as revenue on a straight-line basis, amortized over the non-cancellable lease term.

The future minimum rental receivable under non-cancellable operating leases are as follows:

As at March 31	2021	2020
	$	$
Within one year	**1,072**	1,138
After one year but not more than five	**1,030**	2,000
More than five years	**-**	-
Total	2,102	3,138

24. Contingent Liabilities

In the normal course of its activities, the Corporation is the claimant or defendant or is involved in certain pending claims or lawsuits. To the extent that a future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the consolidated financial statements. At March 31, 2021, there were no claims made against the Corporation.

The Corporation is named as a defendant jointly and severally with its wholly-owned subsidiary corporation, SIBC, and Her Majesty in regards to its mandate for the collection of tolls at the Seaway International Crossing. The amount of the claim is $50,000, subject to accounting for bridge tolls and revenues. Transport Canada has assumed responsibility to defend against the claim. The Corporation and its subsidiary corporation, SIBC, are agent Crown Corporations in their own rights and, with respect to this claim, they are being sued for taking actions that they are mandated to take as agents of Her Majesty. The outcome, timing and amount of any settlement of this claim cannot be determined at this time due to uncertainties primarily related to the resolution of a separate land claim by the same party against Her Majesty that must first be considered. Also, the long-term legal proceedings on this matter, which have spanned decades, and the basis of inclusion of elements of bridge tolls and revenues must also be deliberated.

25. Commitments for Expenditure

a) The Corporation has commitments totaling $5,593 (2020 – $11,570) including:

i. Administrative contracts of $494 (2020 – $453) for internal audit, internet services and other contracts;

ii. Capital project contracts of $3,834 (2020 – $9,475) for the purchase of property and equipment;

iii. Maintenance contracts of $693 (2020 – $971) have been awarded; and

iv. Rental agreement of $572 (2020 - $671) for the Ottawa office lease.

Notes to the Consolidated Financial Statements (in thousands of dollars)

25. Commitments for Expenditure (continued)

b) In the normal course of business, the Corporation enters into contractual agreements for goods and services over periods beyond one year. Disbursements largely depend on future volume-related requirements and are subject to the Corporation's contractual rights of termination.

Total commitments for administrative, maintenance and capital projects contracts, in years, are as follows:

As at March 31	2021	2020
	$	$
Within one year	4,513	10,039
After one year but not more than five	497	838
More than five years	11	22
Total	5,021	10,899

Total commitments for office space, in years, are as follows:

As at March 31	2021	2020
	$	$
Within one year	98	97
After one year but not more than five	392	388
More than five years	82	186
Total	572	671

The office space lease does not contain a renewal option.

26. 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.

The carrying values and fair values of the Corporation's remaining financial assets and liabilities are listed in the following table:

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 amortized cost			
Loans payable	2,563	2,542	Level 2
Bonds payable	54,322	46,320	Level 2

Notes to the Consolidated Financial Statements (in thousands of dollars)

26. Financial Instruments (continued)

As at March 31			2020
	Value	Cost	Level
	$	$	
Financial instruments measured at fair value on a recurring basis			
Investments - fair value through other comprehensive income	16,342	16,342	Level 2
Financial instruments measured at amortized cost			
Investments - amortized cost	3,505	3,505	Level 1
Loans payable	3,111	3,075	Level 2
Bonds payable	61,619	51,860	Level 2

The credit rating of the investments measured at fair value through other comprehensive income remains in compliance with the Corporation's investment policy, which requires all investments be no lower than a grade A, based on external credit ratings.

The fair value of investments measured at fair value through other comprehensive income are priced daily by the FTSE TSX Debt Market Indices service.

The fair values of investments measured at amortized cost are quoted from active trading markets for identical assets.

A discounted cash flow method, using a factored rate equal to the prevailing market rate of interest for loans and debt bonds having similar terms and conditions, was used to determine the fair value of the loans payable and bonds payable.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation is subject to credit risk on cash, cash equivalents, investments measured at fair value through other comprehensive income, and trade and other receivables.

The Corporation manages this risk by dealing only with members of the Payments Canada or the Government of Canada and by closely monitoring the issuance and collection of credit to commercial clients. The carrying amount reported on the Corporation's Consolidated Statement of Financial Position for its financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk. At March 31, 2021 (2020 – nil) there were no provisions recorded. The credit risk is not significant for the Corporation.

The credit risk associated with cash, cash equivalents, and investments measured at fair value through other comprehensive income is reduced substantially by ensuring that cash surpluses are invested in highly liquid investments. The Corporation's policy is to invest cash surpluses in low-risk instruments at an investment grade "A" or equivalent. Management believes the risk of loss is not significant. The credit risk associated with accounts receivable is minimized since a large portion of the amount is owed from federal government departments generally within 90 days, interest on investments with a grade of "A" or equivalent, receivables from long-term international partners and a long-term commercial lease tenant which also have a past history of paying their accounts on time.

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation manages the risk by establishing budgets; maintaining cash reserves and credit facilities, establishing cash forecasts and monitoring cash flows as well as matching terms of investments to the timing of planned disbursements. The Corporation

Notes to the Consolidated Financial Statements (in thousands of dollars)

26. Financial Instruments (continued)

invests surplus cash in high credit quality government and corporate securities in accordance with the policies approved by the Board of Directors and in line with guidance from the Minister of Finance.

The following table presents a maturity analysis of the Corporation's financial liabilities based on the expected cash flows from the date of the Consolidated Statement of Financial Position to the contractual maturity date. The amounts are the contractual undiscounted cash flows.

As at March 31				**2021**
	Carrying amount	**Less than 3 months**	**3 months to 1 year**	**Over 1 year**
	$	**$**	**$**	**$**
Trade and other payables	2,064	1,377	687	-
Holdbacks	337	86	251	-
Long-term debt payable	60,338	66	11,400	48,872
Lease liability (Note 17)	1,414	65	157	1,192
Total	**64,153**	**1,594**	**12,495**	**50,064**

As at March 31				2020
	Carrying amount	Less than 3 months	3 months to 1 year	Over 1 year
	$	**$**	**$**	**$**
Trade and other payables	4,041	3,257	784	-
Holdbacks	88	29	59	-
Long-term debt payable	69,896	66	9,085	60,745
Lease liability (Note 17)	1,647	43	174	1,430
Total	75,672	3,395	10,102	62,175

MARKET RISK

Market risk is the risk of an impact on results from changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Corporation is exposed to all of these risks.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is subject to interest rate risk on its cash and cash equivalents. A 1% variation in interest rates at March 31, 2021, would not be material.

Certain fair value through other comprehensive income investments bear interest at a fixed rate. Fair value through other comprehensive income investments also include bonds of the Government of Canada, provincial governments, and corporate banks with fixed rates of interest and an average term to maturity of 10.7 years (2020 – 5.4 years). The fair market value of these instruments is indirectly affected by fluctuations of the market interest rate. The impact of a hypothetical 1% variation in interest rates at March 31, 2021 would not be material.

Credit facility, loans payable and bonds payable also bear interest at fixed rates. However, a change in the fair value would not impact the net income of the Corporation as the Corporation holds the liabilities until maturity.

26. Financial Instruments (continued)

A material variation in exchange rates during the year would significantly affect toll revenue as there is a direct correlation between the volume of traffic and the exchange rates. Assuming that volumes would not be impacted by the exchange rate, a hypothetical 1% weakening of the Canadian dollar during the course of the fiscal year would have had a $55 (2020 - $105) increase in recorded toll revenue. The Corporation's U.S. cash is held in different banks, due to the Corporation's U.S. bridge operating partners utilizing locally available banks. At March 31, 2021, the Corporation's U.S. dollar bank balance was $1,039 (2020 - $612). A hypothetical 1% variance in the exchange rate at March 31, 2021 would not be material. The Corporation manages this risk by periodically adjusting the toll rates for parity with the foreign exchange rate, and by converting currencies where applicable.

CAPITAL MANAGEMENT

The Corporation defines its capital as its retained earnings, share capital and accumulated other comprehensive income.

As per legislative authorities, the maximum amount that the Corporation can borrow is $130,000 with Minister of Finance approval (2020 – $130,000).

The Corporation's objectives in managing capital are to safeguard its ability to continue as a going concern, to fund its asset base and to fulfil its mission and objectives.

27. COVID-19 and subsequent events

As a result of COVID-19, the Canadian government enforced strict rules eliminating substantially all personal cross-border travelling between Canada and the United States since March 2020. As the restriction continues for all of fiscal 2020-21 and beyond, the Corporation has experienced a significant decrease in toll revenues. The duration and extent of the COVID-19 pandemic measures and related travel restrictions remain unclear at this time. It is not possible to reliably estimate the full effect on the Corporation at this time. Management is actively monitoring the effect on the Corporation's financial condition and probing ways to address future financial impacts. The Corporation has obtained $6,035 in government funding to cover the revenue shortfalls experienced by SIBC due to COVID-19 and partially compensate for the critical operating requirements caused by COVID-19 (see Note 18). The Corporation has secured access of up to $18,497 in emergency funding for the 2021-22 fiscal year to support the continued operations of all four bridge locations, of which a portion was received after 2019-20 yearend. The Corporation has considered the impact of this event on the valuation of its assets as at March 31, 2021, and has determined that assets are appropriately valued and that no impairments are required.

The Corporation has also been authorized to enter into a new loan agreement. The new loan agreement will replace the existing loan as this loan matures in July 2021 (see Note 15) and allows the Corporation to increase the loan face value up to $10,000. The new loan agreement has a 25 year amortization period with a five year term and an interest rate based on the market rate at the time the loan is drawn upon. As of the date of the consolidated financial statements, this loan had not been drawn upon.

Directors and Officers

The Federal Bridge Corporation Limited

BOARD OF DIRECTORS

(as of March 31, 2021)

Pascale Daigneault	*Chairperson*
Andrew Travis Seymour	*Vice-Chairperson*
Karen June Hill	*Director*
John Lopinski	*Director*
Natalie Kinloch	*Director*
Marie-Jacqueline Saint-Fleur	*Director*
Rakesh Shreewastav	*Director*

Committees Of The Board Of Directors

FINANCE AND AUDIT COMMITTEE

Marie-Jacqueline Saint-Fleur	*Chair*
Andrew Travis Seymour	*Member*
John Lopinski	*Member*

GOVERNANCE, POLICY AND HUMAN RESOURCES COMMITTEE

Rakesh Shreewastav	*Chair*
Andrew Travis Seymour	*Member*
Karen June Hill	*Member*

OFFICERS AND SENIOR MANAGERS

Natalie Kinloch, CPA, CA	*Chief Executive Officer*
Warren Askew	*Chief Operating Officer*
Richard Iglinski, CPA, CMA	*Chief Financial Officer*
Thye Lee, MEng, PEng	*Vice-President, Engineering and Construction*
Anthony Pickett	*Chief Corporate Services Officer*

Directors and Officers *(continued)*

The Seaway International Bridge Corporation, Ltd.

BOARD OF DIRECTORS

(as of March 31, 2021)

Natalie Kinloch	*President*
Carrie Mann-Lavigne	*Vice-President*
Warren Askew	*Director*
Richard Iglinski	*Director*
Thomas Lavigne	*Director*
Kevin O'Malley	*Director*
Jeffrey Scharf	*Director*
Thye Lee	*Director*

Committees Of The Board Of Directors

MANAGEMENT COMMITTEE

Natalie Kinloch	*Chair*
Carrie Mann-Lavigne	*Member*

AUDIT COMMITTEE

Kevin O'Malley	*Chair*
Richard Iglinski	*Member*

OFFICERS AND SENIOR MANAGERS

Natalie Kinloch	*President*
Carrie Mann-Lavigne	*Vice-President*
Richard Iglinski	*Treasurer*
vacant	*Assistant-Treasurer*
Wade Dorland	*Bridge Director*

Corporate Offices

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